

**Hapag-Lloyd Aktiengesellschaft**  
**€250,000,000 6.75% Senior Notes due 2022**



Hapag-Lloyd Aktiengesellschaft, incorporated as a public stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany (“**Hapag-Lloyd AG**”, the “**Company**” or the “**Issuer**”), is offering (the “**Offering**”) €250,000,000 aggregate principal amount of its 6.75% Senior Notes due 2022 (the “**Notes**”). The Issuer will pay interest on the Notes semi-annually on each February 1 and August 1, commencing August 1, 2017. Prior to February 1, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant applicable premium. Some or all of the Notes may also be redeemed at any time on or after February 1, 2019 at the redemption prices set forth in this offering memorandum (the “**Offering Memorandum**”). In addition, prior to February 1, 2019, the Issuer may redeem at its option up to 40% of the Notes with the net proceeds from certain equity offerings. If the Issuer undergoes a change of control or sells certain of its assets, the Issuer may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

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

This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg act dated July 10, 2005 on prospectuses for securities, as amended, and includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions. The Issuer has applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the “**LxSE**”) and traded on the LxSE’s Euro MTF market (the “**Euro MTF Market**”), which is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments.

**Investing in the Notes involves a high degree of risk. See “Risk Factors”  
beginning on page 30.**

**Price for the Notes: 100.000% plus accrued interest, if any, from the issue date.**

The Notes are expected to be delivered in book-entry form through Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream**”) on or about February 1, 2017 (the “**Issue Date**”).

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

*Joint Lead Managers and Bookrunners*

**Berenberg**

**Deutsche Bank**

**Credit Suisse**

*Joint Bookrunners*

**HSH Nordbank**

**ING**

**M.M.Warburg & CO**

The date of this Offering Memorandum is January 18, 2017.

## NOTICE TO INVESTORS

Prospective investors should rely only on the information contained in this Offering Memorandum. None of the Issuer, Joh. Berenberg, Gossler & Co. KG, Deutsche Bank AG, London Branch and Credit Suisse Securities (Europe) Limited (together, the “**Joint Lead Managers and Bookrunners**”), HSH Nordbank AG, ING Bank N.V., London Branch, and M.M.Warburg & CO (AG & Co.) KGaA (together, the “**Joint Bookrunners**” and, together with the Joint Lead Managers and Bookrunners, the “**Initial Purchasers**”) has authorized anyone to provide you with any information or represent anything about the Issuer, its financial results or this Offering that is not contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or any of the Initial Purchasers. None of the Issuer and the Initial Purchasers is making an offering of the Notes in any jurisdiction where this Offering is not permitted. Prospective investors should not assume that the information contained in this Offering Memorandum is accurate as at any date other than the date on the front of this Offering Memorandum.

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

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, any of its affiliates or the Initial Purchasers. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date.

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

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

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes subscribed by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum. Furthermore, the Notes are subject to restrictions on transferability and resale and may not be

transferred or resold except as permitted under the U.S. Securities Act and any other applicable federal, state or foreign securities laws pursuant to registration or exemption therefrom. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe any such restrictions. None of the Issuer, the Initial Purchasers or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the offering and sale of the Notes and the distribution of this Offering Memorandum, see “Notice to Certain European Investors” and “Transfer Restrictions”.

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

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

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

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

## **NOTICE TO CERTAIN EUROPEAN INVESTORS**

### ***European Economic Area***

This Offering Memorandum has been prepared on the basis that the offer and sale of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below) as implemented in member states of the European Economic Area, from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Notes.

Accordingly, any person making or intending to make any offer within the European Economic Area or any of its member states of the Notes which are the subject of the placement referred to in this Offering Memorandum must only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce and publish a prospectus which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented, for such offer.

For European Economic Area jurisdictions that have not implemented the Prospectus Directive, all offers of the Notes must be in compliance with the laws of such jurisdictions. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute a final placement of the Notes.

Each of the Initial Purchasers has represented and agreed that, in relation to each member state of the European Economic Area which has implemented the Prospectus Directive (as defined below) (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of the Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in the Relevant Member State at any time:

- (a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State. For the purposes of this restriction, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including Directive 201/73/EU, and including any relevant implementing measure in the Relevant Member State).

Each purchaser of the Notes offered hereby located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

### ***Germany***

The Notes may be offered and sold in the Federal Republic of Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation No (EC) 809/2004 of April 29, 2004, as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. This Offering Memorandum has not been approved under the German Securities Prospectus Act or the Prospectus Directive and accordingly the Notes may not be offered publicly in the Federal Republic of Germany. The Notes will be offered in the Federal Republic of Germany in reliance on an exemption from the requirement to publish an approved securities prospectus under the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (“**BaFin**”) or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 (3) of the German Securities Prospectus Act.

### ***United Kingdom***

Members of the public are not eligible to take part in this Offering. This Offering Memorandum is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”), (b) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (c) are outside the United Kingdom, or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”) in connection with the issue or sale of the Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). This Offering Memorandum is directed only at relevant persons and

must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. Persons distributing this Offering Memorandum must satisfy themselves that it is lawful to do so. The Notes are not being offered to the public in the United Kingdom.

### **France**

This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the “AMF”) and therefore has not been submitted for clearance to the AMF or any other competent authority of another state that is a contracting party to the agreement on the EEA and notified to the AMF. Consequently, the Notes have not been and will not be, directly or indirectly, offered or sold to the public in France, and neither this Offering Memorandum nor any other offering material relating to the Notes has been or will be distributed or caused to be distributed to the public in France. Such offers, sales and distribution of the Notes have been and will only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1, D. 411.2, D. 734-1, D. 744-1, D. 754-1 and D. 764.1 of the *Code of Monétaire et Financier* and applicable regulations thereunder.

### **Luxembourg**

The terms and conditions relating to this Offering Memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for the purposes of public offering or sale in the Grand Duchy of Luxembourg (“**Luxembourg**”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the admission to trading and listing of the Notes on the Official List of the LxSE and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended. A listing of the Notes on the LxSE does not necessarily imply that a public offering in Luxembourg has been authorized.

### **Spain**

This Offering has not been registered with the Commission Nacional del Mercado de Valores and therefore the Notes may not be offered or sold in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30bis of the Securities Market Act (“*Ley 24/1988, de 28 de julio del Mercado de Valores*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admision a negociacion de valores en mercados secundarios oficiales, de ofertas publicas de venta o suscripcion y del folleto exigible a tales efectos*”).

### **The Netherlands**

The Notes (including rights representing an interest in each global note that represents the Notes) may only be offered or sold to qualified investors within the meaning of article 5:3 (1)(a) in conjunction with article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

### **Switzerland**

This Offering Memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this Offering Memorandum, do not constitute an issue



prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange (“**SIX**” or “**SIX Swiss Exchange**”), and, therefore, the documents relating to the Notes, including, but not limited to, this Offering Memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The Notes are being offered in Switzerland by way of a private placement (*i.e.* to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This Offering Memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This Offering Memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuer’s express consent. This Offering Memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

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

## FORWARD-LOOKING STATEMENTS

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

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

- declines in demand for container shipping and related services, including declines due to global or regional economic downturns;
- cyclical fluctuations in container vessel charter rates;
- increase of container ship capacities leading to oversupply in the market and congestion in certain ports;
- the significant time lag between the ordering and the delivery of new vessels;
- oil and gas prices, and the cost and availability of raw materials, including bunker fuel;
- competitive forces, including downward pressures on freight rates, duration of our contracts with customers and our ability to retain market share in the face of competition from existing and new market entrants;
- the loss of, or deterioration of our relationship with, any significant customers;
- changing trading patterns and sharpening trade imbalances;
- our ability to keep pace with technological changes;
- operating hazards, including marine disasters, oil spills or leaks, environmental damage, death or property damage and business interruptions caused by weather, peril of the sea, mechanical failures, war or other hostilities, piracy or hijackings, explosions, fires or human error;
- acts of piracy and terrorism;
- uncertainties inherent in operating internationally, including economic and political instability, boycotts or embargoes, labor unrest, changes in foreign governmental regulations, corruption and currency fluctuations;
- changes in governmental laws and regulations, including our ability to receive or renew applicable permits or licenses and ability to comply with requirements imposed by classification societies;
- protectionist policies adopted by countries;
- changes to competition and antitrust laws;
- changes to the liability regime for the international maritime carriage of goods;

- increased costs associated with monitoring and inspection procedures aimed at preventing terrorist attacks;
- increases in cost or lack of availability of insurance coverage;
- risks related to our ability to achieve anticipated cost savings;
- risks associated with our IT systems and our ability to continue to generate operational efficiencies;
- risks associated with our membership in the Grand Alliance, the G6 Alliance and other forms of cooperation;
- currency exchange rate and interest rate fluctuations;
- risks associated with hedging transactions;
- loss of key management personnel and highly skilled employees;
- potential conflicts of interests of shareholders;
- inability to participate in, or discontinuation of, the tonnage tax regime in Germany;
- litigation risks;
- the availability of debt financing, including under our existing financing arrangements;
- our ability to refinance our indebtedness on acceptable terms as it comes due and the impact of changes in floating interest rates on our debt service costs; and
- risks associated with the UASC Business Combination (as defined herein).

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

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

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

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



## CURRENCY PRESENTATION AND DEFINITIONS

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

### Definitions

Unless otherwise specified or the context requires otherwise in this Offering Memorandum (and except as otherwise defined in “Description of the Notes” and “Description of Certain Hapag-Lloyd Financing Arrangements” and “Description of the UASC Business Combination—Description of Certain UASC Financing Arrangements” for purposes of those sections only):

- references to “we”, “us”, “our”, “Hapag-Lloyd” and the “Group” are to Hapag-Lloyd AG together with its consolidated subsidiaries;
- references to “capacity” are to the maximum number of containers as measured in TEU that could theoretically be loaded onto a container ship without taking into account operational constraints (including, but not limited to, the actual weight of any loaded containers); with reference to a fleet, a carrier or the container shipping industry, capacity is the total TEU nominal capacity of all ships in the fleet, the carrier or the industry, as applicable;
- references to “Capital Increase I” are to the issuance of new shares of the Issuer in connection with the UASC Business Combination, which originate from a capital increase against contribution-in-kind to be resolved on by the executive board of the Issuer and to be approved by the supervisory board of the Issuer utilizing the authorized capital resolved by the ordinary meeting of the shareholders of the Issuer on August 26, 2016;
- references to “Capital Increase II” are to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination, of which the HL BCA Controlling Shareholders have committed to underwrite 50% of the new shares issued and the UASC Controlling Shareholders have committed to underwrite the other 50% of the shares issued;
- references to “carrier” are to a company providing container shipping services;
- references to “CCS Activities” are to CSAV’s container shipping activities, which were carved out of CSAV’s business as part of the CCS Activities Business Combination;
- references to the “CCS Activities Business Combination” are to the corporate merger of the CCS Activities with those of Hapag-Lloyd, which was completed on December 2, 2014;
- references to the “Company”, the “Issuer” or “Hapag-Lloyd AG” are to Hapag-Lloyd Aktiengesellschaft excluding its consolidated subsidiaries;
- references to “Consortium” are to Hamburgische Seefahrtsbeteiligung “Albert Ballin” GmbH & Co. KG, a consortium which (prior to its dissolution by shareholder resolution in 2013) consisted of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“HGV”), an investment holding company of the City of Hamburg; Kühne Maritime GmbH (“Kühne Maritime”); SIGNAL IDUNA GRUPPE (“Iduna”); HSH Nordbank AG (“HSH”); HanseMerkur Krankenversicherung AG and HanseMerkur Lebensversicherung AG (together “HanseMerkur”) and M.M.Warburg & CO. KGaA (“M.M.Warburg”);
- references to “Consortium Company” means Hamburg Container Lines Holding GmbH & Co KG, a limited partnership formed pursuant to the Shareholders’ Agreement;
- references to “CSAV” are to Compañía Sud Americana de Vapores S.A.;
- references to “CTA” is to HHLA Container Terminal Altenwerder GmbH;
- references to the “Existing 2010 Dollar Notes” are to the Issuer’s outstanding US\$125,000,000 aggregate principal amount of its 9.75% Senior Notes due 2017;
- references to the “Existing 2013 Notes” are to the Issuer’s €400,000,000 aggregate principal amount of its 7.75% Senior Notes due 2018;

- references to the “**Existing 2014 Notes**” are to the Issuer’s €250,000,000 aggregate principal amount of its 7.50% Senior Notes due 2019;
- references to the “**Existing Notes**” are to the Existing 2010 Dollar Notes, the Existing 2013 Notes and the Existing 2014 Notes;
- references to “**Hapag-Lloyd Container Financings**” are to the Hapag-Lloyd container financing comprising the (i) Container Finance 2011, Container Finance 2012, Container Finance 2015, Japanese Operating Leases, TAL Container Finance Lease July 2013, TAL Container Finance Lease September 2013, SeaCube Container Finance Lease 2013, Dong Fang Container Finance Lease 2014, (ii) container finance lease contracts comprising Intermodal Container Lease IV, Intermodal Container Lease V, Seaco Container Finance Lease 114112/114113/104707, TAL Container Finance Lease December 2013, Textainer Finance Lease Agreement 2013 and Textainer Finance Leases 2015 (in each case as defined under “Description of Certain Hapag-Lloyd Financing Arrangements”);
- references to “**Hapag-Lloyd Vessel Financings**” are to (i) Hapag-Lloyd fleet financings comprising the Fleet Financing 2015, Fleet Financing 2016, Fleet Refinancing 2012, Quartet financing, the HSH Vessel Financing, the DVB Vessel Financing, the BNPP 1 Vessel Financing, the BNPP 2 Vessel Financing, the Montréal and Toronto Vessel Financing and the ABN Amro Fleet Financing, (ii) the K-Sure financing comprising the K-Sure I Financing, the K-Sure II Financing and the K-Sure III Financing and (iii) Hapag-Lloyd Vessel finance lease contracts comprising 3-Vessel Finance Lease Contracts (in each case as defined under “Description of Certain Hapag-Lloyd Financing Arrangements”) and accrued interest;
- references to “**HL BCA Controlling Shareholders**” are to CG Hold Co, HGV and Kühne Maritime;
- references to “**Kühne**” are to Kühne Maritime and Kühne Holding AG, together;
- reference to “**Kühne Maritime**” are to Kühne Maritime GmbH, a wholly owned subsidiary of Kühne Holding AG;
- references to the “**Notes Transactions**” are to the Offering and the Redemption;
- references to “**Offering**” are to the offering of €250,000,000 6.75% senior notes due 2022 on the date hereof;
- references to “**PIF**” are to The Public Investment Fund of the Kingdom of Saudi Arabia;
- references to “**QH**” are to Qatar Holding LLC;
- references to “**Redemption**” are to the Issuer’s full redemption of the Existing 2010 Dollar Notes to be made after the Issue Date with the gross proceeds of this Offering;
- references to “**Secured Revolving Credit Facility**” are to a US\$200,000,000 (initially US\$360,000,000) revolving facility agreement, dated October 1, 2010, as amended, which matures October 1, 2018 and under which US\$125.0 million were outstanding as of September 30, 2016.
- references to “**Shareholders’ Agreement**” are to a shareholders’ agreement among CG Hold Co, HGV and Kühne Maritime dated April 16, 2014 (as amended and acceded to by CSAV and Tollo on November 17, 2014 and as further amended from time to time);
- references to “**Shareholder Support Agreement**” and “**SSA**” are to the shareholder support agreement among Hapag-Lloyd AG, UASC (S.A.G), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders to support their respective commitment made under the UASC BCA;
- references to “**short-term**” charters, “**medium-term**” charters and “**long-term**” charters are to charters for a term of (i) up to twelve months, (ii) including twelve months and through 36 months and (ii) more than 36 months, respectively;
- references to “**THB**” are to TUI-Hapag Beteiligungs GmbH;
- references to the “**Transactions**” are to the Notes Transactions and the UASC Transactions;
- references to “**TUI**” are to TUI AG and its subsidiaries;
- references to “**UASC**” are to UASC (S.A.G.) together with its subsidiaries;

- references to “**UASC BCA**” are to the business combination agreement entered into by the Issuer and the United Arab Shipping Company S.A.G. on July 15, 2016;
- references to the “**UASC Business Combination**” are to the combination of the Issuer and UASC (S.A.G.) of all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its subsidiaries (together, “**UASC**”) with Hapag-Lloyd AG;
- references to the “**UASC Controlling Shareholders**” are to QH and PIF;
- references to “**UASC Container Financings**” are to (i) the Al Rayyan Container Financing, (ii) the SINOSURE-backed Container Financing, (iii) the SG Container Box Financing, (iv) the Wakrah JOLCO Financing, (v) the Busaiten JOLCO Financing, (vi) the Hira JOLCO Financing, (vii) the Al Madinah JOLCO Financing, (viii) the Al Oyun JOLCO Financing, (ix) the Manamah JOLCO Financing and (x) such other container financing arrangements as described under “The UASC Business Combination—Description of Certain UASC Financing Arrangements” (in each case as described and defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements—UASC’s Financing Arrangements”);
- references to “**UASC Corporate Debt**” are to (i) the ABC Credit Financing, (ii) the Burgan Unsecured Facility, (iii) the CBD Unsecured Facility, (iv) the AUB Unsecured Facilities, (v) the Gulf Bank Facility Agreement, (vi) the QIB Facility, (vii) the AUB Secured Facility and (viii) the TD Bank Loan Note (in each case as defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements—UASC’s Financing Arrangements”);
- references to “**UASC (S.A.G.)**” are to United Arab Shipping Company (S.A.G.) excluding its subsidiaries, which will be reorganized and renamed United Arab Shipping Company Limited prior to closing of the UASC Business Combination;
- references to the “**UASC Transactions**” are to the UASC Business Combination, the Capital Increase I and the Capital Increase II;
- references to “**UASC Vessel Financings**” are to (i) the 2008 Containership Financing, (ii) KEXIM Vessel Financing, (iii) the ABN Secured Vessel Financing, (iv) the Citibank Secured Vessel Financing, (v) the DB Secured Vessel Financing, (vi) the Burgan Vessel Financing, (vii) the QNB Vessel Financing, (viii) the Syndicated Vessel Financing, (ix) the ADNL Vessel Financing, (x) the Al Riffa Financing, (xi) the Jebel Ali Financing, (xii) the Al-Mutanabbi JOLCO Financing and (xiii) the EMTC Transaction (in each case as defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”);
- references to “**Unsecured Revolving Credit Facility**” are to a US\$125,000,000 million unsecured revolving credit facility dated October 14, 2015, which matures on October 14, 2018 and under which US\$125.0 million were outstanding as of September 30, 2016;
- references to the “**U.S.**” or the “**United States**” are to the United States of America; and
- references to “**Vessel Financings**” are to the Hapag-Lloyd Vessel Financings and the UASC Vessel Financings, together.

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

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Hapag-Lloyd AG Financial Statements

In this Offering Memorandum, the selected historical financial information of the Group as of and for the financial years ended December 31, 2015, 2014 and 2013 (the “**financial year 2015**”, “**financial year 2014**” and “**financial year 2013**”, respectively), including prior-year comparative figures, (i) if presented as “audited”, is taken from the audited consolidated financial statements of the Issuer as of and for the financial years 2015, 2014, and 2013 (together, the “**Audited Consolidated Financial Statements**”) and, (ii) if presented as “unaudited”, is either taken or derived from our Unaudited Interim Condensed Consolidated Financial Statements (as defined below) or derived from our Audited Consolidated Financial Statements or from our accounting records or management reporting or is based on calculations of these figures. The Audited Consolidated Financial Statements were prepared by the Issuer in accordance with the International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”), and the supplementary accounting provisions of German commercial law pursuant to Section 315a (1) German Commercial Code (*Handelsgesetzbuch*).

Hapag-Lloyd AG has published consolidated financial statements for the Group for the last three financial years and for the first nine months of 2016 (the “**Reporting Period**”).

The following selected historical financial information of the Group as of and for the nine months ended September 30, 2016 and 2015 is taken or derived from the Issuer’s unaudited interim condensed consolidated financial statements as of and for the nine months ended September 30, 2016 (including comparative figures for the nine months ended September 30, 2015) (the “**Unaudited Interim Condensed Consolidated Financial Statements**” and, together with the Audited Financial Statements, the “**Consolidated Financial Statements**”), the Issuer’s accounting records or its management reporting. The Unaudited Interim Condensed Consolidated Financial Statements were prepared by the Issuer in accordance with the International Accounting Standard (“**IAS**”) 34: Interim Financial Reporting.

The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

UASC is not included in the figures for the financial years ended December 31, 2015, 2014 and 2013 and the nine months ended September 30, 2016 and 2015.

The Audited Consolidated Financial Statements were audited by KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Straße 11-17, 20459 Hamburg, Germany (“**KPMG**”), who issued an unqualified auditor’s report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this Offering Memorandum. The audits of the Audited Consolidated Financial Statements for each of the financial years 2015, 2014 and 2013 were conducted in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch*) and German generally accepted standards for the audit of financial statements of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*).

The unaudited financial information for the twelve months ended September 30, 2016 included in this Offering Memorandum is based on the Consolidated Financial Statements of Hapag-Lloyd AG and is calculated by taking the results of operations for the nine months ended September 30, 2016 (as shown in the Unaudited Interim Condensed Consolidated Financial Statements) and adding the results of operations for the full year ended December 31, 2015 (as shown in the 2015 Audited Consolidated Financial Statements) and subtracting the results of operations for the nine months ended September 30, 2015 (as shown in the Unaudited Interim Condensed Consolidated Financial Statements). The unaudited financial information for the twelve months ended September 30, 2016 consists of non-IFRS financial measures.

IFRS differs in certain material respects from generally accepted accounting principles in the United States of America (“**U.S. GAAP**”). As a result, the results of operations and financial condition derived from the financial statements that are included in this Offering Memorandum may differ substantially from the results of operations and financial condition derived from financial statements prepared in accordance with U.S. GAAP. The Issuer has not prepared a reconciliation of its financial information to U.S. GAAP or a summary of significant accounting differences in the accounting and valuation methods of IFRS and U.S. GAAP nor has it otherwise reviewed the impact the application of

U.S. GAAP would have on its financial reporting. Accordingly, in making an investment decision, investors must rely on their own examination of the Issuer's financial information.

### **Hapag-Lloyd *Pro Forma* Financial Information**

In this Offering Memorandum, Hapag-Lloyd AG *pro forma* financial information has been derived from:

- the unaudited *pro forma* consolidated statement of financial position of Hapag-Lloyd AG as of September 30, 2016 and the notes thereto (the “***Pro Forma Nine Months 2016 Consolidated Statement of Financial Position***”);
- the unaudited *pro forma* consolidated income statement of Hapag-Lloyd AG for the nine months ended September 30, 2016 and the notes thereto (the “***Pro Forma Nine Months 2016 Consolidated Income Statement***”); and
- the unaudited *pro forma* consolidated income statement of Hapag-Lloyd AG for the financial year ended December 31, 2015 and the notes thereto (the “***Pro Forma 2015 Consolidated Statement of Comprehensive Income***”). The *Pro Forma* Nine Months 2016 Consolidated Statement of Financial Position, the *Pro Forma* Nine Months 2016 Consolidated Income Statement and the *Pro Forma* 2015 Consolidated Income Statement, together, the “**Hapag-Lloyd *Pro Forma* Financial Information**”.

The unaudited Hapag-Lloyd *Pro Forma* Financial Information contained in this Offering Memorandum has been derived by applying *pro forma* adjustments to the following historical financial information of Hapag-Lloyd AG and the financial statements of UASC (S.A.G.):

- Unaudited Interim Condensed Consolidated Financial Statements;
- 2015 Audited Consolidated Financial Statements;
- the unaudited special purpose condensed interim financial information of UASC (S.A.G.) as of and for the nine months ended September 30, 2016; and
- the unaudited special purpose condensed financial information of UASC (S.A.G.) as of and for the year ended December 31, 2015.

The historical financial information of Hapag-Lloyd AG is published whereas that of UASC was not.

The financial information of UASC as provided under the column “UASC” in the Hapag-Lloyd *Pro Forma* Financial Information, which is derived from financial information of UASC that was audited and reviewed by Ernst & Young, was adjusted and reclassified to align the accounting policies used in the preparation of financial information of UASC to the accounting policies that were used by Hapag-Lloyd AG in the preparation of the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2015 and the unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the nine months ended September 30, 2016, as applicable. See “Unaudited *Pro Forma* Financial Information”.

The purpose of the Hapag-Lloyd *Pro Forma* Financial Information is to present Hapag-Lloyd AG's *pro forma* consolidated income statements for the financial year ended December 31, 2015 and for the nine months ended September 30, 2016, in each case as if the UASC Business Combination, the Capital Increase I and the Capital Increase II had occurred as of January 1, 2015 and Hapag-Lloyd AG's *pro forma* consolidated interim statement of financial position as if the UASC Business Combination had occurred as of September 30, 2016. Because of its nature, the Hapag-Lloyd *Pro Forma* Financial Information describes only a hypothetical situation and, therefore, does not indicate the future development of Hapag-Lloyd AG's financial condition, results of operation and cash flows.

The Hapag-Lloyd *Pro Forma* Financial Information should further be read in conjunction with the other financial information appearing elsewhere in this Offering Memorandum, including “Management's Discussion and Analysis of Financial Conditions and Results of Operations”.

The UASC Business Combination will be accounted in accordance with IFRS 3 (Revised), business combinations. The allocation of the preliminary purchase price as reflected in the Hapag-Lloyd *Pro Forma* Financial Information has been based upon preliminary estimates of the total consideration transferred for the acquisition and preliminary estimates of the fair value of the assets acquired and liabilities assumed of UASC. A final determination of the fair value of assets acquired



and liabilities assumed of UASC will be based on the actual assets and liabilities of UASC that are going to exist at the date of the acquisition. Such valuations could change significantly upon the completion of further analyses and asset valuations from those used in the Hapag-Lloyd *Pro Forma* Financial Information. The final valuation will be completed in succession of the acquisition date. The preliminary purchase price allocation in accordance with IFRS 3 (Revised) is subject to change based on timing of the closing of the UASC Business Combination and the determination of the acquisition date.

The unaudited *pro forma* financial information for the twelve months ended September 30, 2016 included in this Offering Memorandum is based on the Hapag-Lloyd *Pro Forma* Financial Information and is calculated by taking the *pro forma* results of operations for the nine months ended September 30, 2016 (as shown in the *Pro Forma* Nine Months 2016 Consolidated Income Statement) and adding the *pro forma* results of operation for the three months ended December 31, 2015 (as shown in footnote 1 to the table “*Pro Forma* Consolidated Income Statement for the year ended December 31, 2015” in the Hapag-Lloyd *Pro Forma* Financial Information).

The Hapag-Lloyd *Pro Forma* Financial Information is for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that would have been reported had the UASC Business Combination been completed as of the date presented, and should not be taken as representative of future consolidated results of operations or financial position.

### **Non-IFRS Financial Measures**

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

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

### **As Adjusted Financial Information**

We present in this Offering Memorandum certain as adjusted financial information for the Issuer as of and for the twelve months ended September 30, 2016, which is based on the consolidated financial information of the Issuer (as described above under “—Hapag-Lloyd AG Financial Statements”), on an as adjusted basis to reflect certain effects of the Notes Transactions on the indebtedness, cash position and interest expense of the Group. See “Summary—Summary Consolidated

Financial and Other Information—Hapag-Lloyd AG Financial Information—Key Figures from Our Other Financial Information”. This adjusted financial information as of and for the twelve months ended September 30, 2016 has been prepared for illustrative purposes only and does not represent what our actual interest expense would have been had the Notes Transactions occurred on October 1, 2015 or what our actual cash position or indebtedness would have been had the Notes Transactions occurred on September 30, 2016, nor does it purport to project our indebtedness, cash position or interest expense at any future date. The adjusted financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting adjusted financial information have been audited in accordance with any generally accepted auditing standards.

## PRESENTATION OF INDUSTRY AND MARKET DATA

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

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

- Alphaliner Monthly Monitor, February 2016
- Alphaliner Weekly Review, various issues, October 2016
- Alphaliner Monthly Monitor, October 2016
- Alphaliner Monthly Monitor, December 2016
- Clarksons Research, Container Intelligence Quarterly, October 2016
- Clarksons Research, Container Intelligence Quarterly, Q3 2016
- Clarksons Research Seaborne Trade Monitor, October 2016
- Clarksons Research, Container Intelligence Monthly, October 2016
- Clarksons Research Services Limited, November 2016
- Clarkson Research, December 2016
- Container Trade Statistics, October 2016
- Container Trade Statistics, December 2016
- Drewry Maritime Research, Container Forecaster & Annual review, Q3 2016
- Dynamar Reefer Report 2015
- Dynamar REEFER Analytics—Market, Structure, Conventional, Containers, 12, 2015
- International Monetary Fund, World Economic Outlook, Uneven Growth: Short and Long-Term Factors, April 2016
- IMF, January 2014
- International Monetary Fund, World Economic Outlook, October and various issues 2016
- International Monetary Fund, World Economic Outlook Database
- MDS Transmodal, February 2001
- MDS Transmodal, July 2001
- MDS Transmodal, July 2015
- MDS Transmodal, October, various issues 2016
- MDS Transmodal, December 2016
- OECD/International Transport Forum, The Impact of Mega-Ships, 2016
- Shanghai Shipping Exchange, January 13, 2017

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

Information regarding the synergies from the combination of Hapag-Lloyd AG and UASC (S.A.G.) of all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its subsidiaries (together, “UASC”) with Hapag-Lloyd AG (the “**UASC Business Combination**”) is based on and has been extracted from a third party report (the “**Synergy Report**”), which has been prepared by Hapag-Lloyd, UASC and a third party. The information contained in this Offering Memorandum that cites the Synergy Report does not purport to be complete and is qualified in its entirety by reference to

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

The section in this Offering Memorandum entitled “Industry and Market Data” has been reviewed by the Institute for Shipping Economics and Logistics, Universitätsallee 11–13, Bremen, Germany (“ISL”) (expert: Prof. Dr. Burkhard Lemper, Professor at the University of Applied Science Bremen). ISL is a private independent non-profit foundation, providing maritime research. ISL has advised us that this section accurately describes the container shipping market.

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

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

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

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

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

## EXCHANGE RATE INFORMATION

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

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

The Bloomberg Composite Rate of the euro at 12:00 p.m. New York time on January 17, 2017 was US\$1.0713 per €1.00.

	<u>Period end</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
		<i>(U.S. dollars per €1.00)</i>		
<b>Year</b>				
2012 .....	1.3192	1.2860	1.3458	1.2061
2013 .....	1.3743	1.3285	1.3804	1.2780
2014 .....	1.2098	1.3284	1.3932	1.2098
2015 .....	1.0856	1.1098	1.2002	1.0497
2016 .....	1.0520	1.1070	1.1532	1.0389
Nine months ended September 30, 2015 .....	1.1177	1.1148	1.2002	1.0497
Nine months ended September 30, 2016 .....	1.1240	1.1167	1.1532	1.0747
<b>Month</b>				
August 2016 .....	1.1158	1.1205	1.1354	1.1086
September 2016 .....	1.1240	1.1214	1.1260	1.1147
October 2016 .....	1.0981	1.1024	1.1212	1.0881
November 2016 .....	1.0588	1.0786	1.1143	1.0554
December 2016 .....	1.0520	1.0538	1.0764	1.0389
January 1—January 17, 2017 .....	1.0713	1.0574	1.0713	1.0406



## SUMMARY

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

### Overview

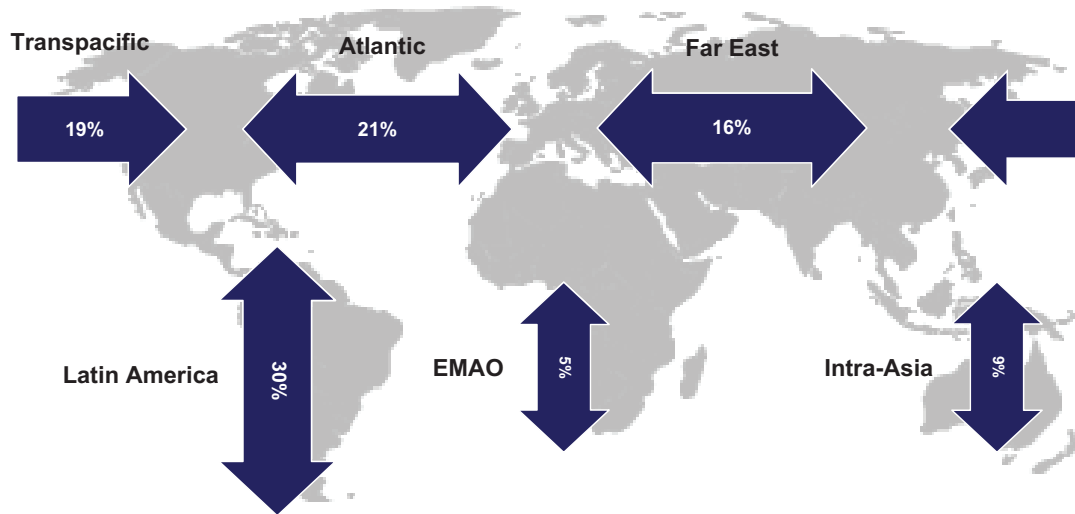
We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the largest container shipping line based in Germany and one of the largest in the world (source: MDS Transmodal, December 2016). We offer our customers a comprehensive range of services through an extensive network with 125 liner services worldwide, combined with the support of strong local presences with around 366 sales offices (including agents) in 121 countries as of September 30, 2016. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers’ transport service requirements.

We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence in the high-volume Far East trade (Europe-Asia), the Atlantic (Europe-North America) and Transpacific (Asia-North America) trades as well as in the Latin American trade. In addition, the EMAO (Europe-Mediterranean-African-Oceania) trade as well as the Intra-Asia trade contribute to our overall transport volume.

Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 56% of our total transport volume in the nine months ended September 30, 2016, as well as in the North-South trades, which accounted for 44% of our total transport volume in the nine months ended September 30, 2016. In the financial year ended December 31, 2015 and in the nine months ended September 30, 2016, these trades contributed to our total transport volumes as follows: Latin America (30% and 30%, respectively), Atlantic (21% and 21%, respectively), Far East (17% and 16%, respectively), Transpacific (19% and 19%, respectively), Intra-Asia (8% and 9%, respectively) and EMAO (5% and 5%, respectively). For the percentages reflecting the changes in our total transport volume, see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”.

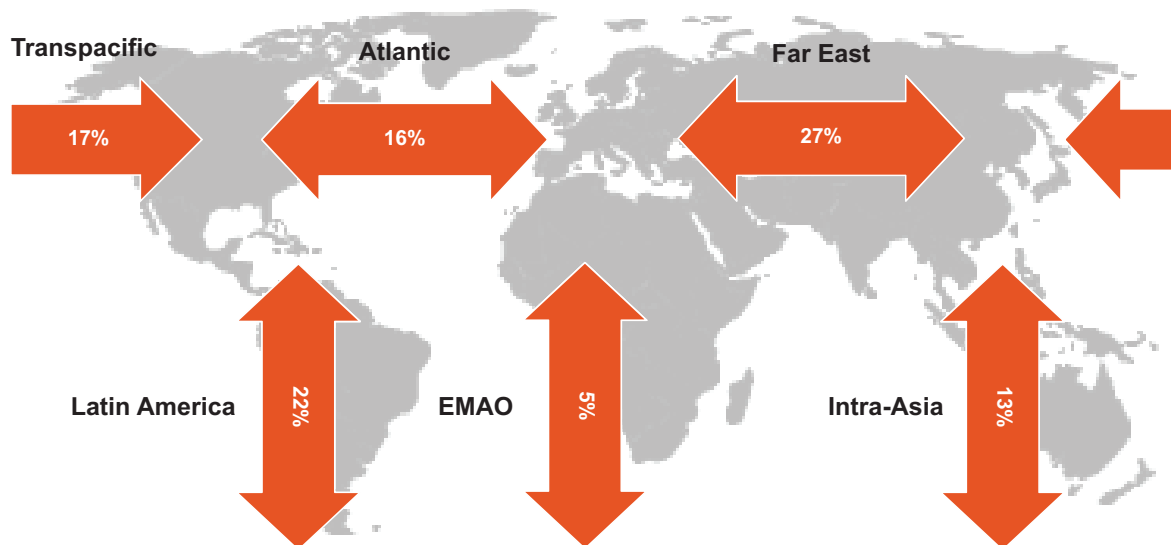
The chart below shows Hapag-Lloyd’s transport volumes by trade for the nine months ended September 30, 2016.

**Transport volume by trade (September 30, 2016)**



Following the satisfaction of all conditions precedent to the closing of the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company (S.A.G.) (“UASC (S.A.G.)”) and its subsidiaries (together, “UASC”) with Hapag-Lloyd AG (the “UASC Business Combination”), we expect that the combination with one of the largest container shipping companies by capacity based in the Middle East will strengthen our market position as one of the top five shipping companies by capacity and enhance our market position in the attractive Middle East trade where we intend to seize opportunities for further profitable growth. See “Risk Factors—Risks Relating to the UASC Business Combination—The UASC Business Combination could fail”. We believe that the UASC Business Combination will not only significantly enhance our global reach and the network we are able to offer to our customers, but also allows us to increase our competitiveness through UASC’s young and fuel-efficient fleet with a large share of ultra-large container vessels (“ULCVs”) without having to spend additional capital expenditure on such vessels of our own and to harness further synergies. As a result of the UASC Business Combination, we expect our portfolio of trades to become even more balanced, with four of our seven reported trades having a transport volume of at least one million TEU (Atlantic, Transpacific, Far East, Latin America). The chart below shows Hapag-Lloyd’s and UASC’s combined transport volumes by trade for the nine months ended September 30, 2016.

**Transport volume by trade (September 30, 2016)**



Our fleet is one of the largest container ship fleets globally (source: MDS Transmodal, December 2016). As of November 30, 2016, we had a fleet of 166 container ships with a total transport capacity of 952,802 TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 70, chartered 93 and finance leased three container ships. Of the 166 container vessels, we have chartered out three ships. Through the UASC Business Combination, we will acquire an additional 61 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. As of September 30, 2016, we managed a fleet of 938,399 containers with a total transport capacity of 1,531,074 TEU, approximately 43% of which we owned with the remainder being rented. As a result of the UASC Business Combination, we will acquire an additional 426,953 containers with a capacity of 683,097 TEU. As of September 30, 2016, we invested in 5,650 containers. As of September 30, 2016, our order book comprised five new vessels each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. As a result of these investments, our ownership ratio in vessels is expected to increase.

In May 2016, we announced the founding of THE Alliance, which will become our new main shipping alliance as of April 2017 (subject to certain regulatory approvals) and replace our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations as of April 2017. Besides us, THE Alliance will consist of Mitsui O.S.K. Lines (“**MOL**”), Nippon Yusen Kaisha Lines (“**NYK**”), Kawasaki Kisen K.K. (“**K-Line**”) and Yang Ming Marine Transport Corp. (“**Yang Ming**”) and is expected to become operational in April 2017. UASC, as part of Hapag-Lloyd, will become part of THE Alliance. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. Hapag-Lloyd AG is one of the founding members of the G6 Alliance (whose other members are, besides us, American President Lines Ltd. (“**APL**”), Hyundai Merchant Marine Co., Ltd. (“**HMM**”), MOL, NYK and Orient Overseas Container Line Limited (“**OOCL**”), currently one of the world's largest operating container shipping alliances with a total combined capacity of approximately 3.5 million TEU, representing a 17% share of the global transport capacity (source: MDS Transmodal, February 2016). In addition, we maintain cooperation arrangements with other carriers. We are one of the founding members of the Grand Alliance, which also includes OOCL and NYK, of which the majority of services were merged with those of the New World Alliance to form the G6 Alliance.

Such arrangements allow us to optimize fleet utilization by sharing capacity and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. For the nine months ended September 30, 2016, approximately 40% of our total transport volume was carried on either our owned or chartered vessels contributed to the G6 Alliance and the Grand Alliance, or vessels made available to us through the G6 Alliance and Grand Alliance. In addition, we have entered into a cooperation arrangement with CMA CGM S.A. (“**CMA CGM**”) and Hamburg Süd Group (“**Hamburg Süd**”), offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (e.g., reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in HHLA Container Terminal Altenwerder GmbH (“**CTA**”) in the Port of Hamburg, one of the most modern container terminal facilities in the world (source: HHLA Hamburger Hafen und Logistik AG, November 2016).

The Group is headquartered in Hamburg, Germany. As of September 30, 2016, we had 9,397 total employees worldwide. In the financial year ended December 31, 2015 and in the nine months ended

September 30, 2016, we generated revenue of €8,841.8 million and €5,713.8 million (2014: €6,807.5 million, 2013: €6,567.4 million), respectively, and EBITDA of €831.0 million and €381.3 million (2014: €98.9 million, 2013: €389.1 million), respectively.

For a more detailed breakdown of our total revenue by geography, see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the nine months ended September 30, 2016 and 2015”, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the Financial Years Ended December 31, 2015 and 2014” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the Financial Years Ended December 31, 2014 and 2013”.

### **Our Strengths**

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

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

Demand for container liner shipping services has been, and will continue to be, positively correlated to the performance of the global economy and the development of global trade volumes. According to the International Monetary Fund (“IMF”), the volume of global trade, which is key to the demand for container liner shipping services, is forecasted to increase by 2.3% in 2016 and growth of global trade is expected to accelerate to 3.8% in 2017 as economic growth in industrialized countries such as the USA and Japan and the industrialized Euro-zone is predicted to remain positive (source: IMF, World Economic Outlook, October 2016). With the world trading volume forecast to grow, demand for container liner shipping services is expected to increase gradually. According to Clarksons Research, Container Intelligence Monthly (October 2016), the global container liner shipping volume has increased from 139.2 million TEU in 2010 to 175 million TEU in 2015 and is expected to reach approximately 180.6 million TEU in 2016. This would put the forecasted rise in worldwide transport volumes in container liner shipping for 2016 and 2017 above the forecasted rate of growth for global GDP growth. Over the last 16 years we have more than doubled our share of global transport capacity in the container liner sector from 2.0% in 2000 to about 4.5% as of September 30, 2016 (source: MDS Transmodal February 2001 and December 2016). We achieved this by expanding our service network and through successfully integrating Compañía Sud Americana de Vapores S.A.’s (“CSAV”) container shipping business (“**CCS Activities**”) in 2014 and the CP Ships Ltd. acquisition in 2005 and will continue to do so through the UASC Business Combination. As one of the largest container liner shipping companies worldwide with an extensive network comprising 125 services worldwide, we expect to benefit from continued positive growth in the industry.

As a combined entity, Hapag-Lloyd and UASC will possess a competitive position, evidenced by our market shares of approximately 12%, 27%, 6% and 10% on the Latin America, Atlantic, Transpacific and Far East trades, respectively (these market shares are estimates based on TEU we transported for our customers on each of the trades and container liner shipping transport volume data from Alphaliner Monthly (December 2016). Based on weekly capacity employed, Alphaliner estimates our market share (Hapag-Lloyd stand-alone) to be 11%, 25%, 4% and 3% on the Latin America, Atlantic, Transpacific and Far East trades, respectively (source: Alphaliner Monthly Monitor, December 2016). As a result of the UASC Business Combination, we estimate that our market share will become more balanced on the Atlantic, Transpacific and Far-East trades, respectively, and will provide greater protection against cyclical fluctuations in individual trades. We believe that we are well positioned to benefit from growth trends in the attractive niche businesses such as reefer, project cargo and dangerous goods businesses, where we have a long-standing and well-recognized expertise. With our fleet of state-of-the-art reefers with a capacity of 133,308 TEU, to transport temperature-sensitive cargo such as fruit, vegetables, meat and fish as well as high value reefer cargo such as pharmaceuticals and healthcare products, we possess one of the largest reefer container fleets in the industry (source: Dynamar Reefer Report 2015). We already own 53% of our reefer fleet and have an order of additional reefer containers with a total capacity of 5,750 TEU in September 2016 with an expected delivery until the end of 2016. Our position in the reefer business will be further strengthened by the new 9,300 TEU vessels which we received over the past year as well as the new orders for five 10,500 TEU vessels that we have already placed. Both vessel

types possess a large number of reefer plugs (1,400 reefer plugs per vessel and 2,100 reefer plugs per vessel, respectively), enhancing our carriage capacities for temperature sensitive cargo.

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

Furthermore, we are actively exploring further value adding market niches—we are one of only three container carriers worldwide being certified to carry U.S. governmental cargo with five of our vessels sailing under U.S. flag. In addition, we have a strong position in the flag-protected cabotage services on the trade routes Chile-Brazil, intra-Chile and intra-Peru, which represent attractive niche businesses as due to flag restrictions, other carriers are not able to offer these services.

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

***Well-balanced route mix and exposure to attractive markets strongly supported by our membership in THE Alliance as of April 2017 and G6 Alliance and through several cooperation agreements.***

As of September 30, 2016, we had 366 sales offices in 121 countries and 125 liner services, supported by our cooperation within THE Alliance as of April 2017 (subject to certain regulatory approvals), the G6 Alliance and arrangements with several other carriers. As a result, we maintain a portfolio of trades (a trade combines liner services between two land masses) which we believe to be more balanced than that of any other liner, covering all major markets and regions. We are one of the few leading carriers with an almost equal exposure both to the high-volume East-West trades (in the financial year 2016 the container liner shipping transport volume in the East-West trades is expected to account for around 42% as compared to the remainder of the global trades) as well to the attractive North-South trades (source: Clarksons Research, Container Intelligence Quarterly, December 2016). Each of the Latin-America, Atlantic, Far-East and Transpacific contributed 29.6%, 20.5%, 16.4%, and 19.3%, respectively, to our total container liner shipping transport volume of 5,650 million TEU in the nine months ended September 30, 2016. In addition, the Intra-Asia and the EMAO (Europe-Mediterranean-Africa-Oceania) trades made a substantial contribution of 8.7% and 5.5%, respectively, to our overall transport volume in the nine months ended September 30, 2016. We have a strong market position in the attractive North and South America trades. Together with our present and future Alliance partners as well as with our other cooperation partners we have a strong market position in terms of capacity in two of the three East-West trades (Far East and the Transpacific trades) as well as in the Latin-America and are joint market leader in the Atlantic trade in terms of capacity deployed (source: Alphaliner Monthly Monitor, December 2016). In addition, the UASC Business Combination will strengthen our operations in the Middle East through UASC’s established presence in the region. We intend to support our presence in the Middle Eastern region by establishing a fifth Hapag-Lloyd regional center in Dubai. Our enhanced service network ensures that we are well positioned to benefit from an increase in trade flows around the globe while our balanced trade lane portfolio enables us to be more resilient to adverse market developments on any one trade lane.

In addition, through our membership in THE Alliance as of April 2017, the G6 Alliance and several cooperation agreements we share capacity with other carriers on the major East-West trades as well as the North-South trades which enable us to maintain favorable utilization rates of our vessel and



container fleet, consistently extend the range as well as the geographic scope of our services, and offer our customers improved services, shorter transit times, more frequent sailings and more direct port calls which will further benefit our perception and position in the market. As a member of THE Alliance as of April 2017, we will focus on the coordination of THE Alliance members' respective landside/terminal operations in order to generate additional cost benefits. We believe that the degree of integration in THE Alliance is therefore higher when compared to the Ocean Alliance and the 2M. Our ability to coordinate our services with other alliance members also allows us to use capacity more efficiently, entailing cost savings and lower capital expenditures. In addition, our use of cooperation arrangements facilitates our entrance into new markets by lowering our entry costs through, for example, allowing us to use our partners' vessels. Together with our G6 and THE Alliance partners we have a strong market position in terms of capacity in two of the three East-West trades (Far East and the Transpacific trades) as well as in the Latin-America and are joint market leader in the Atlantic trade in terms of capacity deployed (source: Alphaliner Monthly Monitor, December 2016).

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

The composition of our fleet provides us with a significant degree of flexibility in our operations. We are able to swiftly deploy our vessels on our different trade lanes and actively manage and control the optimal use of the vessels depending on the respective demand and slot allocation. As of September 30, 2016, our fleet comprises 166 container vessels (including three vessels which we have chartered out), of which we owned 70, chartered 93 and finance leased three. Through the UASC Business Combination, we will acquire an additional 61 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017.

In line with our market position on high-volume trades, approximately 86% of our capacity consists of vessels with a capacity in excess of 4,600 TEU while approximately 52% of our total fleet have a capacity in excess of 8,000 TEU as of September 30, 2016. We focus on owning larger vessels, resulting in the average size of our entire vessel fleet being approximately 5,740 TEU compared to an industry average of 3,407 TEU and an average among the top 20 carriers of 4,942 TEU (source: MDS Transmodal, December 2016, assuming all announced mergers were carried out). As of September 30, 2016, the average age of our fleet is 8.0 years, of which 42% comprised vessels less than ten years of age, compared to an industry average of 8.7 years (source: MDS Transmodal, October 2016). Including the vessels acquired through the UASC Business Combination, the average age of our fleet is 6.4 years. Combined with UASC's fleet, our average vessel size will increase to 6,800 TEU. All of our latest newbuild vessels as well as the vessels on order are equipped with an increased number of reefer slots to take advantage of the increasing demand, for example, for the transport of foodstuff especially on the North-South trade. Foodstuffs and beverages represented about 18% of our transport volume in the nine months ended September 30, 2016. All of our latest newbuild vessels and the vessels on order are also designed with a wide-beam vessel shape which allows the use of harbors with shallow waters and, therefore, enables flexible deployments on various services. Together with our G6 Alliance and as of April 2017 THE Alliance partners and our other cooperation partners, we are able to allocate ships to services which best fit the specific needs of each service.

Overall, the larger size vessels and the homogenous structure within the different classes of our fleet in terms of design and furnishings provide benefits, such as lower operating and voyage unit costs, fuel, port and canal fees as well as manning, repairs, insurance and ship management costs. For the nine months ended September 30, 2016, we reduced our cost base by approximately US\$170.5 per TEU ((15%)) from US\$1,111,2 per TEU in the nine months ended September 30, 2015. We also maintain a high degree of flexibility in our fleet to meet changing market demand by using a combination of short-term, mid-term and long-term vessel charters along with our owned and leased vessels. Short-term charters, mid-term charters and long-term charters are for a period of up to twelve months, up to 36 months and more than 36 months, respectively. Short-term and mid-term charters allow us to adjust our capacity and cost structure rapidly in response to changes in demand. In addition to our vessel fleet, our stock of a wide variety of containers, which enables us to cater towards our customers' needs and specifications, complements our flexible and competitive fleet structure.

***Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management (i.e., management of different transport volumes of regions, which produce and export more goods than they import and consume, on the one hand, and regions, which import and consume more goods than they produce and export, on the other hand, for example, through network planning and by charging different rates for shipping cargo).***

We have a track record of long-term and close relationships with a broad range of blue-chip customers. Our top customers include direct shippers, such as IKEA, ExxonMobil, General Motors, BASF, Ford and freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, Panalpina and JF Hillebrand. Moreover, we have been successful in acquiring and retaining key account customers. For example, 17 of our top 20 customers by volume in 2012 continued to count among our top 20 customers by volume through the nine months ended September 30, 2016. We believe that our close relationship with large direct customers gives us better visibility on future container liner shipping transport volumes while our relationships with large freight forwarders, which originate cargo in many locations worldwide, help us to optimize our trade flows. Moreover, after gaining access to additional customers in the Middle Eastern region through the UASC Business Combination, we will further enhance our geographical and customer diversification. In the nine months ended September 30, 2016, we provided our services to approximately 21,000 customers, diverse in both geography and industry, with no single customer representing more than 5% of our total transport volume. We believe that our long-term and close customer relationships are supported by our industry-leading container liner shipping information management system. We have developed and are continuously enhancing a globally integrated and self-developed IT system to support our business and operating processes. This allows us to maintain our high levels of efficiency and productivity throughout our global operations by reducing costs and increasing the speed, quality and reliability of operational information. Our IT systems are highly scalable and a key enabler of our inorganic growth strategy, allowing us to efficiently integrate acquired operations. Our operational excellence is linked to the quality of our system, including web-based graphical user interfaces, which has been in operation and running reliably for nearly 20 years. We have also implemented a standardized organizational model that we use in our operations worldwide called Blueprint Organization (“**Blueprint**”) and a “one-file-per-shipment” data structure throughout our operations and IT system architecture. Our IT system runs on a standardized platform that links all of our regional headquarters, areas and offices. We believe that the combination of our integrated IT system with Blueprint is an industry-leading innovation, which cannot be easily reproduced by our competitors. This system enables decentralized decision-making within our global network and provides us with significant advantages over our competitors as we can continuously monitor and improve our productivity by comparing and benchmarking processes throughout the organization. In particular, our self-developed freight information system (“**FIS**”) provides us with real-time information allowing us to assess at the point of sale the contribution levels that may be achieved by an individual transaction, after taking into account costs, such as the cost of associated relocations of empty containers and inland transportation costs.

Our system particularly enables us to better manage structural imbalances in the container liner shipping business by optimizing container shipments, when compared to the market (source: Drewry Maritime Research, Q3 2016, Company information). Through our yield management, we achieve a significantly higher share of full container moves on the non-dominant leg of a trade route compared to the overall industry, resulting in fewer empty containers requiring repositioning and thereby considerably reducing our repositioning costs. During 2015, for every ten full containers we carried on the dominant legs of the Transpacific, Atlantic and Far East-Europe trades, we carried approximately 7, 7 and 7 full containers on the non-dominant legs of these trades, respectively, comparatively higher than the industry average of 4, 7 and 5 full containers, respectively (source: Drewry Maritime Research, Container Forecaster & Annual Review, Q3 2016 (Hapag-Lloyd data adapted to Drewry trade definition)). This results in fewer empty containers requiring repositioning and considerably reduces our repositioning costs.

***Proven track record on efficiency improvements through organic and inorganic growth initiatives.***

Our operational structure is set up to efficiently pursue strategic acquisitions or further business combinations in a consolidation driven market environment. In 2005, we successfully integrated

Canadian container shipping company CP Ships. As a result of the integration process, we realized net synergies of €208 million by 2008, which exceeded our initial estimated synergy amount of €180 million. The integration of the CCS Activities further proved that we are capable and well experienced in executing a successful integration process and realizing the synergies and know-how gained through the successful integration of acquired businesses is firmly anchored in our organization. The CUATRO and OCTAVE (excluding OCTAVE II) projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling US\$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 planned synergies and efficiency improvements out of the projects CUATRO and OCTAVE are expected to be realized by more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates. We initiated CUATRO as our integration project to facilitate the post-merger integration of the CCS Activities following the completion of the acquisition of the CCS Activities. We intend to draw on the experience gained from the integration of CP Ships and the CCS Activities to help us exploit the synergy potential from the integration of UASC. Through the integration of UASC, we will be ranked among the five largest container liner shipping company globally measured by capacity. This is also supported by our uniform and scalable IT systems, which are globally integrated standardized systems that can be quickly enhanced to further users and locations.

***Experienced management team and supportive anchor shareholders.***

We have a strong and experienced senior management team, which is comprised of our executive board members and the heads of our regions (North America, South America, Europe and Asia) and central functions (global sales, trade management, network and operations) dedicated to further strengthening our competitive position as a leading container liner shipping group. On average, each senior management team member has 20 years of experience at Hapag-Lloyd and 42% of our senior management have an international background. We believe the experience of our management team gives us a competitive advantage and positions us favorably for future growth and profitability. Over the last 16 years, we have more than doubled our share of global transport capacity in the container liner sector from 2.0% in 2000 to approximately 4.5% as of September 30, 2016 (source: MDS Transmodal, July 2001 and December 2016). This was achieved by expanding the service network, the successful integration of the CCS Activities in 2014 and the Canadian container liner shipping company CP Ships Ltd. in 2005 and will be further strengthened through the UASC Business Combination. Furthermore, our management team has continuously reduced transport expenses in recent years. From 2013 to 2015, our transport expenses per TEU were reduced by US\$306.8 (22%). In the nine months ended September 30, 2016, transport expenses per TEU were reduced by a further US\$170.5 per TEU to US\$940.7 compared to the nine months ended September 30, 2015. In 2014, we incorporated certain structural improvements, allowing for a closer steering of the business on executive board level as the four regions now directly report to the CEO. Furthermore, steering of the business is based on a common set of core reports and key performance indicators (“**KPIs**”), implementing a strong performance driven culture with regular performance dialogues passed down through the organization.

In addition, after the closing of the UASC Business Combination, we will continue to have highly committed principal shareholders including the three anchor shareholders CSAV Germany Container Holding GmbH (“**CG Hold Co**”) (22.6%), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) (14.9%) and Kühne Maritime GmbH and Kühne Holding AG (together, “**Kühne**”) (14.6%) (Kühne Maritime GmbH together with CG Hold Co and HGV, the “**HL BCA Controlling Shareholders**”) and, upon completion of the UASC Business Combination, our new key shareholders Qatar Holding LLC (“**QH**”) (14.4%) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (10.1%) (together, the “**UASC Controlling Shareholders**”).

Under the terms of the business combination agreement between Hapag-Lloyd AG and UASC (S.A.G.) (the “**UASC BCA**”) and the shareholder support agreement among Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders (the “**SSA**”), Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million

within a period of six months following the completion of the UASC Business Combination. The HL BCA Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.

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

### **Our Strategy**

We intend to further enhance profitability over the next three years and to significantly improve earnings by harnessing synergies and streamlining our cost structure, continuing growth in volume and improving revenue quality. As a result, we focus on the following key strategic objectives:

#### ***Further encourage growth by capitalizing on dynamic growth trends in our industry and through acquisitions.***

In order to continue achieving sustainable and profitable growth, we pursue internal and external growth opportunities. According to Clarksons Research (November 2016), world container traffic will increase by 3.2% in 2016, indicating that world container traffic is expected to grow 0.1 percentage points stronger than global GDP growth in 2016 (source: IMF, October 2016). For 2016, the IMF expects global GDP to increase by 3.1%. Pursuing our sustainable and competitive business model, we plan to pursue an internal growth strategy in which our container liner shipping transport volumes increase in line with industry growth. We intend to achieve this goal by making further inroads into our existing customer base through our strong sales organization, our global account management team and our customer-oriented services. This includes defining coverage of top accounts and improving our sales channel strategy for each market. We are planning to capitalize on our market positions especially as a joint market leader in terms of capacity in the Atlantic, the Transpacific as well the North-South trades, in the individual trade lanes and to respond to their respective dynamics accordingly. Our flexible network management enables us to continue to adapt to evolving customer needs. We also plan to optimize our pricing strategy by improving our customer discount policy and, among other measures, managing the balance between the spot and contract business. We will also focus on yield management for the near term, including the further development of our yield management team and the further advances to the proactive pricing and steering function. We offer an attractive global service network combined with exceptional service quality and are looking to expand in the special cargo business, for example over-sized cargo, and reefer transports. With our existing order book of five vessels, each with a capacity of 10,500 TEU, we will expand our reefer slot capacity by almost 21,000 slots by mid-2017. Through the UASC Business Combination, we will have access to an additional 61 vessels, including six 19,870 TEU ships and eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. In addition, we intend to continue pursuing external growth through selected add-on acquisitions if the right project is available and would be value enhancing.

#### ***Deliver significant synergies from the UASC Business Combination.***

In addition to our market share improvements and the increased importance of the Middle East trade, we believe that the combined operations benefit from significant synergy effects, which mainly relate to network optimization and overhead/personnel improvements in our business. Further potential for synergies lies in decreased administrative costs, optimization of terminal spend through a “best rate” approach, inland synergies from a better rail/truck feeder network and equipment utilization. We plan to generate synergies for the Group through further standardization of our processes by extending the Hapag-Lloyd organizational blueprint to UASC.

The joint team of Hapag-Lloyd and UASC expects total synergies to amount to US\$435 million per year from 2019 onwards based on a synergy report prepared by Hapag-Lloyd, UASC and a third party (the “**Synergy Report**”). Implementation of the planned synergies will commence with the closing of the UASC Business Combination, with approximately one third of such synergies to be



achieved in 2017. In addition, we are only considering cost synergies and have not included any topline potential (e.g., through cross-selling or a more extensive network). The joint team from Hapag-Lloyd and UASC expects one-off costs of approximately US\$150 million related to both the implementation of the planned synergies (synergy-related one-offs) as well as related to the successful conclusion of the UASC Business Combination (transaction-related one-offs and integration support).

The combination of Hapag-Lloyd and UASC is anticipated to provide operational synergies, in particular in the areas of (i) network, (ii) personnel, (iii) administrative, (iv) terminals, (v) inland and (vi) equipment.

*Network.* As the Group has access to a larger pool of vessels, the deployment of vessels can be further improved resulting in lower slot costs on the basis of a larger fleet and through economies of scale by bundling volumes on fewer and more profitable services and vessels. We expect to achieve synergies by combining two stand-alone networks and optimizing the combined deployment of vessels for selected trades resulting in a fleet reduction of surplus vessels.

*Personnel and Administrative.* Hapag-Lloyd has its headquarters in Germany and UASC has their headquarters located in Dubai. Following the UASC Business Combination, the Group will have its headquarters in Germany and regional headquarters in each of Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso), Europe (Hamburg) and the Middle East (Dubai), leading to a general reduction in overhead. Furthermore, we expect to achieve overhead synergies by improving our productivity through a higher organizational efficiency, best practice sharing, a unified IT platform and a reduction of other overhead costs (i.e., office rents, travel, communication, training, service providers, insurances).

*Terminals and Inland.* We have identified ports, in particular in Europe, where we expect to achieve terminal synergies through matching of more beneficial contracts and economies of scale effects with terminal operators. In addition, we plan to realize synergies within our inland business by applying the combined group's best rates as well as bundling transport volumes and optimizing logistics processes.

*Equipment.* By combining the partly complementary trade flows of Hapag-Lloyd and UASC, we also expect equipment synergies as a result of reduced imbalances thereby reducing empty container repositioning and further plan to improve our leasing conditions for containers. Furthermore, the addition of UASC's fleet to Hapag-Lloyd's existing fleet results in a modernization of the total fleet as well as a larger average vessel size, creating further cost efficiencies. See "Risk Factors—Risks Relating to the UASC Business Combination—The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale" and "Risk Factors—Risks Relating to the UASC Business Combination—We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination".

*Financial advantages.* In addition to strategic and operational advantages, we also expect the UASC Business Combination to lead to financial benefits for the Group. The planned capital increase, supported by our controlling shareholders, of US\$400 million is expected to further enhance our equity base and liquidity. The addition of UASC's young, fuel-efficient vessels, which includes seventeen ULCVs, the last two of which are expected to be delivered during 2017, reduces the need for new vessel investment in the coming years, enabling us to focus on maximizing free cash flow and to significantly deleverage over time. See "Risk Factors—Risk related to the UASC Business Combination—Certain of our large shareholders may fail to honor their commitments under the Shareholder Support Agreement".

***Continuously implement efficiency and cost improvement measures to enhance overall profitability.***

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality across all areas of operations. In 2014, we introduced our cost and efficiency project called "OCTAVE" targeting short-term operational initiatives with immediate effects in the areas of: (i) inland cost and bunker procurement; (ii) our fleet and network; and (iii) our sales and product portfolio. Through these initiatives, we have reaped substantial revenue improvements and cost savings. In the first quarter of 2016, the OCTAVE efficiency programme was intensified, and



additional measures (OCTAVE II) were added to it. These should lead to further cost savings and efficiency improvements with a high double-digit million dollar amount by the end of 2017, in addition to the improvements already achieved. The efficiency projects have contributed to the improvement in cost structures also in the first nine months of 2016.

The CUATRO and OCTAVE (excluding OCTAVE II) projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling US\$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 planned synergies and efficiency improvements out of the projects CUATRO and OCTAVE are expected to be realized by more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates.

Further, we expect to reap substantial benefits from our strengthened market presence in the attractive Middle East trade as a result of the UASC Business Combination.

***Further exploit the benefits from our global alliances and cooperations.***

We plan to continue to focus on joint operations to strengthen our overall position. With Hapag-Lloyd AG as a member of THE Alliance as of April 2017, a founding member of the G6 Alliance and the Grand Alliance, we are strongly positioned in the container liner shipping market. Through the joint operation of services, we focus on further providing a significantly larger network to our customers than as a single carrier.

We operate the major East-West trades as part of our participation in the G6 Alliance and the Grand Alliance. Subject to certain regulatory approvals, once THE Alliance becomes operational in April 2017, we will cover all East-West trade lanes and seek to remain among the market leaders on these trades. We increased our coverage of the major North-South trades through the combination integration of the CCS Activities and thus believe that we are well-positioned to further provide a comprehensive global offering of trades. This is supplemented by our cooperation with CMA CGM and Hamburg Süd, offering new products (*e.g.*, reefer products) between Asia and the West and the East coast of Latin America, benefitting from an extensive port coverage with short transit times to and from main Asian locations. Alliances may provide for a higher or lesser degree of integration of the alliance partners' operations. As a member of THE Alliance as of April 2017, we will focus on the coordination of THE Alliance's members' respective landside/terminal operations in order to generate additional cost benefits. We expect that the combination with UASC will further strengthen our product offerings in the major East-West and North-South trades.

In addition, we plan to continue to benefit from several cost efficiencies, such as an increased average vessels size, a better use of our capacity and vessels due to the more efficient vessel deployment and improved utilization as well as capacity absorption for the market. Together with our cooperation and alliances partners, we will continue to improve and enhance the value gained from cooperation.

***Leverage our market position and our strong reputation for quality, reliability and seamless execution to increase revenue and improve the quality of revenues.***

We strive to maintain our reputation for quality, reliability and the seamless execution of our services. Based on the segmentation of our customers according to volume and profitability criteria, we plan to increase our sales efficiency by increasing the share of our customers that score best under segmentation criteria and by further improving our tender management. We further intend to maintain a balanced customer mix of freight forwarders, who handle cargo globally and in all directions, and industrial and trade customers to maintain visibility on future container liner shipping transport volumes and to optimize overall equipment steering. We also plan to capitalize on our strong brand and reputation and successful execution of bilateral Electronic Data Interchange (“EDI”) solutions, which entails the transfer of structured data from one software application to another. By increasing the share of our customers that use bilateral EDI solutions, we strengthen our customer relationships and protect future volume growth potential.

In March 2015, we launched a comprehensive program called “Compete to Win” designed to enhance our commercial capabilities across our worldwide sales organization. The program aims at improving our revenue quality and profitability, providing a review of the sales organization and processes (opportunity identification, planning and execution), pricing and utilization optimization. Key elements include the enhanced integration of sales and trade management, easier access to information, a more structured preparation process, improved commercial planning and steering and the cultivation of a performance driven culture.

Based on comprehensive fact finding analysis in Asia, the Americas and Europe during the first half of 2015, we completed the design and testing of the program by December 2015 and rolled out the program globally in 2016. We believe that the new sales processes have improved the quality of customer contacts, resulting in improved revenue quality.

In addition, we rolled out an enhanced systematic data driven approach to lead generation and campaign development and execution. Furthermore, we intend to continuously and systematically enhance the capabilities of our front line sales force. We streamlined our pricing process and developed the tools to drive active and agile pricing strategies. We strive to optimize our differentiated sales channels and service levels and streamlined internal processes and communication to focus our time on selling. Finally, we rebalanced the responsibilities and capabilities for maintaining a consistent high quality and responsive customer service. This program is a multi-year effort to enhance revenue quality with first impact expected from 2017 onwards.

Additionally, under the umbrella of Compete to Win, we developed the Global Account Program (“GAP”) to further build and improve our relations with our most important customers. The enhanced program provides clear sales interfaces with named points of entry across the world, improved consistency in our service delivery and better access to our subject matter experts.

## **Recent Developments**

### ***UASC Business Combination***

On November 23, 2016, the European Commission cleared the UASC Business Combination, subject to the withdrawal of UASC from a consortium on the trade routes between Northern Europe and North America.

On December 19, 2016, the Brazilian competition authority CADE (*Conselho Administrativo de Defesa Econômica*) cleared the UASC Business Combination.

### ***Trading Update***

Shanghai Containerized Freight Index (“SCFI”) spot market freight rates have increased in the fourth quarter of 2016 compared to the third quarter of 2016. On January 13, 2017, the SCFI for Shanghai-Europe stood at US\$1,086/TEU, which is a 55% increase compared to the end of the third quarter of 2016. Other trades benefitted from this positive development as follows: Shanghai-Mediterranean increased by 30%, Shanghai-U.S. West Coast increased by 9%, Shanghai-U.S. East Coast increased by 27% (source: Shanghai Shipping Exchange, December 30, 2016). The SCFI represents a spot market index and there is a time lag between an increase in spot market rates and the rates we report in our financial statements.

Our average transport volume for the two months ended November 30, 2016 increased by 0.6% to 631,709 TEU per month compared to the average transport volume of 627,753 TEU per month in the nine months ended September 30, 2016 despite the end of the peak season in the third quarter of 2016. We experienced a roughly stable average freight rate for the two months ended November 30, 2016 of (1.0)% to US\$1,028/TEU compared to the average freight rate of 1,037/TEU for the nine months ended September 30, 2016 due to ongoing intense competition in container shipping. We reached an EBITDA margin of 11.1% for the two months ended November 30, 2016. This profitability was positively supported by the continued realization of synergies due to the integration of the CCS Activities as well as additional cost savings and efficiency improvements of the operating fleet. Average bunker fuel prices for the eleven months ended November 30, 2016 decreased to US\$205/t compared to US\$319/t for the eleven months ended November 30, 2015.

The table below sets forth certain unaudited financial and operational information for the first nine months ended September 30, 2016, the two months ended November 30, 2016 and the eleven months ended November 30, 2016.

	As of and for the nine months ended September 30, 2016	As of and for the two months ended November 30, 2016	As of and for the eleven months ended November 30, 2016
	<i>(in € million, except where otherwise noted)</i>		
	<b>(unaudited)</b>		
Volumes transported (1,000 TEU) <sup>(1)</sup> . . . . .	5,650	1,299	6,949
Freight rate (US\$/TEU) <sup>(2)</sup> . . . . .	1,037	1,028	1,035
Revenue . . . . .	5,713.8	1,372.6	7,086.4
<b>EBITDA</b> <sup>(3)</sup> . . . . .	<b>381.3</b>	<b>151.7</b>	<b>533.0</b>
EBITDA margin . . . . .	6.7%	11.1%	7.5%
<b>EBIT</b> . . . . .	<b>25.9</b>	<b>69.8</b>	<b>95.7</b>
EBIT margin . . . . .	0.5%	5.1%	1.3%
Group profit/loss . . . . .	(133.9)	31.3	(102.6)
Cash and cash equivalents <sup>(4)(6)</sup> . . . . .	492.0	515.2	515.2
Equity . . . . .	4,729.2	5,009.4	5,009.4
Net debt <sup>(5)(6)</sup> . . . . .	3,413.9	3,580.9	3,580.9

- (1) For the calculation of volumes transported, please refer to footnote 8 under “Summary Consolidated Financial and Other Information—Hapag-Lloyd AG Financial Information—Key Figures from Our Operational Information”.
- (2) For the calculation of our average freight rates, please refer to footnotes 8 and 10 under “Summary Consolidated Financial and Other Information—Hapag-Lloyd AG Financial Information—Key Figures from Our Operational Information”.
- (3) For the definition and calculation of EBITDA, please see footnote 3 under “Summary Consolidated Financial and Other Information—Hapag-Lloyd AG Financial Information—Key Figures from Our Operational Information”.
- (4) Apart from Cash and cash equivalents, we have undrawn credit lines in the amount of €126.8 million as of November 30, 2016 so that the liquidity reserve amounts to €642.1 million as of this date.
- (5) For the definition and calculation of net debt, please refer to footnote 4 under “Summary Consolidated Financial and Other Information—Hapag-Lloyd AG Financial Information—Key Figures from Our Operational Information”.
- (6) Amounts at the end of the respective period.

The foregoing information is based on the Company’s unaudited consolidated monthly accounts as of and for the two months and eleven months ended November 30, 2016, respectively. The audited condensed consolidated financial statements for the financial year ended December 31, 2016 have not been finalized and the results might be impacted by closing effects in the preparation of the consolidation. In addition, our business is cyclical in nature and depends on factors beyond our control. These factors include the balance between demand for container shipping services and the supply of vessel and container capacity, bunker fuel prices and currency exchange rate movements (see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Factors Affecting Our Results of Operations”). The foregoing information has not been audited or reviewed by our independent auditors KPMG and should not be regarded as an indication, forecast or representation by us or any other person regarding our financial performance for the financial year ended December 31, 2016.

## **Our History**

### ***Pre-UASC Business Combination***

Hapag-Lloyd’s origins began with the liner shipping companies Hamburg-Amerikanische-Packetfahrt-Actien-Gesellschaft (“**Hapag**”) and Norddeutscher Lloyd (“**NDL**”). Hapag was founded by Hamburg businessmen and ship owners in 1847, to respond to the growing need of passenger services arising out of the increasing number of German and other European emigrants to North America. NDL was founded in Bremen in 1857 to capitalize on increasing shipping activities in Hamburg. In cargo shipping, both Hapag and NDL were pioneers in providing importers and exporters regular, reliable services on a global basis. In 1970, during a time of rapidly developing container services, the two companies merged to become Hapag-Lloyd AG. In 1998, Hapag-Lloyd AG was acquired by Preussag AG, later renamed TUI AG (“**TUI**”). At the end of 2005, TUI acquired CP Ships Ltd., a British Canadian container shipping company that was subsequently integrated into Hapag-Lloyd AG. From

March 2009 to August 2013 (until completion of the downstream merger), the Hamburgische Seefahrtsbeteiligung “Albert Ballin” GmbH & Co. KG (the “**Consortium**”) held a majority interest in Hapag-Lloyd Holding AG and thereby also in Hapag-Lloyd AG. The former sole shareholder of the Hapag-Lloyd AG, Hapag-Lloyd Holding AG, was merged into Hapag-Lloyd AG by way of a downstream merger with retroactive economic effect as of January 1, 2013. This downstream merger was entered into the commercial register of the Hapag-Lloyd AG and Hapag-Lloyd Holding AG on August 19, 2013. Following the dissolution of the Consortium in the fall of 2013, the former members of the Consortium hold their interests directly in Hapag-Lloyd AG. In April 2014, Hapag-Lloyd AG acquired and subsequently integrated Compañía Sud Americana de Vapores S.A. (“**CSAV**”) container shipping business (the “**CCS Activities**”) with Hapag-Lloyd AG. As consideration, CSAV received a 30% stake in Hapag-Lloyd AG, which was then increased to a 34.01% (for further information on our shareholder structure, see “Principal Shareholders”). As a result of the integration of the combination, Hapag-Lloyd AG became one of the largest liner shipping companies in the world measured by the capacity of its fleet (source: MDS Transmodal, July 2015).

In the fourth quarter of 2015, Hapag-Lloyd AG announced its initial public offering (“**IPO**”) on September 28, 2015. In the IPO, 13.2 million new registered shares were issued at a price of €20 by an international bank consortium to institutional and private investors as part of a book-building process. Since November 6, 2015, the shares have been publicly traded on the Frankfurt and Hamburg stock exchanges.

#### ***Post-UASC Business Combination***

On July 15, 2016, Hapag-Lloyd AG and UASC (S.A.G.) entered into the UASC BCA in connection with the UASC Business Combination. On July 18, 2016, Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders, along with the UASC Controlling Shareholders, entered into the SSA to comply with the commitments in relation to the UASC Controlling Shareholders and the HL BCA Controlling Shareholders under the UASC BCA.

The closing of the UASC Business Combination is currently still subject to the occurrence or waiver of the following conditions precedent, including but not limited to:

- The clearance of the UASC Business Combination by the Committee on Foreign Investment in the United States (“**CFIUS**”) under the Exon-Florio amendment to the Defense Production Act of 1950 as amended by the Foreign Investment and National Security Act of 2007, or the absence of action to block, prevent, suspend or condition the UASC Business Combination by the President of the United States of America and the expiry of the applicable period of time to take such action;
- The granting of all necessary consents and waivers on the part of UASC (S.A.G.)’s (including their respective controlled subsidiaries) financing banks and lessors;
- The entering by UASC (S.A.G.) into certain unsecured debt maturity extension agreements with the relevant financing banks; and
- The absence of judicial or official orders or other decisions permanently or temporarily preventing the implementation of the UASC Business Combination.

In addition, prior to completion of the UASC Business Combination, UASC (S.A.G.) is required to transfer its incorporation to the Dubai International Financial Center (“**DIFC**”) to continue its existence as a DFIC company limited by shares and effected the establishment of an on-shore Dubai branch of UASC (S.A.G.) registered with the Department of Economic Development (the “**DED**”) (thereafter to be known as United Arab Shipping Company Limited). In connection with this process, UASC (S.A.G.) is also required to implement certain additional corporate restructuring measures among its group companies. As of the date of this Offering Memorandum, not all consents and waivers required for these reorganization steps by certain banks and other lenders to UASC have been obtained.

The UASC Business Combination will be effected by way of a contribution-in-kind of all existing UASC shares by (i) all entities and individuals holding UASC (S.A.G.) shares (“**Participating UASC Shareholders**”) as well as (ii) the company secretary of UASC (S.A.G.), on behalf of certain minority shareholders that were dragged along pursuant to UASC (S.A.G.)’s Articles of Association (the “**Dragged UASC Shareholders**”), to Hapag-Lloyd AG against the issuance of new shares in

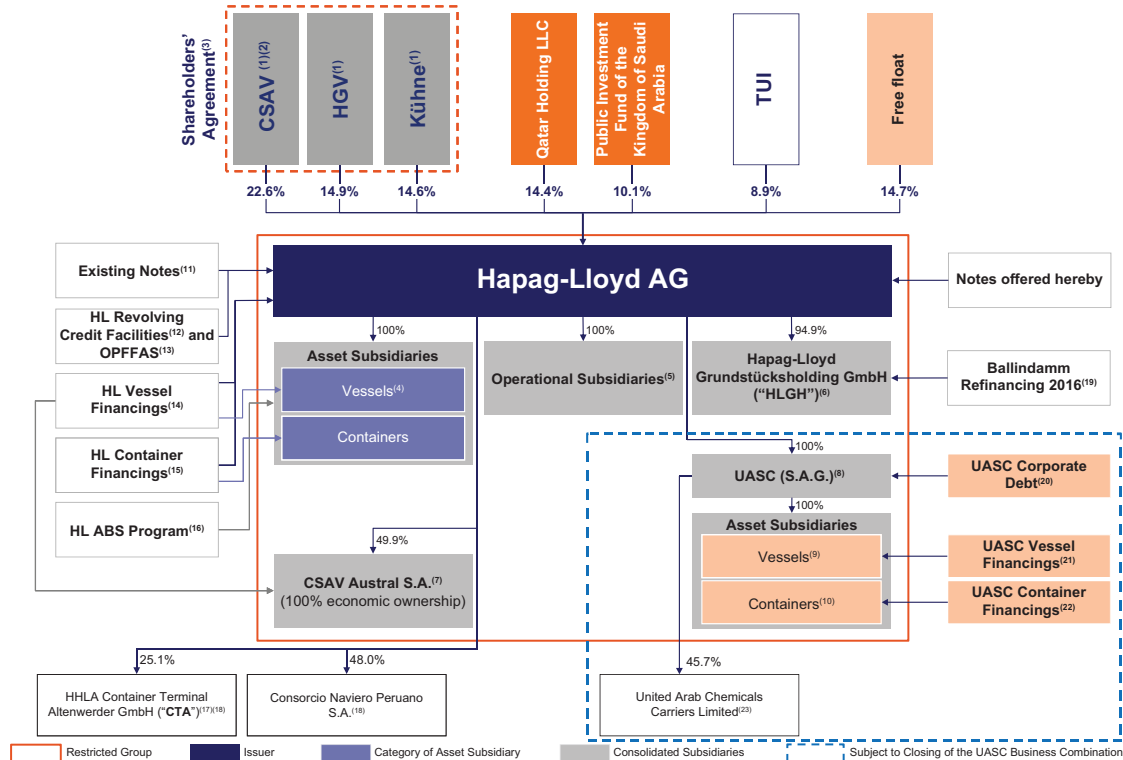
Hapag-Lloyd AG to Participating UASC Shareholders and Dragged UASC Shareholders. The new shares will originate from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG and approved by the supervisory board of Hapag-Lloyd, utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, QH and PIF will receive a 14.4% stake and 10.1% stake in Hapag-Lloyd AG. See “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, Hapag-Lloyd AG, UASC (S.A.G), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. The HL BCA Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.



## CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum, adjusted to give effect to the Transactions (excluding the Capital Increase II). The chart does not include all our subsidiaries, or all the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled “Description of the Notes” “Description of Certain Hapag-Lloyd Financing Arrangements”, “Description of the UASC Business Combination—Description of Certain UASC Financing Arrangements” and “Capitalization”.



- (1) CG Hold Co, HGV, and Kühne Maritime have not transferred any shares to Hamburg Container Lines Holding GmbH & Co. KG, a limited partnership established by CG Hold Co, HGV and Kühne Maritime (the “**Consortium Company**”), the sole purpose of which is the controlling of shares in the Issuer and the exercise of rights arising from controlling such shares in accordance with the instructions of its limited partners. A certain number of shares held by them are subject to the control of the Consortium Company. Therefore, the Consortium Company does not actually hold 52.1% of the shares in Hapag-Lloyd AG, but only controls the voting rights attached to such number of shares that are subject to the control of the Consortium Company. Kühne Holding AG has neither transferred any of its shares to the Consortium Company nor are they subject to control of the Consortium Company.
- (2) CSAV holds its 22.6% share indirectly through CG Hold Co.
- (3) The Shareholders’ Agreement has been entered into by CG Hold Co, HGV, Kühne Maritime, CSAV and Tollo. Kühne Holding AG is not a signatory to the Shareholders’ Agreement.
- (4) All vessels are owned by the Issuer, except vessels registered in Chile, Liberia, the Marshall Islands, the Isle of Man, the UK and the United States, which are legally owned by subsidiaries.
- (5) Nearly all operational subsidiaries are wholly owned by Hapag-Lloyd AG. The group of consolidated companies includes 95 subsidiaries as of September 30, 2016 and four companies were consolidated under the equity method.
- (6) Owner of the property at Ballindamm, Hamburg.
- (7) CSAV Austral S.A. (the “**Cabotage Entity**”) performs (i) cabotage in Chile, (ii) container transport between Chile and Brazil under the *Convenio sobre transporte marítimo entre Chile y Brasil 1974* (the “**Chile-Brazil Convention**”) and (iii) container transport between the Conosur countries (Brazil, Uruguay, Argentina, Chile, Peru and Ecuador). CSAV Austral SpA provide services under (i), (ii) and (iii) for the CONOSUR service, but also provide such slots to Hapag Lloyd for other services.
- (8) UASC (S.A.G.) will be reorganized and renamed United Arab Shipping Company Limited prior to closing of the UASC Business Combination. See “The UASC Business Combination—Overview”.
- (9) All vessels are indirectly economically and legally owned by the Issuer through its 100% subsidiary UASC (S.A.G.), except for two vessels where legal ownership is with special purpose vehicles (*i.e.* SNC Carla and SNC Valeria) owned by Société Générale (lender) while economic ownership remains with special purpose vehicles (*i.e.* Al Riffa and Jebel Ali) owned by UASC (S.A.G.).

- (10) All containers are indirectly economically and legally owned by the Issuer through its 100% subsidiary UASC (S.A.G.), except for certain containers which are legally owned by the lessor under the respective container lease agreements.
- (11) The Issuer's Existing Notes (as defined below) include:
- US\$125,000,000 outstanding aggregate principal amount of its 9.75% Senior Notes due 2017 (the “**Existing 2010 Dollar Notes**”);
  - €400,000,000 aggregate principal amount of its 7.75% Senior Notes due 2018 (the “**Existing 2013 Notes**”); and
  - €250,000,000 aggregate principal amount of its 7.50% Senior Notes due 2019 (the “**Existing 2014 Notes**” and, together with the Existing 2010 Dollar Notes and the Existing 2013 Notes, the “**Existing Notes**”).
- After the Issue Date, the Issuer will fully redeem the Existing 2010 Dollar Notes with the gross proceeds of this Offering (the “**Redemption**”).
- (12) The Issuer, as borrower, entered into
- a US\$200,000,000 (initially US\$360,000,000) revolving facility agreement, dated October 1, 2010, as amended (the “**Secured Revolving Credit Facility**”), which matures October 1, 2018 and under which US\$125.0 million were outstanding as of September 30, 2016. The Revolving Credit Facility is secured by pledges of the Issuer's shares in CTA.
  - a US\$125,000,000 million unsecured revolving credit facility dated October 14, 2015 (the “**Unsecured Revolving Credit Facility**”), which matures on October 14, 2018 and under which US\$125.0 million were outstanding as of September 30, 2016.
- (13) As of September 30, 2016, the outstanding financial debt for the Hapag-Lloyd Option Premium Finance Framework Agreements (OPFFAS) was US\$9.36 million, all of which was unsecured.
- (14) Hapag-Lloyd Vessel Financings consist of (i) Hapag-Lloyd fleet financings comprising the Fleet Financing 2015, Fleet Financing 2016, Fleet Refinancing 2012, Quartet financing, the HSH Vessel Financing, the DVB Vessel Financing, the BNPP 1 Vessel Financing, the BNPP 2 Vessel Financing, the Montréal and Toronto Vessel Financing and the ABN Amro Fleet Financing, (ii) the K-sure financing comprising the K-Sure I Financing, the K-Sure II Financing and the K-Sure III Financing and (iii) Hapag-Lloyd Vessel finance lease contracts comprising 3-Vessel Finance Lease Contracts (in each case as defined under “Description of Certain Hapag-Lloyd Financing Arrangements”) and accrued interest.
- (15) Hapag-Lloyd Container Financings consist of (i) Container Finance 2011, Container Finance 2012, Container Finance 2015, Japanese Operating Leases, TAL Container Finance Lease July 2013, TAL Container Finance Lease September 2013, SeaCube Container Finance Lease 2013, Dong Fang Container Finance Lease 2014 (ii) container finance lease contracts comprising Intermodal Container Lease IV, Intermodal Container Lease V, Seaco Container Finance Lease 114112/114113/104707, TAL Container Finance Lease December 2013, Textainer Finance Lease Agreement 2013 and Textainer Finance Leases 2015 (in each case as defined under “Description of Certain Hapag-Lloyd Financing Arrangements”).
- (16) The Issuer as originator and seller of receivables on a non-recourse basis to Hapag-Lloyd Special Finance DAC (“**SPV**”) (a wholly owned subsidiary of the Issuer incorporated in Ireland), Norddeutsche Landesbank Girozentrale and Hanover Funding Company LLC, among others, entered into an asset backed securities receivables program in respect of the sale of freight receivables (*Frachtforderungen*) dated April 7, 2011, as amended, supplemented, restated or novated from time to time (“**ABS**”), with funding to the SPV from funding sources other than affiliates of the SPV not exceeding US\$350,000,000 (plus cost and interest). The carrying amount as of September 30, 2016 for Hapag-Lloyd Asset Backed Securities Program was US\$249.96 million.
- (17) Remaining stake owned by Hamburger Hafen und Logistik AG (“**HHLA**”).
- (18) CTA and Consorcio Naviero Peruano S.A. are considered associated companies of the Issuer. They will not form part of the restricted group unless and until they meet the requirements of a “subsidiary” as defined in the “Description of the Notes”.
- (19) As of September 30, 2016, the carrying amount for Hapag-Lloyd Ballindamm Refinancing 2016 as defined under “Description of Certain Hapag-Lloyd Financing Arrangements” was €84.79 million, which was encumbered in the form of liens on land (*Grundschulden*) in relation to our premises on Ballindamm.
- (20) UASC Corporate Debt consist of (i) the ABC Credit Financing, (ii) the Burgan Unsecured Facility, (iii) the CBD Unsecured Facility, (iv) the AUB Unsecured Facilities, (v) the Gulf Bank Facility Agreement, (vi) the QIB Facility, (vii) the AUB Secured Facility and (viii) the TD Bank Loan Note (in each case as defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”).
- (21) UASC Vessel Financings consist of (i) the 2008 Containership Financing, (ii) KEXIM Vessel Financing, (iii) the ABN Secured Vessel Financing, (iv) the Citibank Secured Vessel Financing, (v) the DB Secured Vessel Financing, (vi) the Burgan Vessel Financing, (vii) the QNB Vessel Financing, (viii) the Syndicated Vessel Financing, (ix) the ADNL Vessel Financing, (x) the Al Riffa Financing, (xi) the Jebel Ali Financing, (xii) the Al-Mutanabbi JOLCO Financing, and (xiii) the EMTC Transaction (in each case as defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”).
- (22) UASC Container Financings consist of (i) the Al Rayyan Container Financing, (ii) the SINOSURE-backed Container Financing, (iii) the SG Container Box Financing, (iv) the Wakrah JOLCO Financing, (v) the Busaiten JOLCO Financing, (vi) the Hira JOLCO Financing, (vii) the Al Madinah JOLCO Financing, (viii) the Al Oyun JOLCO Financing, (ix) the Manamah JOLCO Financing and (x) such other container financing arrangements as described under “The UASC Business Combination—Description of Certain UASC Financing Arrangements” (in each case as described and defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”).

(23) UASC (S.A.G.) has initiated the sale and transfer of its minority participation in United Arab Chemicals Carriers Limited for proceeds of US\$182.4 million. According to the UASC BCA, should the sale and transfer occur prior to the closing of the UASC Business Combination, UASC may apply the sale proceeds towards prepayment of its indebtedness. Alternatively, the cash proceeds will remain on the balance sheet at closing of the UASC Business Combination. See “The UASC Business Combination”.

## SUMMARY OF THE OFFERING

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

<b>Issuer</b> .....	Hapag-Lloyd AG, incorporated as a public stock corporation ( <i>Aktiengesellschaft</i> ) under the laws of the Federal Republic of Germany.
<b>Notes Offered</b> .....	€250,000,000 aggregate principal amount of its 6.75% Senior Notes due 2022 (the “Notes”).
<b>Issue Date</b> .....	February 1, 2017.
<b>Issue Price</b> .....	100.000% (plus accrued and unpaid interest from the Issue Date).
<b>Maturity Date</b> .....	February 1, 2022.
<b>Interest Rate and Payment Dates</b> ....	The Notes will bear interest at a rate of 6.75% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2017. Interest on the Notes will accrue from the Issue Date.
<b>Form of Denomination</b> .....	The Notes will be issued in global form in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, maintained in book-entry form. The Notes will be issued in registered form.
<b>Ranking of the Notes</b> .....	The Notes will be senior debt of the Issuer and: <ul style="list-style-type: none"><li>• rank <i>pari passu</i> in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes;</li><li>• rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes;</li><li>• will effectively be subordinated in right of payment to any existing and future secured indebtedness of the Issuer to the extent of the value of the assets securing such indebtedness; and</li><li>• be structurally subordinated to all existing and future obligations of the subsidiaries of the Issuer.</li></ul>
<b>Use of Proceeds</b> .....	We will use the gross proceeds from the Offering to fully redeem the Existing 2010 Dollar Notes and for general corporate purposes (including the further repayment of existing indebtedness). See “Use of Proceeds”.
<b>Additional Amounts; Tax</b>	
<b>Redemption</b> .....	Any payments made with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If such taxes are required by law to be withheld or deducted with respect to a payment, made with respect to the Notes, the Issuer will pay the additional amounts necessary so that the net amount received after the withholding is not less than the amount that would have been received in the absence of the withholding, subject to certain exceptions. See “Description of the Notes—Additional Amounts”.
	If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price

of 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See “Description of the Notes—Redemption upon Changes in Withholding Taxes”.

**Optional Redemption** . . . . . At any time prior to February 1, 2019, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium set forth in this Offering Memorandum, plus accrued and unpaid interest, if any. See “Description of the Notes—Optional Redemption”.

In addition, on or prior to February 1, 2019, the Issuer may redeem up to 40% of the original principal amount of each of the Notes with the net cash proceeds from specified equity offerings at a redemption price equal to 106.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date provided that at least 60% of the original principal amount of the Notes remains outstanding after the redemption. See “Description of the Notes—Optional Redemption”.

The Issuer may redeem the Notes on or after February 1, 2019, in whole or in part, at the Issuer’s option at the redemption prices set forth under the caption “Description of the Notes—Optional Redemption”, plus accrued and unpaid interest, if any.

**Change of Control** . . . . . Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase the Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of the purchase. See “Description of the Notes—Purchase of Notes upon a Change of Control”.

**Certain Covenants** . . . . . The indenture governing the Notes will contain certain covenants that restrict, among other things, our ability to:

- incur additional indebtedness;
- pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments and investments;
- create certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments;
- transfer or sell assets;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- provide guarantees of other debt.

Each of the covenants is subject to a number of important exceptions and qualifications. See “Description of the Notes—Certain Covenants”.

**Transfer Restrictions** . . . . . The Notes have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See “Transfer Restrictions”. Holders of the Notes will not have the benefit of any exchange or registration rights.

**No Prior Market** . . . . . Although application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading



on the Euro MTF Market in accordance with its rules, the Notes will be new securities for which there is no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that an active trading market for the Notes will develop or be maintained.

<b>Governing Law</b> .....	The Notes and the Indenture will be governed by New York law.
<b>Trustee</b> .....	Deutsche Trustee Company Limited.
<b>Registrar, Transfer Agent and Listing Agent</b> .....	Deutsche Bank Luxembourg S.A.
<b>Paying Agent</b> .....	Deutsche Bank AG, London Branch.
<b>Risk Factors</b> .....	Investing in the Notes involves substantial risks. Prospective investors should carefully consider all the information in this Offering Memorandum, and, in particular, should evaluate the specific risk factors set forth in the “Risk Factors” section in this Offering Memorandum before making a decision whether to invest in the Notes.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

### Hapag-Lloyd AG Financial Information

The following tables presents our summary financial information and should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013 and our unaudited interim condensed consolidated financial statements as of and for the nine months ended September 30, 2016 (including comparative figures for the nine months ended September 30, 2015), which are reproduced elsewhere in this Offering Memorandum and the section entitled “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”. The summary financial information provided below was primarily derived from the Consolidated Financial Statements. These financial statements were prepared in accordance with IFRS. Our consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013 were audited by KPMG which issued an unqualified audit opinion for each financial year. The unaudited interim condensed consolidated financial statements as of the nine months ended September 30, 2016 (including comparative figures for the nine months ended September 30, 2015), which were prepared in accordance with IFRS, have not been audited. The information below is not necessarily indicative of the results of future operations.

Hapag-Lloyd AG has published consolidated financial statements for the Group for the last three financial years and for the first nine months of 2016 (the “Reporting Period”).

### Key Figures from Our Consolidated Income Statement Information

	For the financial year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014 <sup>(*)</sup>	2015	2015	2016	2016
	(in € million)					
		(audited)			(unaudited)	
Revenue .....	6,567.4	6,807.5	8,841.8	6,806.0	5,713.8	7,749.6
Other operating income .....	156.3	116.8	193.7	145.9	90.4	138.2
Transport expenses <sup>(1)</sup> .....	5,773.1	6,060.1	7,258.5	5,559.7	4,772.0	6,470.8
Personnel expenses .....	365.2	403.3	484.4	360.2	377.6	501.8
Depreciation, amortization and impairment of intangible assets and property, plant and equipment .....	325.4	481.7	464.6	342.0	355.4	478.0
Other operating expenses .....	251.7	393.3	517.7	359.6	291.5	449.6
<b>Operating result</b> .....	<b>8.3</b>	<b>(414.1)</b>	<b>310.3</b>	<b>330.4</b>	<b>7.7</b>	<b>(12.4)</b>
Share of profit of equity accounted investees .....	36.8	34.2	28.5	22.5	19.6	25.6
Other financial results .....	18.6	(2.9)	27.6	(4.3)	(1.4)	30.5
<b>Earnings before interest and income taxes (EBIT)</b> .....	<b>63.7</b>	<b>(382.8)</b>	<b>366.4</b>	<b>348.6</b>	<b>25.9</b>	<b>43.7</b>
Interest result .....	(153.6)	(209.7)	(227.3)	(169.1)	(145.0)	(203.2)
<b>Earnings before income taxes</b> .....	<b>(89.9)</b>	<b>(592.5)</b>	<b>139.1</b>	<b>179.5</b>	<b>(119.1)</b>	<b>(159.5)</b>
Income taxes .....	7.5	11.2	25.2	19.1	14.8	20.9
<b>Profit/loss</b> .....	<b>(97.4)</b>	<b>(603.7)</b>	<b>113.9</b>	<b>160.4</b>	<b>(133.9)</b>	<b>(180.4)</b>

### Key Figures from Our Consolidated Balance Sheet Information

	As of December 31,			As of
	2013	2014 <sup>(**)</sup>	2015	September 30, 2016
	(in € million)			
	(audited)			(unaudited)
Property, plant and equipment	4,067.6	5,176.0	6,143.6	5,932.6
<b>Non-current assets</b>	<b>5,689.7</b>	<b>8,302.2</b>	<b>9,514.1</b>	<b>9,172.4</b>
Cash and cash equivalents	464.8	711.4	573.7	492.0
<b>Current assets</b>	<b>1,260.1</b>	<b>1,793.2</b>	<b>1,565.0</b>	<b>1,420.7</b>
<b>Total assets</b>	<b>6,949.8</b>	<b>10,095.4</b>	<b>11,079.1</b>	<b>10,593.1</b>
Equity	2,915.1	4,169.6	5,046.2	4,729.2
Non-current liabilities	2,657.1	3,733.2	3,633.8	3,471.4
Current liabilities	1,377.6	2,192.6	2,399.1	2,392.5
<b>Total equity and liabilities</b>	<b>6,949.8</b>	<b>10,095.4</b>	<b>11,079.1</b>	<b>10,593.1</b>
Working capital <sup>(2)</sup>	(58.1)	(369.5)	(483.6)	(430.7)
Total financial debt	2,935.0	3,717.1	3,907.3	3,905.9

(\*\*) Amounts adjusted to reflect the purchase price allocation in connection with the acquisition of the CCS Activities. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Factors Affecting the Comparability of Financial Information—The CCS Activities Business Combination”.

### Key figures from Our Consolidated Cash Flow Statement Information

	For the financial year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014 <sup>(*)</sup>	2015	2015	2016	2016
	(audited)			(in € million)		(unaudited)
<b>Cash and cash equivalents at the beginning of period</b>	<b>560.8</b>	<b>464.8</b>	<b>711.4</b>	<b>711.4</b>	<b>573.7</b>	<b>484.0</b>
Cash inflow/(outflow) from operating activities	66.5	377.2	572.1	484.5	228.3	315.9
Cash (outflow) from investing activities	(544.7)	(257.6)	(606.5)	(483.8)	(205.1)	(327.8)
Cash inflow/(outflow) from financing activities	403.2	81.6	(177.1)	(289.1)	(91.2)	20.8
<b>Net change in cash and cash equivalents</b>	<b>(75.0)</b>	<b>201.2</b>	<b>(211.5)</b>	<b>(288.4)</b>	<b>(68.0)</b>	<b>8.9</b>
<b>Cash and cash equivalents at the end of period</b>	<b>464.8</b>	<b>711.4</b>	<b>573.7</b>	<b>484.0</b>	<b>492.0</b>	<b>492.0</b>

### Key Figures from Our Other Financial Information

	As of and for the financial year ended December 31,			As of and for the nine months ended September 30,		As of and for the twelve months ended September 30,
	2013	2014 <sup>(*)</sup>	2015	2015	2016	2016
	(in € million)			(unaudited)		
EBITDA <sup>(3)</sup>	389.1	98.9	831.0	690.6	381.3	521.7
Net Debt <sup>(4)</sup>	2,470.2	3,005.7	3,333.6	3,405.4	3,413.9	3,413.9
Cash and cash equivalents	464.8	711.4	573.7	484.0	492.0	492.0
As adjusted Net Debt <sup>(5)</sup>						3,413.9
As adjusted Cash and Cash Equivalents <sup>(6)</sup>						620.9
As adjusted Interest Result <sup>(7)</sup>						(210.0)
Ratio of as adjusted Net Debt <sup>(5)</sup> to EBITDA						6.5x
Ratio of EBITDA to as adjusted Interest Result <sup>(7)</sup>						2.5x

## Key Figures from Our Operational Information

	As of and for the financial year ended December 31,			As of and for the nine months ended September 30,		As of and for the twelve months ended September 30,
	2013	2014 <sup>(*)</sup>	2015	2015	2016	2016
	(unaudited)					
Volumes transported (1,000 TEU) <sup>(8)</sup>	5,496	5,907	7,401	5,579	5,650	7,472
Total fleet capacity (1,000 TEU) <sup>(9)</sup>	729	1,009	966	946	953	953
Number of Vessels <sup>(9)</sup>	151	191	177	175	166	166
Container fleet (1,000 TEU)	1,072	1,619	1,564	1,613	1,531	1,531
Freight rate (US\$/TEU) <sup>(10)</sup>	1,482	1,427	1,225	1,260	1,037	1,056
Bunker price (US\$/t) <sup>(11)</sup>	613	575	312	333	195	207
Exchange rate (average €/US\$)	1.3284	1.3288	1.1100	1.1151	1.1138	1.1138

(\*) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

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

	For the financial year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014 <sup>(*)</sup>	2015	2015	2016	2016
	(in € million)					
	(audited)			(unaudited)		
Cost of raw materials, supplies, and purchased goods	1,436.6	1,362.3	1,067.9	850.3	477.1	694.7
Cost of purchased services <sup>(***)</sup>	4,336.5	4,697.8	6,190.6	4,709.4	4,294.9	5,776.1
Thereof:						
Port, canal and terminal costs	1,831.1	1,989.9	2,717.2	2,060.5	1,984.0	2,640.7
Container transport costs	1,691.4	1,841.4	2,148.4	1,661.3	1,408.1	1,895.2
Chartering, leases and container rentals	653.3	734.0	1,168.6	868.8	739.6	1,039.4
Maintenance and repair and other costs	160.7	132.5	156.4	118.8	163.2	200.8
<b>Transport expenses</b>	<b>5,773.1</b>	<b>6,060.1</b>	<b>7,258.5</b>	<b>5,559.7</b>	<b>4,772.0</b>	<b>6,470.8</b>

(\*\*\*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for the periods covered. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Cash Flow".

(2) Working capital is unaudited and we calculate it as inventories plus trade accounts receivable less trade accounts payable (which are presented as negative values to illustrate the calculation in the table below). Working capital is not a measurement of performance under IFRS.

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

	As of December 31,			As of September 30,	
	2013	2014 <sup>(**)</sup>	2015	2015	2016
	(in € million)				
	(audited, except as noted)			(unaudited)	
Inventories	168.9	152.1	94.1	124.2	108.2
Trade accounts receivable	473.3	703.8	716.1	665.0	612.0
Trade accounts payable	(700.3)	(1,225.4)	(1,293.8)	(1,345.2)	(1,150.9)
<b>Working Capital (unaudited)</b>	<b>(58.1)</b>	<b>(369.5)</b>	<b>(483.6)</b>	<b>(556.0)</b>	<b>(430.7)</b>

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

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

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

	For the financial year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	<i>(in € million)</i>					
	<b>(audited, except as noted)</b>			<b>(unaudited)</b>		
<b>Profit/(loss)</b> .....	<b>(97.4)</b>	<b>(603.7)</b>	<b>113.9</b>	<b>160.4</b>	<b>(133.9)</b>	<b>(180.4)</b>
Income taxes .....	7.5	11.2	25.2	19.1	14.8	20.9
Interest results .....	153.6	209.7	227.3	169.1	145.0	203.2
<b>Earnings before interest and income taxes (EBIT)</b> .....	<b>63.7</b>	<b>(382.8)</b>	<b>366.4</b>	<b>348.6</b>	<b>25.9</b>	<b>43.7</b>
Amortization, depreciation and impairment ...	325.4	481.7	464.6	342.0	355.4	478.0
<b>EBITDA (unaudited)</b> .....	<b>389.1</b>	<b>98.9</b>	<b>831.0</b>	<b>690.6</b>	<b>381.3</b>	<b>521.7</b>

- (4) We define net debt as total financial debt less cash and cash equivalents. The following table shows the reconciliation of net debt:

	As of December 31,			As of September 30,	
	2013	2014	2015	2015	2016
	<i>(in € million)</i>				
	<b>(audited, except as noted)</b>			<b>(unaudited)</b>	
<b>Total financial debt</b> .....	<b>2,935.0</b>	<b>3,717.1</b>	<b>3,907.3</b>	<b>3,889.4</b>	<b>3,905.9</b>
Cash and cash equivalents .....	464.8	711.4	573.7	484.0	492.0
<b>Net debt (unaudited)</b> .....	<b>2,470.2</b>	<b>3,005.7</b>	<b>3,333.6</b>	<b>3,405.4</b>	<b>3,413.9</b>

- (5) As adjusted Net Debt represents total financial debt less cash and cash equivalents after giving effect to the Offering and the application of the proceeds therefrom, as if the Offering occurred on September 30, 2016. See "Use of Proceeds".
- (6) As adjusted cash and cash equivalents represents cash and cash equivalents after giving effect to the Offering and the proceeds therefrom. See "Use of Proceeds".
- (7) As adjusted interest results represents interest results after giving effect to the Offering and the application of the proceeds therefrom, as if the Offering occurred on October 1, 2015. See "Use of Proceeds".
- (8) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot (6.05 m) in length x 8-foot (2.43 m) in width x 8-foot, 6-inches (2.59 m) in height), the standard unit of measurement of volume used in the container shipping industry.
- (9) Includes the following vessels that we own and chartered out to another carrier: one vessel (7,506 TEU) as of December 31, 2013, three vessels (20,156 TEU) as of December 31, 2014, 4 vessels (33,157 TEU) as of December 31, 2015 and 3 vessels (24,757 TEU) as of September 30, 2016.
- (10) The charged average freight rates per trade lane are weighted with their respective transport volumes per trade lane (TEU), the freight rate reflects the charged price to a customer for a transport of a 20-foot equivalent unit (TEU). The average of the twelve-month and six-month periods is derived from the weighted monthly amounts.
- (11) The bunker price has been calculated as a weighted average of Hapag-Lloyd bunker price in the financial year ended December 31, 2013, 2014 and 2015 and in the nine months ended September 30, 2016 (total bunker cost divided by total consumption in tonnes).



## **Hapag-Lloyd AG Pro Forma Financial Information**

*The following summary unaudited pro forma consolidated financial information of Hapag-Lloyd AG and its subsidiaries for the nine months ended September 30, 2016 and the year ended December 31, 2015 has been derived from the Unaudited Interim Condensed Consolidated Financial Statements, the 2015 Audited Consolidated Financial Statements, the unaudited special purpose condensed interim financial information of UASC (S.A.G.) as of and for the nine months ended September 30, 2016 and the unaudited special purpose condensed financial information of UASC (S.A.G.) as of and for the year ended December 31, 2015, adjusted to give effect to the UASC Business Combination, Capital Increase I and Capital Increase II and are prepared in accordance with the basis of preparation as described in the notes to the unaudited pro forma consolidated financial information. For the purposes of this unaudited pro forma consolidated financial information, the UASC Business Combination, Capital Increase I and Capital Increase II are deemed to have occurred on September 30, 2016 with respect to the Pro Forma Nine Months 2016 Consolidated Statement of Financial Position and on January 1, 2015 with respect to the Pro Forma 2015 Consolidated Income Statement and the Pro Forma Nine Months 2016 Consolidated Income Statement.*

*The assumptions underlying the above pro forma adjustments are described in the notes presented in the unaudited pro forma consolidated financial information, which should be read in conjunction with the unaudited pro forma consolidated financial information. The UASC Business Combination will be accounted for in accordance with IFRS 3 (Revised), business combinations. The allocation of the preliminary purchase price as reflected in the Hapag-Lloyd Pro Forma Financial Information has been based upon preliminary estimates of the total consideration transferred for the acquisition and preliminary estimates of the fair value of the assets acquired and liabilities assumed of UASC. A final determination of the fair value of assets acquired and liabilities assumed of UASC will be based on the actual assets and liabilities of UASC that are going to exist at the date of the acquisition. Such valuations could change significantly upon the completion of further analyses and asset valuations from those used in the Hapag-Lloyd Pro Forma Financial Information. The final valuation will be completed in succession of the acquisition date. The preliminary purchase price allocation in accordance with IFRS 3 (Revised) is subject to change based on timing of the closing of the UASC Business Combination and the determination of the acquisition date.*

*The unaudited Hapag-Lloyd Pro Forma Financial Information has not been prepared in accordance with Regulation S-X of the U.S. Securities Act, any other U.S. regulatory requirements or any U.S. generally accepted accounting standards; and it has been prepared for informational purposes only. It should not be considered indicative of actual results that would have been achieved had the UASC Business Combination, Capital Increase I and Capital Increase II been completed on the dates indicated and does not purport to indicate Hapag-Lloyd AG's future consolidated results of operations or financial position.*

*Prospective investors should read the following data in conjunction with "Unaudited Pro Forma Financial Information", "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and with the financial information included elsewhere in this Offering Memorandum, including the Consolidated Financial Statements and related notes of Hapag-Lloyd AG.*

**Pro Forma Consolidated Income Statement for the Nine Months Ended September 30, 2016**

	<u>Hapag-Lloyd</u>	<u>UASC</u>	<u>Subtotal</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
			<i>(in € million)</i>		
			<b>(unaudited)</b>		
Revenue .....	5,713.8	1,615.6	7,329.4	—	7,329.4
Other operating Income .....	90.4	11.7	102.1	—	102.1
Transport expenses .....	(4,772.0)	(1,407.4)	(6,179.5)	18.9	(6,160.6)
Personnel expenses .....	(377.6)	(46.0)	(423.6)	—	(423.6)
Depreciation, amortization and impairment .....	(355.4)	(197.4)	(552.8)	21.8	(531.0)
Other operating expenses .....	(291.5)	(88.9)	(380.4)	10.5	(369.9)
<b>Operating result .....</b>	<b>7.7</b>	<b>(112.5)</b>	<b>(104.8)</b>	<b>51.2</b>	<b>(53.6)</b>
Share of profit of equity-accounted investees .....	19.6	8.3	27.9	(3.9)	24.0
Other financial results .....	(1.4)	1.4	—	—	—
<b>Earnings before interest and tax (EBIT) .....</b>	<b>25.9</b>	<b>(102.8)</b>	<b>(76.9)</b>	<b>47.3</b>	<b>(29.6)</b>
Interest result .....	(145.0)	(91.7)	(236.7)	9.7	(227.0)
<b>Earnings before income tax (EBT) .....</b>	<b>(119.1)</b>	<b>(194.5)</b>	<b>(313.6)</b>	<b>57.0</b>	<b>(256.6)</b>
Income taxes .....	(14.8)	(14.6)	(29.4)	—	(29.4)
<b>Group profit/loss .....</b>	<b>(133.9)</b>	<b>(209.1)</b>	<b>(343.0)</b>	<b>57.0</b>	<b>(286.0)</b>
Thereof attributable to shareholders of Hapag-Lloyd					
AG .....	(136.4)	(216.3)	(352.7)	57.0	(295.7)
Thereof attributable to non-controlling interests .....	2.5	7.2	9.7	—	9.7
<b>Basic/Diluted earnings per share (EPS) in € .....</b>	<b>(1.15)</b>				<b>(1.61)</b>

**Pro Forma Consolidated Balance Sheet as of September 30, 2016**

	<u>Hapag-Lloyd</u>	<u>UASC</u>	<u>Subtotal</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
			<i>(in € million)</i>		
			<b>(unaudited)</b>		
Property, plant and equipment .....	5,932.6	4,689.0	10,621.6	(994.3)	9,627.3
<b>Non-current assets .....</b>	<b>9,172.4</b>	<b>4,882.0</b>	<b>14,054.4</b>	<b>(550.6)</b>	<b>13,503.8</b>
Cash and cash equivalents .....	492.0	411.6	903.6	226.8	1,130.4
<b>Current assets .....</b>	<b>1,420.7</b>	<b>773.0</b>	<b>2,193.7</b>	<b>226.8</b>	<b>2,420.5</b>
<b>Total assets .....</b>	<b>10,593.1</b>	<b>5,655.0</b>	<b>16,248.1</b>	<b>(323.8)</b>	<b>15,924.3</b>
Equity .....	4,729.2	1,645.3	6,374.5	(125.9)	6,248.6
Non-current liabilities .....	3,471.4	3,312.2	6,783.6	(293.1)	6,490.5
Current liabilities .....	2,392.5	697.4	3,089.9	95.2	3,185.1
<b>Total equity and liabilities .....</b>	<b>10,593.1</b>	<b>5,655.0</b>	<b>16,248.1</b>	<b>(323.8)</b>	<b>15,924.3</b>
Working capital(*) .....	(430.7)	(71.7)	(502.4)	—	(502.4)
Total financial debt .....	3,905.9	3,502.3	7,408.2	(326.1)	7,082.1

(\*) Working capital is unaudited and we calculate it as inventories plus trade accounts receivable less trade accounts payable (which are presented as negative values to illustrate the calculation in the table below). Working capital is not a measurement of performance under IFRS.

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

	<u>Hapag-Lloyd</u>	<u>UASC</u>	<u>Subtotal</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
			<i>(in € million)</i>		
			<b>(unaudited)</b>		
Inventories .....	108.2	44.3	152.5	—	152.5
Trade accounts receivable .....	612.0	309.4	921.4	—	921.4
Trade accounts payable .....	(1,150.9)	(425.3)	(1,576.2)	—	(1,576.2)
<b>Working Capital .....</b>	<b>(430.7)</b>	<b>(71.7)</b>	<b>(502.4)</b>	<b>—</b>	<b>(502.4)</b>

**Pro Forma Consolidated Income Statement for the Financial Year Ended December 31, 2015**

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Pro Forma
			(in € million) (unaudited)		
Revenue	8,841.8	2,141.2	10,983.0	—	10,983.0
Other operating Income	193.7	4.3	198.0	—	198.0
Transport expenses	(7,258.5)	(2,026.5)	(9,285.0)	65.9	(9,219.1)
Personnel expenses	(484.4)	(61.1)	(545.5)	—	(545.5)
Depreciation, amortization and impairment <sup>1</sup>	(464.6)	(213.4)	(678.0)	23.4	(654.6)
Other operating expenses	(517.7)	(107.3)	(625.0)	(4.6)	(629.6)
<b>Operating result</b>	<b>310.3</b>	<b>(262.8)</b>	<b>47.5</b>	<b>84.7</b>	<b>132.2</b>
Share of profit of equity-accounted investees	28.5	25.9	54.4	(18.1)	36.3
Other financial results	27.6	1.0	28.6	—	28.6
<b>Earnings before interest and tax (EBIT)</b>	<b>366.4</b>	<b>(235.9)</b>	<b>130.5</b>	<b>66.6</b>	<b>197.1</b>
Interest result	(227.3)	(88.9)	(316.2)	13.2	(303.0)
<b>Earnings before income tax (EBT)</b>	<b>139.1</b>	<b>(324.8)</b>	<b>(185.7)</b>	<b>79.8</b>	<b>(105.9)</b>
Income taxes <sup>1</sup>	(25.2)	(15.0)	(40.2)	—	(40.2)
<b>Group profit/loss<sup>1</sup></b>	<b>113.9</b>	<b>(339.8)</b>	<b>(225.9)</b>	<b>79.8</b>	<b>(146.1)</b>
Thereof attributable to shareholders of Hapag-Lloyd AG	111.6	(353.9)	(242.3)	79.8	(162.5)
Thereof attributable to non-controlling interests	2.3	14.1	16.4	—	16.4
<b>Basic/Diluted earnings per share (EPS) in €</b>	<b>1.04</b>				<b>(0.94)</b>

**Key Figures from the Pro Forma Other Financial Information**

	As of and for the twelve months ended September 30, 2016
	(in € million, except as noted) (unaudited)
Pro Forma EBITDA <sup>(1)</sup>	622.4
Pro Forma Adjusted EBITDA <sup>(2)</sup>	1,017.9
Pro Forma Net Debt <sup>(3)</sup>	5,951.7
Pro Forma Adjusted Net Debt <sup>(3)</sup>	5,951.7
Pro Forma Adjusted Cash and Cash Equivalents <sup>(4)</sup>	1,259.3
Pro Forma Adjusted Interest Result <sup>(5)</sup>	(321.2)
Ratio of Pro Forma Adjusted Net Debt <sup>(3)</sup> to Pro Forma Adjusted EBITDA <sup>(2)</sup>	5.8x
Ratio of Pro Forma Adjusted EBITDA <sup>(2)</sup> to Pro Forma Adjusted Interest Result <sup>(5)</sup>	3.2x

**Key Figures from the Combined Operational Information**

	Hapag-Lloyd AG as of and for the twelve months ended September 30, 2016	UASC as of and for the twelve months ended September 30, 2016	Combined as of and for the twelve months ended September 30, 2016
		(unaudited)	
Volumes transported (1,000 TEU) <sup>(6)</sup>	7,472	2,972	10,444
Freight rate (US\$/TEU) <sup>(7)</sup>	1,056	616	931
Bunker price (US\$/t) <sup>(8)</sup>	207	202	n.a.
Exchange rate (€/US\$)	1,1090	1,1217	n.a.
Container fleet (1,000 TEU)	1,531	547	2,078
Fleet capacity (1,000 TEU) <sup>(9)</sup>	953	465	1,418
Number of vessels <sup>(9)</sup>	166	42	208

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

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

*Pro Forma* EBITDA reflects the elimination of €13.9 million transaction costs related to the UASC Business Combination. See note 14 of the Hapag-Lloyd *Pro Forma* Financial Information.

The following table reconciles *Pro Forma* profit/ (loss) for the period to *Pro Forma* EBITDA as defined by us for the periods indicated:

	<b>For the year ended December 31, 2015</b>	<b>For the nine months ended September 30, 2016</b>	<b>For the twelve months ended September 30, 2016</b>
		<i>(In € million)</i> <b>(unaudited)</b>	
<b>Group profit/(loss)</b> .....	<b>(146.1)</b>	<b>(286.0)</b>	<b>(437.2)</b>
Income taxes .....	40.2	29.4	39.1
Interest result .....	303.0	227.0	314.4
<b>Earnings before interest and tax (EBIT)</b> .....	<b>197.1</b>	<b>(29.6)</b>	<b>(83.7)</b>
Amortization, depreciation and impairment .....	654.6	531.0	706.1
<b><i>Pro Forma</i> EBITDA (unaudited)</b> .....	<b>851.7</b>	<b>501.4</b>	<b>622.4</b>

- (2) *Pro Forma* Adjusted EBITDA is defined as *Pro Forma* EBITDA as adjusted for synergies through the integration of UASC in the amount of US\$435 million per year which we expect to have fully realized in 2019 (applying an exchange rate of US\$1.10 to €1.00). These synergies are based on estimates and assumptions that are inherently uncertain, although considered reasonable by us, and subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. Furthermore, synergies may have been incorrectly assessed and/or calculated and assumptions on which those calculations are based may turn out to be unfounded. The achievement of the synergies is subject to significant uncertainty; synergies might fail to materialize or be significantly delayed for various factors beyond our control. For example, we may have underestimated the commercial loss of volume or other potential risks in calculating the expected synergies. Even if we realize the expected synergies, they may not be realized within the anticipated time frame. Also, the synergies may be offset by a deterioration in the markets in which we operate, increases in other expenses, operating losses or problems in the business unrelated to the UASC Business Combination. As a result, there can be no assurance that such synergies will be realized. We also expect to incur certain future one-off costs in connection with the realization of the synergies through the integration of UASC. See “Risk Factors—Risks Relating to the UASC Business Combination—The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale”, “The UASC Business Combination” and “Our Business—Our Strategy—Deliver significant synergies from the UASC Business Combination”.
- (3) We define *Pro Forma* Net Debt as total financial debt less cash and cash equivalents. The following table shows the reconciliation of *Pro Forma* Net Debt:

	<b>As of September 30, 2016</b>
	<i>(in € million)</i> <b>(unaudited)</b>
<i>Pro Forma</i> Total financial debt .....	7,082.1
<i>Pro Forma</i> Cash and cash equivalents .....	1,130.4
<b><i>Pro Forma</i> Net Debt</b> .....	<b>5,951.7</b>
<b><i>Pro Forma</i> Adjusted Net Debt(*)</b> .....	<b>5,951.7</b>

(\*) *Pro Forma* Adjusted Net Debt is defined as *Pro Forma* Net Debt adjusted for the Transactions. Please see “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Financial Debt and Financing Sources”.

- (4) *Pro Forma* Adjusted Cash and Cash Equivalents is defined as *pro forma* cash and cash equivalents adjusted for the Transactions. Please see “Use of Proceeds”.
- (5) *Pro Forma* Adjusted Interest Result is defined as the *pro forma* interest result as adjusted for the Transactions as set out in “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Financial Debt and Financing Sources” as if the Transactions occurred on October 1, 2016. Please see “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Financial Debt and Financing Sources”.
- (6) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot (6.05 m) in length x 8-foot (2.43 m) in width x 8-foot, 6-inches (2.59 m) in height), the standard unit of measurement of volume used in the container shipping industry.
- (7) The freight rate has been calculated as a weighted average of Hapag-Lloyd and UASC’s freight rates in the financial year ended December 31, 2015 and in the nine months ended September 30, 2016 (total freight revenue divided by total volumes transported).
- (8) The bunker price has been calculated as a weighted average of Hapag-Lloyd and UASC’s bunker price in the financial year ended December 31, 2015 and in the nine months ended September 30, 2016 (total bunker cost divided by total consumption in tonnes).
- (9) As of September 30, 2016, three vessels that Hapag-Lloyd owns and has chartered out to another carrier (1x 8,749 / 2x 8,004 TEU) are included. The *pro forma* combined figure has been adjusted for 42 vessel owned by UASC (472,278 TEU) and 22 vessel chartered by UASC (151,515 TEU).

## RISK FACTORS

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

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

### **Risks Relating to Our Business and Industry**

***The cyclical and volatile nature of the container shipping industry as well as imbalances of supply and demand make it difficult for us to manage capacity requirements.***

Container shipping is heavily dependent on the prevailing conditions in the world’s economies. Fluctuations in the economic climate have an above-average effect on this industry. The container shipping industry has, thus, historically exhibited highly cyclical economic conditions, with high volatility in freight rates, primarily due to fluctuations in the demand for container shipping services and the global supply of capacity. Changes in the demand for container shipping (including in our main markets in the Americas, Asia and Europe) are difficult to predict and are generally beyond our control. Container shipping links developed economies and emerging economies and as a result, demand is influenced by, among other factors, global and regional economic growth, the shift in manufacturing away from the Western hemisphere towards emerging economies in Asia and Latin America, the demand for consumer goods in North America and Europe, changes in seaborne and other transportation patterns, consumption and sourcing patterns, prices of commodities as negotiated by major importers and exporters, changes in weather patterns, environmental concerns, political conditions, armed conflicts, canal and port closures, changes in fuel and lubricant prices and changes in the regulatory regimes affecting shipping. In recent years, demand for containerized transports has been below expectations as global trade has grown less than expected. For example, the International Monetary Fund (“IMF”) recently revised its growth forecast for world trade for 2016 from 3.1% forecasted in January 2016 to 2.3% forecasted in October 2016. The global supply of capacity is determined by the number and size of container ships in the world (including the charter market), their deployment into trades (a trade combines liner services between two land masses), the impact of port congestion, the delivery of new ships, the availability of financing for container ships, the conversion of container ships to other uses and the scrapping of older ships as well as the availability of containers. The continued increases in transport capacity have negatively affected freight rates in all trades as demand remained subdued. Such supply may also be affected by regulation of maritime transportation practices, by governmental or international authorities, including changes in environmental and other regulations that may limit the useful lives of vessels. Furthermore, the global supply of capacity has also been affected by slow steaming and super-slow steaming initiatives as reduced average speed required more ships on a given trade to maintain the same schedule. If individual competitors, or the industry as a whole, were to end slow steaming, the global supply of capacity would increase significantly. The existing order book of approximately 3.4 million TEU of additional capacity is due to be delivered until 2020 (source: MDS Transmodal, December 2016). Against this background, balancing supply and demand will be a critical factor to achieve sustainable freight rates in the coming years. Demand for container transport has slowed in recent years to growth rates of 5.1% in 2013 to 3.2% in 2016 as global GDP growth was negatively affected by diminishing growth in China, Brazil and the European Union (source: Clarksons Research, December 2016 and IMF, October 2016). We cannot predict when or even if supply and demand for container shipping capacity will balance.

The market is generally oversupplied as a result of high levels of ordering of vessels which occurred in the past years, combined with slower than expected growth in the industry’s key markets and regions, which are the three East-West trades (Asia-Europe, Atlantic and Transpacific), the



North-South trade as well as the Intra-Asia trade. Historically, carriers have responded to periods of high demand for container shipping services and increasing freight rates by investing in new vessels and containers. These investments tend to lead to lower freight rates as newly available vessel and container capacity catches up with, and exceeds, demand for container shipping services. Moreover, over the last years, the chase for fuel efficiency and economies of scale drove the trend towards increasingly large vessels which caused an additional increase of capacity and put freight rates under significant pressure. As of November 30, 2016, the segment of container vessels with a capacity of 14,000 TEU or higher (referred to as ultra-large container vessels (“ULCV”)), which predominantly serve the major East-West trade lanes, comprises 134 vessels with a transport capacity of 2.15 million TEU. The order book as of November 30, 2016 consists of 103 of these vessels with a capacity of 1.82 million TEU. These vessels are expected to be delivered by 2020 (2016: 4 vessels, 2017: 54 vessels, 2018: 34 vessels, 2019: 7 vessels, 2020: 4 vessels). In the subsegment of vessels with a capacity of more than 18,000 TEU, 70 vessels with a capacity of 1.40 million TEU have been or are expected to be delivered between 2016 and 2020 (source: MDS Transmodal, December 2016). The increasing capacity of ULCVs is expected to exacerbate the existing pricing constraints. Furthermore, as vessels generally have an economic life of about 25 years and must be ordered up to three years in advance, there can be periods of excess or deficit capacity relative to the demand for shipping transport volumes. Due to the lead time for new vessels of up to three years, new capacity may enter the market after demand has already peaked so that it can often take several years to correct a market imbalance. Increases or decreases in capacity, or lower than anticipated increases in the demand for container shipping can lead to significantly lower freight rates, reduced shipping transport volume or a combination of both, which could severely impact our profitability and have a material adverse effect on our business, financial condition and results of operations. Furthermore, during times of low demand we may be unable to always use the full capacity of our vessels or to maintain the freight rates required to avoid adverse effects on our margins, which may in itself have a material adverse effect on our business, net assets, cash flows and results of operations.

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

Since 2000, the container shipping industry has recorded annual growth in transport volume of between 2.5% and 13.7% with the exception of 2009 when transport volume declined by 9.0% (source: Clarksons Research, Container Intelligence Quarterly, Q3 2016). Demand for container transport has slowed in recent years to growth rates of 5.1% in 2013 to 3.2% in 2016 as global GDP growth was negatively affected by diminishing growth in China, Brazil and the European Union (source: Clarksons Research, December 2016 and IMF, October 2016). However, there can be no assurance that setbacks in economic activity will not occur and transport volume of the container shipping industry will continue to remain at equivalent or above levels recorded in the previous years. Therefore, if the global economy, the global financial and credit markets or the container shipping market itself were to experience significant disruptions in the future, our business, results of operations and financial condition could be negatively affected, including in the following ways:

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

Additionally, there are differences in the growth rates of transport volumes and the level of freight rates among the different trades in which we operate, and the performance of our transport volumes and freight rates is dependent on the activity of those lines. For example, since the East-West trades represented 56% (Atlantic, Transpacific and Far East represented 21%, 19% and 16%, respectively)



and the North-South trades represented 44.0% of our total transport volumes (Latin America, Intra-Asia and EMAO represented 30%, 9% and 5%, respectively) in the financial year ended December 31, 2015 and 56% for the East-West trades (Atlantic, Transpacific and Far East represented 21%, 19% and 16%, respectively and 44% for the North-South trades (Latin America, Intra-Asia and EMAO represented 30%, 9% and 5%, respectively) in the nine months ended September 30, 2016, the development of our transport volumes and freight rates are particularly dependent on the growth of those trades which may develop differently than expected in the future. In particular, recent growth in the Far East and Latin America trades has not been as stable as in the Atlantic and Transpacific trades. In 2015, volume growth in the Far East, Atlantic, Transpacific and Latin America trades was (1.8)%, 1.7%, 3.0% and 1.8% (source: Clarksons Research, December 2016). This instability is mainly attributable to slower economic growth in China, which is experiencing continued weak growth with expected gross domestic product (“GDP”) growth rates of 6.6% in 2016 and 6.2% in 2017 (source: IMF, October 2016, January 2016 and January 2014) compared to growth rates of 7.7% to 6.9% from 2012 to 2015, as well current weak economic conditions in Latin America and the Caribbean where economic growth declined from 3.0% in 2012 to 0% in 2015 and positive growth is not expected to return before 2017 (source: IMF, October 2016, January 2016, January 2014). Moreover, the combination of the container shipping business from the Chilean shipping company Compañía Sud Americana de Vapores S.A. (“CSAV”) (together, the “CCS Activities”) in 2014 has increased our exposure to the Latin American trades significantly. According to a recent publication of the IMF (October 2016), Latin America and the Caribbean grew by 0% in 2015. A negative GDP growth of (0.6)% is expected for 2016, recovering to 1.6% in 2017. Growth in Latin America is very much influenced by the economic performance of the largest regional economy, Brazil, which has been in an economic recession since 2015 when GDP declined by 3.8%. The Brazilian economy is expected to contract by an additional 3.3% in 2016 before growing by 0.5% in 2017 (source: IMF, October 2016). In the nine months ended September 30, 2016, our transport volume on the Far East and the Latin America trades represented 16.4% and 29.6% of the total transport volume, respectively. The current pace of economic growth may have a negative impact on the region’s import and export activities, and therefore also on demand for container shipments and consequently on our revenue and results of operations.

As demand growth was below expectations in recent years and newly delivered vessels increased the available transport capacity, freight rates and spot market freight rates in particular in all trades have been fluctuating strongly and have been on a general and more rapid decline beginning with the second quarter of 2015. There was additional significant downward pressure on freight rates in the first half of 2016 as measured by key spot-market rates, which drove freight rates to a historic low point. For example, spot market freight rates on the Far East trade, measured by the Shanghai-Europe Freight Index have declined from around US\$1,765/TEU quoted on January 3, 2014 to a low of around US\$205/TEU quoted on March 18, 2016 before recovering to US\$1,086/TEU quoted on January 13, 2017. In the same period, spot-market rates on the Transpacific trade fell from around US\$1,815/TEU quoted on January 3, 2014 to a low of US\$761/TEU quoted on March 18, 2016 before recovering to US\$3,594/TEU quoted on January 13, 2017. Spot-market rates on the Latin American trade had an even wider fluctuation declining from around US\$1,649/TEU quoted on January 3, 2014 to US\$99/TEU quoted on February 19, 2016 before moving to US\$2,575/TEU quoted on January 13, 2017 (source: Shanghai Shipping Exchange, December 30, 2016). Spot market rates are widely used by freight forwarders as a market trend indicator. Freight rates quoted and booked by carriers may differ greatly depending on the cargo mix transported among other factors. Although there has been a recovery of key spot-market rates recently, there can be no assurance that such a recovery will continue or be sustainable. Moreover, we cannot predict when or even if supply and demand for container shipping capacity will balance which may in turn support sustainable freight rates.

The development of the container shipping industry depends on the dynamics of the GDP growth in major consumption areas, the economic performance of newly industrialized countries in Asia and Latin America and on the development of global trade in general. As the global economy is subject to considerable uncertainties and could experience further recessions or other general downturns, this could likely result in another significant decline in container shipping transport volumes and related revenues on a global basis, possibly at a time in which we are scheduled to take delivery of newbuild vessels and incur the related capital expenditures for such vessels. Although the global economy has recovered from the severe downturn in 2008 and 2009 to a certain extent, there can be no assurance that any recovery is sustainable or that there will be no recurrence of the global financial and economic crisis or similar adverse market conditions.

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

As of September 30, 2016, the percentage of our fleet's total transport capacity (measured in TEU) owned or leased by us amounted to approximately 55.7%. We source the remaining 44.3% through vessel charters. As of September 30, 2016, in addition to the 70 container ships that we own (including three vessel we have chartered out), we had three container ships on long-term finance leases, twelve container ships on long-term charters, 23 container ships on mid-term charters and 58 on short-term charters. Subject to closing of the combination of all activities, assets, liabilities, contractual relationships and employees of United Arab Shipping Companies (S.A.G.) ("UASC (S.A.G.)") and its subsidiaries (together, "UASC") with Hapag-Lloyd AG (the "UASC Business Combination"), we will have access to an additional 0.6 million TEU and 61 vessels. Under a vessel time charter agreement, a vessel is provided by a ship owner to a container carrier for a fixed period of time with the vessel owner typically also providing the vessel's crew, insurance and maintenance. As charter rates (and short-term charter rates in particular) tend to fluctuate significantly in response to market participants' perceptions of supply and demand on the shipping markets, adding additional chartered-in capacity at current market rates is likely to be more expensive in times of strong demand than the cost of owned vessel capacity. Furthermore, we cannot be certain that vessel charter rates will not rise materially in the future. If vessel charter rates rise materially, we may not be able to pass on such increased operating costs to our customers, which would adversely affect our margins and results of operations. Furthermore, large vessels are relatively scarce in the vessel charter market; if we are unable to charter large vessels cost-effectively or at all when we need them, we may be forced to charter smaller vessels as substitutes on certain services and the competitiveness and the profitability of these services may be negatively affected. If the demand for container shipping increases more than anticipated in order to adequately service our customers, we may be forced to increase the percentage of chartered capacity as compared to owned capacity, which could increase our exposure to container vessel charter rates and which could lead to decreased margins and have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

In addition, container shipping has gone through a phase of consolidation in recent years which has intensified in 2016. This consolidation process in the shipping industry has been driven by merger and acquisition activities. In addition to our acquisition of the CCS Activities (the “**CCS Activities Business Combination**”) and the UASC Business Combination, CMA CGM acquired the German short sea shipping group Oldenburg-Portugiesische Dampfschiffs-Rhederei GmbH & Co. KG (source: CMA CGM Press Release, November 26, 2014) and, in March 2015, Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG (“**Hamburg Süd**”) acquired the container liner activities of Compañía Chilena de Navegación Interoceánica S.A. including the related general agency functions of Agunsa Agencias Universales S.A. with headquarters in Valparaíso and Santiago de Chile (source: HSDG Press Release, March 31, 2015).

In February 2016, the two Chinese shipping companies China Ocean Shipping Company (“**COSCO**”) and China Shipping Group (“**CSCL**”) merged to form China COSCO Shipping Group (“**China COSCO**”). China COSCO has a fleet of 273 container ships with a total capacity of around 1.5 million TEU, making it the fourth-largest container shipping company in the world (source: MDS Transmodal, December 2016). CMA CGM completed the merger with Neptune Orient Lines (“**NOL**”) in September 2016. In addition, the ongoing Hanjin bankruptcy proceeding may result in another container shipping company being subject to consolidation.

On July 15, 2016, Hapag-Lloyd AG and UASC (S.A.G.) entered into a business combination agreement (the “**UASC BCA**”) in connection with the UASC Business Combination.

On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. Subject to regulatory approval and the approval by shareholders this would create the sixth-largest global container shipping company with a transport capacity of about 1.4 million TEU. The new company is expected to start its operations on April 1, 2018. Recently, the Taiwanese Ministry of Transportation has been reported to assess the feasibility of a potential merger of Evergreen and Yang Ming. On November 3, 2016, the two companies denied such a possibility (source: joc.com).

On December 1, 2016, Maersk reached an agreement to acquire Hamburg Süd, subject to final agreement and regulatory approvals. Hamburg Süd has a global market share of 2.9%, compared to Maersk’s 14.4%, and has its stronghold on the North-South and Latin America trades.

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

***The formation of larger alliances could represent a competitive disadvantage.***

Market participants in the container shipping industry have recently accelerated the pooling of operations and equipment and most of our competitors have established or are members of strategic alliances aimed at gaining a competitive edge through cost synergies, joint procurement and joint operations. We are both a part of and compete against such alliances. For a description of the inherent risks we face through our membership in THE Alliance as of April 2017, the Grand Alliance and the G6 Alliance, please see “—The termination of our or other shipping companies’ membership in THE Alliance, the Grand Alliance or the G6 Alliance, or the termination of THE Alliance, the Grand Alliance or the G6 Alliance as a whole, could have an adverse effect on the geographic scope of our service network and the deployment of our vessels”. In July 2014, Maersk and MSC signed a 10-year vessel sharing agreement (the “**VSA**”) for the three East-West trades (Asia-Europe, Atlantic and Transpacific). The service cooperation under the VSA is called “**2M**”, includes about 185 vessels with a capacity of approximately 2.1 million TEU and commenced its operations in January 2015 (source:

Maersk Line, July 2014). In December 2016, Korean shipping company Hyundai Merchant Marine (“HMM”) reached an agreement with Maersk and MSC to share surplus capacity and cargo slots effective April 2017, subject to certain regulatory approvals. The initial term of the cooperation is three years with an option to extend and covers key East-West trades. Maersk and MSC will take over a number of charters and operations of vessels currently chartered to HMM. Another major cooperation, named “Ocean Three”, between container shipping lines was announced in September 2014. CMA CGM, CSCL and UASC also offer joint services on East-West trades (Asia-Europe, Asia-Mediterranean, Transpacific and Asia-United States East Coast). The cooperation includes vessel sharing agreements, slot exchange as well as slot charter agreements. These agreements became operational in January 2015 (source: Maersk Line, July 2014). The Ocean Three is scheduled to be replaced in April 2017 by the Ocean Alliance, which was established by CMA CGM (including the shipping company American President Lines Ltd. (“APL”), which was taken over by CMA CGM), Orient Overseas Container Line (“OOCL”), Evergreen Marine Corp. (Taiwan) Ltd. (“Evergreen”) and China COSCO. The Ocean Alliance is scheduled to become operational in April 2017. In January 2015, the CKYHE Alliance consisting of Evergreen Marine and the former CKYH Alliance comprised of COSCO, “K” Line, Yang Ming and Hanjin commenced operations, after CKYHE and Evergreen Marine had already cooperated for several years. Furthermore, the carriers Hamburg Süd and UASC announced on September 24, 2014, the signing of a global cooperation agreement, which became effective in the beginning of 2015, in which they have agreed to cooperate on several of their respective core trades, initially by means of slot exchanges and potentially by way of shared vessel deployment at a later stage. In May 2015, CMA CGM, Hamburg Süd and UASC launched a new Atlantic service with a total of 15 ships in the 3,800-4,800 TEU class, nine to be provided by CMA CGM, five by Hamburg Süd and one by UASC. These various alliances have varying degrees of presence in the respective trades. Different cost advantages may arise as a result of the expansion of the networks and the range of services offered to customers and we may not be able to match the cost advantages offered by other container liner shipping companies. Moreover, we may not be able to fully realize other benefits from our membership in THE Alliance which we are currently anticipating, or we may fail to realize any benefits at all.

***We may be unable to retain our service contracts related to our flag-protected cabotage business, as well as our contracts with the U.S. government.***

We have three flag-protected cabotage services which are subject to legal requirements and restrictions to participate in the trade. These services comprise: (i) a maritime trade route between Chile and Brazil requiring carriers to perform the service on a Chilean flag or a Brazilian flag vessel; (ii) an intra-Chile route requiring a Chilean flag vessel; and (iii) an intra-Peru feeder service requiring a Peruvian flag vessel. The general requirement for a vessel to fly the flag of a country is that the vessel must be registered in the respective country, in accordance with applicable laws. For such purposes, Chilean, Brazilian and Peruvian legislation generally provide that the owner of the vessel must be a national or resident of such country and the vessel shall be manned by a national captain and crew. In connection with these cabotage operations, we rely on the maintenance and ownership of certain aging vessels enabling us to continue such services. Such services are subject to changes in the respective regulatory or legal regimes. In addition, these services require certain licenses. We may be subject to fines if we do not comply with these regimes or fail to obtain, extend or renew the required licenses. In addition, we may not be able to timely adapt to changes in the regulatory or legal regimes which could lead to a material adverse effect on our business, financial condition and results of operations.

In addition, our U.S. flag business includes our participation in the Maritime Security Program (“MSP”) of the U.S. Maritime Administration of the Department of Transportation. Under this program, our five U.S. flag ships, manned by U.S. crews, receive certain subsidies every year. The MSP contracts run through October 2025. Our future participation in this program is subject to meeting a number of qualifications and requirements for participation in the MSP program and annual funding by the U.S. government. This business segment also relies on our continuing business with the U.S. government. Our U.S. flag business accounted for 0.9%, 0.6% and 0.5% of our total transport volume for each of the financial years 2014 and 2015, and in the nine months ended September 30, 2016, respectively.



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

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

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

***Container ship capacities have increased in recent years, leading to overload and/or overcapacity and congestion in certain ports and access to ports could be limited or unavailable for other reasons.***

In recent years, container ship capacities have increased globally at a faster rate than the rate at which some container ports have increased their capacities. These factors have led to considerable delays in the processing of container shipments in affected ports, many of which (such as in the United States) cannot accommodate larger ships. As a result of longer load and unload times, increases in container ship capacities could lead to further port congestion, which could have a material adverse effect on container shipping traffic on affected services. Decisions on port expansions or port access (such as dredging for ultra-large vessels) are made by national or local governments and are outside of our control, determination or influence. Such decisions are made on the basis of local policies and concerns and the interests of the container shipping industry may not be taken into account. In addition, as industry capacity and demand for container shipping continue to grow, we could encounter difficulties in securing sufficient terminal slots to expand our operations according to our growth strategy, due to the limited availability of port facilities. While we seek to continue to secure port access by directly investing in port terminals where we have significant operations, we may face political and administrative challenges in doing so, as ports are generally considered strategic assets. Furthermore, major ports could close for a shorter or longer period of time due to maintenance works, natural disasters or other reasons beyond our control. We cannot ensure that our efforts to secure port access will be successful. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

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

Orders for new vessels, whether to be owned, chartered or leased, must currently be placed up to two to three years in advance. As of September 30, 2016, our order book comprised five new vessels each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. Because orders are based on current expectations of future demand, a container shipping company is subject to the inherent risk that it will order either too much or too little vessel capacity to meet future demand, as well as the related risk of misallocating capital expenditure. In addition, the building and financing of such new ships can be delayed or disrupted, thereby extending the lag time between order and delivery. If we do not invest sufficiently in additional shipping capacities, we may be faced with the choice of either not being able to satisfy our customers' demand for our services (leading to lost revenues and market share and, potentially, strained customer relations or even a loss of customers) or chartering additional vessels via the charter market at potentially higher charter rates during phases of strong demand. If, on the other hand, we overinvest in additional container shipping capacity that we are not able to fully utilize during weaker market conditions and periods of lower demand, this would increase our costs relative to the development of our revenues. Either scenario could have a material adverse effect on our business, financial condition and results of operations.

***Our operating and financial performance is subject to seasonal fluctuations and could be adversely affected by unfavorable developments.***

Our operating and financial performance is subject to seasonal fluctuations and relies to a large extent on the transported volume and freight rates achieved during the so-called “Peak Season”, mainly determined by inventory build-up of retail goods for the Christmas season in the United States and Europe. Thus, the third quarter of the calendar year (which matches our financial year) is in general the strongest in terms of demand for the container shipping industry. Any factors that negatively affect our operating income in the stronger periods would have disproportionate effect on our financial condition and results of operations for the entire financial year.

Due to the seasonal effect, revenue and income, as well as cash flows in the individual quarters are not directly comparable. These figures therefore provide no reliable basis for projections regarding future results, and they cannot be cumulated to project the results for the entire financial year. In turn, because of the seasonal influences, the revenue and earnings of individual quarters can fluctuate significantly, which in turn may cause volatility in the market price of our shares.

***Changing trading patterns, trade flows and sharpening trade imbalances may adversely impact our cost structure.***

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

***We may not be able to maintain and effectively utilize the much larger fleet of the Group.***

In particular as a result of the UASC Business Combination, our fleet will significantly grow. Our fleet comprises 166 vessels (including three vessels, which we chartered to third parties) with total transport capacity of approximately 952,802 TEU as of September 30, 2016. Including UASC, the respective numbers are 227 vessels and 1.5 million TEU. As of September 30, 2016, our order book comprised five new vessels each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC’s order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. Maintaining and utilizing such a large fleet may prove to be difficult and could have a material adverse effect on our business, results of operations and financial condition (see also “—There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity exposure to intermittent changes in shipping market conditions”).

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

The cost of marine or bunker fuel (fuel used aboard ships) accounts for a substantial part of our operating costs. The cost of marine or bunker fuel comprised 7.6% of our revenue in the nine months ended September 30, 2016, as compared to 11.9% of our revenue in the nine months ended September 30, 2015. The price of bunker fuel moves in close interdependence with crude oil prices, which in turn have historically exhibited significant volatility. Furthermore, crude oil prices are influenced by a host of economic and geopolitical factors, particularly the economic development of emerging markets such as China and India, global terrorism, political instability and tensions in North Africa and the Middle East, insurrections in the Niger Delta, and the long-term increase in global demand for oil, China and India in particular. We are also required to use higher quality bunker fuels on an increasing number of our services due to changing environmental requirements, which also increases our fuel costs. Although, in accordance with industry practice, we seek to hedge part of our exposure (as of September 30, 2016, approximately 39% of our anticipated bunker fuel consumption for the total year of 2016 was hedged compared to approximately 28% at the beginning of 2016) and to reduce bunker fuel consumption with measures such as slow steaming, there can be no assurance that



we will be successful in passing on or hedging future price increases in a timely manner, either for the full amount or at all (see “—Risks Relating to Our Financial Profile—The derivative instruments we employ for hedging purposes involve risks and may not be successful”). As a result, a prolonged increase in crude oil and bunker fuel prices could lead to significant increases in operating costs and materially adversely affect our business, financial condition and results of operations.

Our vessels use two different types of marine diesel fuel. The widely used MFO for long journeys at sea and the low sulfur grade oil MDO for environmentally restricted coastal areas like the North Sea and Baltic Sea as well as the west coast of the United States. The price for MFO and MDO differ greatly and exhibit substantial price fluctuations. For instance, MFO Rotterdam, which is widely used as a reference price, was quoted at US\$246.50 per metric tonne on September 30, 2016 while trading above US\$600 per metric tonne in June 2014 and declining to US\$104 per metric tonne in January 2016.

In the same period of time, prices for MDO were quoted between US\$930 per metric tonne in June 2014 and US\$230 per metric tonne in January 2016. On September 30, 2016, the price for MDO stood at US\$437.25 per metric tonne.

***Political crisis could affect regional or global economic growth which could in turn negatively impact transport volumes.***

Instances of political instability and military conflicts, such as the crisis in the Middle East and the conflict concerning Ukraine, have had, and may continue to have, a significant adverse effect on the general economic environment and on the markets in which we operate. One or more of these crises could escalate and affect other countries, negatively impact the global economy and have a material adverse effect on global trade. If such a scenario were to materialize, it would materially adversely affect our business, financial condition and results of operations. Furthermore, import bans against Russia have been instituted, and the country has been sanctioned by both the European Union and the United States as well as by Japan, Norway, Australia and Canada. In response, Russia imposed a total ban on food imports from the European Union, United States, Norway, Canada and Australia. These sanctions have resulted in a substantial decline in the Russian import since the beginning of 2015, and will continue to do so as sanctions applying to Russia have been extended and some carriers have therefore reduced their capacities on the trades into the Mediterranean Sea region. These sanctions and any further sanctions that might be implemented may also have a material adverse effect on our business, financial condition and results of operations.

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

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

We are subject to numerous factors that may adversely affect the stability and development of economies relevant to our business. The creditworthiness of the sovereign debt of various Eurozone countries, in particular Greece, the vote in the UK to leave the European Union, the announced constitutional referendum in Italy or the outcome of the recent presidential election in the United States of America may, among others, impact the cost and availability of credit to us, cause uncertainty and disruption in relation to our financing and may result in general economic, financial and political instability. A weakening of the economy, protracted political instability or other events affecting important importers or exporters, such as China or other relevant countries, would have a material negative impact on our business, financial condition and results of operations. Furthermore, the Chinese economy, which was previously particularly resilient to adverse developments in other countries and showed constant economic growth, has recently seen a significant deceleration. This has

led to increased volatility on stock markets in China and Hong Kong. Moreover, the devaluation of the Chinese currency might impose further risks to the Chinese economy and may also affect the import of goods into China, which in turn could adversely affect the transport volumes on the Far-East trades.

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

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

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

- marine disaster;
- environmental accidents, including oil and hazardous substance spills;
- grounding, fire, explosions and collisions;
- accidents due to handling and transport of dangerous goods or items not declared as dangerous goods;
- cargo and property losses or damage (including total loss of vessels);
- business interruptions caused by mechanical failure, IT system outages, cyber-attacks, human error, war, sabotage, terrorism, piracy, political action in various countries, or adverse sea or weather conditions;
- work stoppages or other labor problems with staff serving on vessels and at ports, substantially all of whom are unionized or covered by collective bargaining agreements;
- search and rescue operations may lead to business interruptions and may interfere with the proper operational performance of the vessel; and
- delays or other restrictions and business interruptions due to trading in areas of disease outbreaks, such as the Ebola virus outbreak in West Africa in 2015.

Vessels trading from such areas can be subject to delays and other restrictions at port clearance. During the Ebola outbreak, for instance, many ports established special screening procedures for such arriving vessels, including the taking of temperatures of crew members on board of vessels from such ports.

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

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

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

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

Acts of piracy have historically affected oceangoing vessels trading in regions of the world, such as the South East Asia and the Gulf of Aden off the coast of Somalia. Since 2008, the frequency of piracy incidents against commercial shipping vessels has increased significantly, in particular in the Gulf of Aden, in the South of the Red Sea and across increasingly large swathes of the Indian Ocean. Container ships have become the target of pirate attacks as well, despite being a less vulnerable type of ship compared to other types such as oil tankers. The Joint War Committee (“JWC”) which comprises underwriting representatives from both the Lloyd’s and International Underwriting Association company markets, labels certain areas as areas of “perceived enhanced risk”, including the Gulf of Aden (since May 2008), the Southern Red Sea and the Indian Ocean (up to southern Sri Lanka), Somalia, the Arabian Sea, the Gulf of Oman (since December 2010) and the Gulf of Guinea (since August 2011). The list is subject to continual review and amendment and is used internationally as a guideline. Insurers have the right to charge additional premiums when vessels navigate in these designated regions. If we deploy our vessels in these designated regions, premiums payable for insurance coverage could increase significantly and such coverage may be more difficult or impossible to obtain. In addition, crew costs and further expenditures for heightened security measures could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, including the payment of any ransom we may be forced to make. Therefore, any acts of piracy could have a material adverse effect on our business, financial condition and results of operations.

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

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

In September 1997, the International Maritime Organization (“IMO”) adopted Annex VI to the International Convention for the Prevention of Pollution from Ships (“MARPOL”) to address air pollution from ships. Effective May 2005, Annex VI sets limits on sulfur and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special “Emission Control Areas” (“ECA”) to be established with more stringent controls on sulfur oxide emissions (e.g., in the North Sea (including the English Channel) and the Baltic Sea: SO<sub>x</sub> (sulfur oxide) limit in fuel is in accordance with the revised Annex VI 0.1% since January 1, 2015). In October 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which amendments entered into force on July 1, 2010. The amended Annex VI reduces air pollution from vessels by, among other things, (a) implementing a progressive reduction of sulfur oxide emissions from ships by reducing the global sulfur fuel cap initially to 3.5%, effective beginning January 1, 2012, then progressively to 0.5%, which is the effective cap beginning January 1, 2020, subject to a feasibility review to be completed no later than 2018 (Contrary to the amended Annex VI, the EU Directive 2016/802/EU, is not subject to a feasibility review. Thus, limit values of 0.5% will apply in EU waters from January 1, 2020 in any case); and (b) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. In addition, it allows for ECAs to be designed for sulfur oxide and particulate matter, or nitrogen oxide or all three types of emissions from ships. Such ECAs designed for all three types of emissions have been established in the North American area and in the United States Caribbean Sea area. In addition to the limit values, in these ECAs new vessels constructed on or after January 1, 2016 will be subject to NO<sub>x</sub>

Tier III standards set forth in revised MARPOL Annex VI. From September 1, 2017, amendments to MARPOL adopted in April 2016 will enter into force concerning NOx Tier III reporting, in particular concerning the record requirements for operational compliance with NOx Tier III emission control areas. As a result of these amendments, certain ships will be required to maintain records of the operational status of their marine diesel engines, together with the date, time and position of the ship when operating in NOx Emission Control Areas. In 2011, the IMO adopted further mandatory technical and operational energy efficiency measures such as the Energy Efficiency Design Index (“EEDI”) and the Ship Energy Efficiency Management Plan (“SEEMP”). In January 2014, new amendments to MARPOL entered into force, which include revised MARPOL Annex III Regulations for the prevention of pollution by harmful substances carried by sea in packaged form. These new amendments include changes to the Annex to coincide with the next revision of the mandatory International Maritime Dangerous Goods Code, specifying that goods should be shipped in accordance with relevant provisions. From March 1, 2016, amendments to MARPOL Annex I, III and VI entered into force which prohibit ships from carrying heavy fuel oil on board as ballast in the Antarctic. In October 2016, the IMO’s Marine Environment Protection Committee passed a proposal to implement NOx Emission Control Areas in the North Sea and the Baltic. The NOx regulations require new vessels operating in the Baltic Sea and the North Sea to reduce their NOx emissions by 75% starting from January 1, 2021.

***Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems.***

Currently, certain areas along our trade lanes are designated ECAs under the Annex VI amendments. The revised Annex VI lists the North American coasts as well as the Baltic Sea and the North Sea (including the English Channel) as ECAs for the control of sulfur oxide and particulate matter. Additional 200 square mile-ECAs have been proposed for the Mediterranean, Singapore and Australia. If those and additional ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations. The IMO is evaluating mandatory measures to reduce greenhouse gas emissions from international shipping, which may include market-based instruments or a carbon tax. The European Union has indicated that, while it has a preference for a global approach led by the IMO, given that there is yet to be agreement on global market-based measures or other instruments, it intends to progressively integrate maritime emissions into the EU’s policy for reducing its domestic greenhouse gas emissions (the “Emissions Trading Scheme”). In April 2015, the EU-Commission adopted Regulation (EU) 2015/757 on the monitoring, reporting and verification (“MRV”) of carbon dioxide emissions from maritime transporter that requires, *inter alia*, submission of a monitoring plan for each ship, monitoring of CO<sub>2</sub> emissions for each ship on a per-voyage and an annual basis. The next step in the EU strategy would be to set greenhouse gas reduction targets for the maritime transport sector (however, currently no measures have been adopted to implement reduction targets). In the United States, the Environmental Protection Agency (“EPA”) has issued a finding that greenhouse gases threaten the public health and safety. In addition, climate change initiatives are being considered in the U.S. Congress. Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time.

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

Furthermore, we may incur substantial costs in order to comply with existing and future environmental, health, security and safety and other regulatory requirements, including, among others,

obligations relating to spills and discharges of oil or other hazardous substances, ballast water management, transportation of dangerous goods, maintenance and inspection, development and implementation of emergency procedures, security and insurance coverage.

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

Low sulfur marine diesel fuel accounted for 9% of our bunker oil consumption in the nine months ended September 30, 2016. The requirement to use marine diesel oil ("MDO") as a result of strict environmental regulations governing the traversing of coastal regions in Europe and North America may lead to a considerable increase in transport costs given the significantly higher price of MDO. Compliance with the sulfur thresholds required by stringent environmental legislation could lead to a significant rise in demand for low sulfur marine diesel fuel, both by us and by other shipping companies, and thereby result in a further rise in the price of marine fuels in affected regions, at least in the short term. This increasing share of consumption of low sulfur marine fuel may substantially impact our transport expenses and might burden our results of operations if we are not able to recover the difference in input prices through freight rate adjustments.

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

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

Unless covered by special exemptions, the shipping industry is subject to the general competition laws. These general competition laws are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. They generally prohibit agreements or concerted actions among competitors if they adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position held by one or more shipping companies also constitutes a violation of the law.

As of July 2016, we have terminated or withdrawn our membership in conferences and voluntary (rate) discussion agreements ("VDAs"), with the exception of the Transpacific Stabilization Agreement ("TSA"), where our membership is dormant and we do not participate in any meetings, resolutions or votes.

It is possible that shipping companies may face fines and other similar sanctions if they fail to comply with the regulatory regime. This may significantly impact the profitability of shipping companies that are found not to be in compliance.

In May 2011, the European Commission's Directorate General for Competition ("DG COMP") carried out unannounced inspections at the premises of various carriers, including ours, in order to investigate a possible collusion amongst carriers on prices and/or capacities. In April 2013, the investigation was followed up by an extensive request for information by DG COMP directed to carriers and customers. DG COMP invited carriers, including us, to individual meetings between December 2013 and January 2014, where they expressed their concerns focused on the way General Rate Increase ("GRI") announcements were handled by the individual carriers, and timing of such announcements. In December 2015, we offered commitments to the European Commission to increase price transparency for customers, without making any admission of infringement or liability. In particular, carriers agreed to stop publishing and communicating GRI announcements and not to make any price announcements more than 31 days before their entry into force. On July 7, 2016, the



European Commission adopted a Commitment Decision, making the commitments offered by Hapag-Lloyd legally binding for a period of three years starting December 7, 2016.

On March 17, 2010, the U.S. Federal Maritime Commission (“FMC”) initiated an investigation (No. 26) on the “Vessel Space and Equipment Availability Situation on U.S. Trades”, triggered by general complaints of shippers about the shortage of vessel space and equipment and the underlying allegation of collusion between carriers. Following its investigation, the FMC did not impose fines. Instead on December 8, 2010, the FMC issued a report and adopted certain measures designed to engage oceans carriers and their customers in a dialogue in order to improve the U.S. international ocean shipping system. These measures comprise dispute resolution bodies called “Rapid Response Teams”, two working groups, an educational outreach project and the development of recommendations to enhance oversight of the global container shipping industry. While the adopted measures do not currently appear to lead to legal restrictions being imposed on our business, it cannot be ruled out that these initiatives could lead to future revised laws or other administrative burdens which may impact our flexibility or force us to incur additional costs. Between the first quarter of 2011 and the first quarter of 2013, the FMC applied special oversight requirements on the three operating global alliances, including the G6 Alliance and the Grand Alliance, of which we are a member. Until the first quarter of 2013, the three global alliances were requested to submit minutes of their principal meetings and monitoring reports (the latter on a monthly basis, rather than on a quarterly basis as before). The filing for the G6 Alliance expansion to encompass Transpacific, North Atlantic and Far East became effective in April 2014 after a unanimous vote of the five FMC Commissioners. The agreement contains increased, partly voluntary monitoring requirements compared to the previous Grand Alliance requirements.

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

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

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

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

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

In addition to the respective national laws, there are various international treaties in place, which deal with maritime liability issues, such as the Hague Rules of 1924, the Hague Visby Rules of 1968, and the Hamburg Rules of 1980. In particular, the Hague Rules and the Hague Visby Rules are of great importance to the maritime liability regime and either one or both have been ratified by most countries



that have a relevant shipping industry. Some countries have implemented the Hague Rules and the Hague Visby Rules into national law and in other countries the treaties are applicable directly without transition into national laws.

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

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

The newly revised law provides for, among other revisions:

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

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

The international container shipping industry is subject to various security and customs monitoring and inspection procedures in countries of origin and destination, as well as at transshipment ports. Such procedures can result in the confiscation of containers or their contents, delays in the loading, offloading, handling or delivery of containers and the levying of customs duties, fines or other penalties against exporters, importers and, in some cases, carriers.

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

the increased costs incurred due to such measures, which may materially adversely affect our business, financial condition, and results of operations.

In response to the perceived risks to ships from terrorism, the IMO developed the International Ship and Port Facility Security Code (“**ISPS Code**”), which came into force on July 1, 2004. Compliance with the ISPS Code entailed ship modifications, staff training, auditing of vessels and preparation of ship security plans followed by approval of the documentation by the relevant flag state. In the United States, the U.S. Coast Guard has published similar regulations requiring shipping companies to adopt vessel security plans and to establish port security plans. The EU implemented similar obligations for shipping companies (essentially in Regulation 725/2004/EC (amended by Commission Decision 2009/83/EC and Regulation 219/2009/EC)). All our ships and all the ships we operate on long-term charters and operating leases are fully compliant. The vessels we operate on short-term charters comply with the regulations to which they are subject. Because we also transport cargo on vessels which we do not operate ourselves, and through ports over which we exercise little or no influence, we may be exposed to increased costs and business disruptions under the ISPS Code or U.S. Coast Guard regulations if another container shipping company, or port operator, or any other entity covered by the regulations with which we conduct business, fails to comply with the ISPS Code or U.S. Coast Guard regulations. There can be no assurance that the vessels of other members of the G6 Alliance, the Grand Alliance, THE Alliance as of April 2017 or of other container lines on which we use capacity comply, or will remain in compliance with, the ISPS Code or U.S. Coast Guard regulations. If these, or any similar risks, materialize, our costs may increase, with the result that our margins and profits may decrease.

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

Furthermore, Hapag-Lloyd AG has been a certified Authorized Economic Operator (“**AEO**”) within the EU since July 25, 2008. The creation of the AEO concept is one of the main elements of the security amendment of the EU customs rules that was enacted in 2005 and is now set out in the Union Customs Code (Regulation 952/2013 and its Delegated and Implementing Regulations). This concept aims at heightening security along the international supply chain. On the basis of Article 39 of the Union Customs Code, EU member states can grant the AEO status to any economic operator meeting the following common criteria: customs and tax compliance, appropriate record-keeping, practical standards of competence or professional qualifications, financial solvency and, where relevant, security and safety standards. Hapag-Lloyd AG is holder of the AEO Certificate “Customs Simplifications/ Security and Safety” (“**AEO-F**”). The AEO status entitles us to benefits in the course of customs clearance. Should we fail to maintain the certificate, it could mean higher administrative burden through increased security screenings and the loss of customers who are increasingly requesting such certificate from their carriers.

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

The operation of large oceangoing vessels and the use of the heavy equipment necessary to load and prepare those vessels for transit involve inherent risks, including, among other things, those of catastrophic loss, spills, personal injury and loss of life, maritime disaster, mechanical failure, fire, collision, stranding and loss of, or damage to, cargo as well as damage to or loss of vessels or ransom payments in case of acts of piracy (see “—Acts of piracy on oceangoing vessels remain a considerable risk for oceangoing vessels and could adversely affect our business and results of operations” and

“—Risks inherent in the operation of oceangoing vessels and the handling of transported goods could lead to substantial damages and harm our business and reputation”). Such events may be caused by human error, accidents, war, terrorist attacks, piracy, political instability, cyber-attacks, business interruption, strikes or weather events (including earthquakes, flooding and storms). Furthermore, potential risks from nuclear contamination cannot be insured by primary insurers or re-insurers. If large numbers of containers or several of our vessels were contaminated, this could force us to replace such materials on our own costs and on short notice and/or could prevent us from covering our services as scheduled or could lead to costs for medical treatment of crew members who came in contact with contaminated materials. Any of these factors or events could result in experiencing direct losses and liabilities, loss of income, increased costs, damage to our reputation or litigation against us by third parties. There can be no certainty that our current insurance policies cover all losses and damages that may be suffered from these types of events or that we will be able to renew or expand current insurance policies on commercially reasonable terms. Additionally, our insurers may refuse to pay particular claims if we fail to take certain actions, such as failing to maintain certification of our vessels with applicable regulations. We also may be responsible for liquidated damages if we do not comply with certain provisions of some of our contracts, which are not covered by our insurance policies. The growing threat of cyber-attacks is not covered by our insurance policies. Such cyber-attacks may include viruses and internal or external security breaches which may, in particular, occur due to errors by our employees.

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

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

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality. In 2014, we introduced our cost and efficiency project called “OCTAVE”. In addition, in the first quarter of 2016, the OCTAVE efficiency program was intensified and additional measures through OCTAVE II were added.

Furthermore, in March 2015, we launched our “Compete to Win” initiative as a new commercial approach to tackle four distinct areas of sales (sales planning and opportunity identification, pricing and yield management, sales execution and sales organization) to further enhance our sales organization, which is aimed at improving our revenue quality and profitability. This initiative is a multi-year effort to build capabilities across the worldwide sales organization. In addition, the “Close the Cost Gap” program comprises our activities around investing in our vessel and container fleet to further improve the competitive position and profitability of the Group. This includes the cost benefits from new vessels ordered in 2012 by CSAV and further investments in our fleet to improve the competitive position and profitability of the Group. With the new 9,300 TEU vessels which were delivered in 2015, the ordering of five new 10,500 TEU vessels, one of which was delivered in November and December 2016, respectively, and the remainder scheduled for delivery in 2017, as well as UASC’s order book of two vessels each with a capacity of 14,993 TEU which are scheduled for delivery during 2017, we aim to consolidate our leadership in Latin America and strengthen our competitive advantage in the shipping of perishable goods, pharmaceuticals and healthcare products or other products that require a controlled-temperature environment (“reefer”), as both vessel types provide for a large number of reefer plugs (1,400 reefer plugs per 9,300 TEU vessel and 2,100 reefer plugs per 10,500 TEU vessel, respectively), enhancing our carriage capacities for this cargo. Moreover, in 2015, we implemented our new management organization strategy, dedicated to further strengthen the performance of our executive board members, the heads of our regions (North America, South America, Europe and Asia) and central functions (global sales, trade management, network and operations) and, thus, to improve our competitive position as a leading container shipping company.

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

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

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

Our ability to quickly and correctly obtain, process and transmit data related to transport volumes, freight rates, transport costs, container locations and vessel schedules is critical to the effective management of our container capacity, our vessel fleet, the handling of empty containers in order to manage and minimize imbalance costs and the provision of high-end customer service. In this context we rely to a large extent on our IT systems. These IT systems are subject to the growing threat of cyber-attacks not covered by our insurance policies. Such cyber-attacks may include viruses and internal or external security breaches which may, in particular, occur due to errors by our employees. Although our IT department has implemented several security measures to protect our IT systems & networks against cyber-attacks, total security protection cannot be assured. Consequently, a breakdown of or disruption to any of these systems due to cyber-attacks or other reasons could materially impact the relationships we have with our customers, our reputation and our operating costs and margins.

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

In addition, an important means of communication with both our clients and our vendors is e-commerce, via Web platforms or Electronic Data Interchange (“EDI”). A portion of our EDI products have been developed and are run by third-party e-commerce providers. We have no management control over these e-commerce providers, we rely on their service levels and they may not perform as anticipated. Furthermore, although our IT systems and the relevant backup systems have an identical set-up and are located in separate data center locations, there can be no assurance that both data centers and their systems will not be simultaneously damaged or destroyed in the event of a major disaster. Both the main IT systems as well as relevant backup systems may be vulnerable to damage or interruptions in operation due to fire, cyber-attacks, power loss, telecommunications systems failures, physical break-ins, hacker break-ins, a significant breakdown in internal controls, fraudulent activities by employees, failure of security and terrorism measures or backup systems, or other events beyond our control. Any such failure in our IT systems would have a material adverse impact on our business, financial condition and results of operations.



***The termination of our or other shipping companies' membership in THE Alliance, the Grand Alliance or the G6 Alliance, or the termination of THE Alliance, the Grand Alliance or the G6 Alliance as a whole, could have an adverse effect on the geographic scope of our service network and the deployment of our vessels.***

Subject to certain regulatory approvals, we will become a member of THE Alliance as of April 2017 and we have been a member of the Grand Alliance since 1998 and the G6 Alliance since December 2011 (together, the “**HL Alliances**”). THE Alliance is the result of a substantial overhaul of the global alliance structure during 2016 and will include, besides Hapag-Lloyd (including UASC), Mitsui O.S.K. Lines (“**MOL**”), Nippon Yusen Kaisha Lines (“**NYK**”), Kawasaki Kisen K.K. (“**K-Line**”) and Yang Ming Marine Transport Corp. (“**Yang Ming**”). On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. Together, the HL Alliances allow us to share vessel capacities with the other members of the respective HL Alliance.

Overall, these partnerships enable us to provide our customers with a wide range of port coverage and geographic scope and a high departure frequency of network services that would not be possible solely using our own container vessel fleet. However, the terms and conditions of the HL Alliances may change or may be discontinued by its members altogether. In addition, any member may terminate its membership with six months' notice in the case of the Grand Alliance and twelve months' notice in the case of the G6 Alliance. Each member of THE Alliance may terminate its participation with twelve months' notice not to be given prior to thirty six months having elapsed after THE Alliance commencing operations. THE Alliance has a minimum term until March 30, 2022. Furthermore, any member may be expelled by the remaining members of one of the HL Alliances after a change of control or bankruptcy event of that member, if the other members, acting unanimously, so decide.

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

***We may be unable to retain existing customers upon the expiration of our existing contracts or may be unable to attract new customers.***

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

In addition, as some of our contracts with customers are longer-term in nature, if freight rates should rise or our operating costs increase, we may not be able to make the necessary adjustments to the contractually agreed rates to capitalize on such increased freight rates or address such increased operating costs until the existing contracts expire. Once our existing customer contracts expire, there is no assurance that our customers will renew the contracts on similar terms or that we will be able to attract equivalent new customers. Any negative impact would be magnified if we lost any significant customers, of which our largest ten customers by revenue together accounted for approximately 17% of our revenue in the nine months ended September 30, 2016. If we lose a significant customer, we might

not be able to reduce our fixed costs accordingly (see also “—There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity exposure to intermittent changes in shipping market conditions”). Such developments would have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our shareholders.

***Differences in views with our joint venture participants may cause our joint ventures not to operate according to their business plans, which may adversely affect our results of operations.***

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

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

We currently hold a 25.1% interest in CTA, which provides terminal services in the port of Hamburg. The value of the participation could be negatively impacted by a potential decline in the container through-put volume if traffic is diverted from the Hamburg harbor or if economic conditions would cause a decline in world trade. Furthermore, the valuation could be negatively impacted if the terminal’s modern standards would not be maintained by the operator, the HHLA Hamburger Hafen und Logistik AG, which is beyond our control. This could lead to a material adverse effect on our business, financial condition and results of operations.

***Our business may be adversely affected by protectionist policies and regulatory regimes adopted by countries globally.***

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

As our business success hinges, among other things, on global trade volumes, the potential protectionist policies and regulatory regimes would have a material adverse effect on our business, financial condition and results of operations.

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

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

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

At each reporting date, monetary items (such as cash, financial debt, trade accounts receivable, trade accounts payable and provisions for pensions and similar obligations) denominated in currencies other than the U.S. dollar are translated at the closing rate, while non-monetary items are translated at



their historical rate for purposes of our financial statements. With regard to monetary items, we are therefore exposed to risk related to the translation of assets and liabilities denominated in currencies other than the U.S. dollar.

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

Regarding the hedging of currency risks, we currently hedge 100% of the currency risks related to our EUR-denominated indebtedness. With regards to operational risks relating to cash flows in foreign currencies, our hedging policy allows us to hedge up to 80% of this risk, depending on the forecasted cash flow. For the current financial year ending December 31, 2016, we have not, and we do not expect to, hedge any currency risks relating to our operations. We generally do not hedge against translation risks.

The overall risk of sharp adverse currency movements was elevated against the background of the global financial and economic crisis of 2008/2009 and the euro periphery sovereign debt crises following in its wake.

We are also exposed to interest rate risk. As of September 30, 2016, we had total financial debt of €3,905.9 million, of which approximately €2,259.6 million, or 65%, was floating rate. Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. See also “—Risks Relating to our Financial Profile—Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly”.

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

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

We operate in a very capital-intensive industry and thus have substantial capital needs in order to be able to cover our obligations in connection with our organic growth strategy, including acquiring, ordering new build vessels, leasing, chartering and maintaining container vessels and containers. As of September 30, 2016, our order book comprised five new vessels each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017.

It is not certain or even probable that we will generate enough free cash flow enabling us to cover all of our potential financing needs without resorting to debt financing. Moreover, it may not be possible, irrespective of the general level of interest rates, to obtain debt financing or we may only be able to do so with difficulty, with delay or at unfavorable commercial terms. Any delays in securing financing or securing financing at favorable terms and a resulting inability to pursue our growth strategy or inability to acquire, order, lease and charter container vessels would lead to material adverse effects on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

While we strive to maintain good relationships with our employees and their unions, there can be no assurance that such relationships will continue to be amicable or that we will not be affected by strikes, work stoppages, unionization efforts, or other types of conflict with labor unions or our employees, substantially all of whom are unionized. In the event that we experience a work stoppage, such work stoppage could have a material adverse effect on our business, financial condition and results of operations.

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

Our operations also depend on stevedores and other workers employed by third parties at the ports at which our ships call. Industrial action or other labor unrest with respect to outside labor providers could prevent us from carrying out our operations according to our plans or needs, thus bringing about material adverse effects on our business, financial condition and results of operations. For instance, the handling of cargo vessels was significantly impeded at a number of ports on the west coast of the U.S., in particular in the fourth quarter of 2014 and the first quarter of 2015, due to industrial action in those locations, which also affected container shipping companies. In the event labor disputes continue for an extended period of time, this may lead to handling delays and can lead to higher transport expenses.

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

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

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

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

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

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

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

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

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

We are involved, on an ongoing basis, in litigation arising in the ordinary course of business or otherwise. Litigation may include claims related to commercial, labor, employment, antitrust, securities or environmental matters.

Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brand and reputation. Litigation trends and expenses and the outcome of any litigation proceeding cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could adversely affect our financial results.

In addition, we are subject to regular tax audits, which may result in claims for significant additional taxes. Discussions or appeals concerning tax claims are currently pending with local tax authorities in a number of jurisdictions, such as India, Mexico and Brazil.

In particular, we are in dispute with the Indian tax authorities on different topics. Firstly, the Indian tax authorities disagree with the transfer pricing method chosen by us to determine the income

of our Indian subsidiaries. Whereas we are of the view that the amended tax assessments are without merit, there is a risk that eventually we will have to adapt our transfer pricing to some extent. Secondly, our Indian subsidiary Hapag-Lloyd India Pvt. Ltd. is currently subject to a service tax investigation. While we are of the opinion that our practices are lawful and consistent with industry practice, there is no certainty that we will be successful in refuting any charges made for the payment of additional Indian service tax by the Indian tax authorities. To the extent that the Company can expect to incur charges which are quantifiable, these charges were accounted for by creating provisions.

In addition, the Mexican tax authorities published a letter of application designed to limit non-refundable value added tax in Mexico retroactively from 2014. To the extent that the Company can expect to incur charges in connection with these developments which are quantifiable, these charges were accounted for by creating provisions.

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

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

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the European Union and their member countries. In particular, the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations that impose restrictions upon U.S. companies and persons and, in some contexts, foreign entities and persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such sanctions laws and regulations. Hapag-Lloyd is acting in accordance with the applicable sanction laws. We have agency agreements with third party agents for the provision of charter ships/crews and local sales representatives in the following sanctioned countries: Balkans, Burma, Cuba, Iran, Ivory Coast, Lebanon, Libya, Sudan, Syria, Ukraine and Yemen. As of September 30, 2016, the percentage of revenues in each of aforementioned sanctioned countries was at or below 0.1% of our total revenues. None of the transported commodities have been on the sanctioned cargo list. We have agency agreements with third party agents regarding Iran and Syria. The agency agreement with Iran is active as we have started services to this country. The agency agreement with Syria is inactive as we have not started services to this country as of the date of this Offering Memorandum. We discontinued our business with Cuba in 2006, Iran in 2012 and Syria in 2013 upon the introduction of sanctions in these countries. With the integration of the CCS Activities into the Hapag-Lloyd network, all former CCS services with Cuba, Iran, and Syria were terminated. In compliance with the applicable sanctions and other laws, we have taken up services with Cuba, Iran and Sudan again and UASC has services to Iran and Sudan. In addition, we may take up services to Syria again at a later date. Under economic and trading sanction laws, governments may seek to impose modifications to business practices, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions.

We are monitoring developments in the United States, the European Union and other jurisdictions that maintain sanction programs, including developments in the implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our vessels from calling on ports in sanctioned countries or could limit cargoes. If any of the risks described above materialize, this could have a material adverse effect on our business, results of operations and financial condition.

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

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

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

As of September 30, 2016, we recognized intangible assets (consisting of goodwill and other intangible assets) amounting to €2,857.3 million, or 27%, of our total assets on our consolidated balance sheet. The goodwill derives from the acquisition of the shares of Hapag-Lloyd AG in March 2009 and the acquisition of the CCS Activities.

The impairment test that was carried out in the preparation of the consolidated financial statements for the financial year 2015 did not result in the recognition of any impairment with respect to intangible assets. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of the services we render, a future share price that is significantly below the net asset value per share, and a variety of other factors. All of these factors may cause an impairment of our intangible assets if they have a lasting negative impact on our business. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount which is the higher of the fair value less cost of disposal or value in use. The amount of any quantified impairment must be expensed immediately as a charge to our results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Accordingly, any determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial condition, results of operations and net worth.

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

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

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

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

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

***A downgrade in the rating of Hapag-Lloyd AG could increase its refinancing costs and preclude its access to certain financing markets and products, thereby impairing its liquidity and profitability.***

As of the date of this Offering Memorandum, Hapag-Lloyd AG is rated "B+" (CreditWatch Negative) by Standard & Poor's Global Ratings ("Standard & Poor's") and "B2" (with a stable outlook) by Moody's Investors Service ("Moody's"). Future downgrades in or a loss of the financial rating of Hapag-Lloyd AG or its outstanding debt securities, including as a result of the UASC Business Combination, could lead to an increase of the interest payable under some of Hapag-Lloyd AG's existing credit facilities and impair Hapag-Lloyd AG's ability to obtain additional financing or refinancing on economically acceptable terms, or obtain such financing or refinancing at all.



Furthermore, a downgrade or loss of rating could preclude Hapag-Lloyd AG from accessing certain financial markets and products and thereby impairing Hapag-Lloyd AG's liquidity. This could have a material adverse effect on our business, results of operations and financial condition.

***The extended Panama Canal has led to a substantial shift of larger vessels into the Transpacific trade, which may impact freight rates negatively in the future.***

Depending on certain design attributes, vessels with a capacity of up to 14,000 TEU can use the extended Panama Canal. As a result, a large number of such vessels have cascaded into the Transpacific trade based on their ability to use the extended Panama Canal. These developments have led to a substantial decline in spot-market freight rates measured by the Shanghai Containerized Freight Index-USWC (Los Angeles/Long Beach/Oakland) ("SCFI-USWC") in the Transpacific trade from US\$2,111 per TEU as of January 17, 2014 to US\$725 per TEU as of April 22, 2016 before recovering to US\$1,686 per TEU as of September 30, 2016. The cascading of larger vessel may result in overcapacity on the Transpacific trade and put further downward pressure freight rates.

### **Risks Relating to Our Financial Profile**

***We may not be profitable in future reporting periods and our leverage, which will increase substantially as a result of the UASC Business Combination, may make it difficult for us to operate our businesses.***

Neither Hapag-Lloyd nor UASC have reported profits on a continual basis in recent years. Following the UASC Business Combination, we will depend on, *inter alia*, operational improvements and our ability to realize synergies we expect from the UASC Business Combination to achieve improved results. If we are unable to improve our operations and realize significant synergy effects, we may not be able to be profitable, which could have a material adverse effect on our Group's business, results of operations and financial condition.

In addition to the lack of profitability, we currently have and will continue to have a substantial amount of outstanding debt with significant debt service requirements. Our net financial debt as of September 30, 2016 amounted to €3,413.9 million. In addition, UASC's net debt as of September 30, 2016 amounted to €3,090.7 million. Moreover, in connection with the UASC Business Combination, we expect to incur more debt. Our *pro forma* net debt for the combined entity as of September 30, 2016 amounted to €5,951.7 million. Our ability to fund working capital, capital expenditures and other expenses will depend on our future operating performance and ability to generate sufficient cash. Our significant leverage could have important consequences for our business and operations, including:

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

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

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

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

- incur or guarantee additional debt and issue preferred stock;
- enter into treasury transactions;
- make loans or extend credit;
- make certain payments, including dividends or other distributions and repayment or redemption of share capital;
- make certain investments or acquisitions, including participating in joint ventures;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliated persons;
- create unrestricted subsidiaries;
- enter into arrangements that restrict payments of dividends to us;
- sell assets, consolidate or merge with or into other companies, change our legal form, enter into corporate reconstruction;
- sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis;
- issue or sell share capital;
- acquire vessels, change the flag or ship register of vessels, change the management of vessels or charter vessels; and
- create or incur certain liens.

These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. For example, low utilization of ship yards or the insolvency of other container shipping companies could drive down prices for newbuild vessels and asset values which could impair our vessel values. These covenants and restrictions may also limit our ability to ensure compliance with loan-to-value ratio requirements provided for in various asset financings following a decline of the value of the relevant security, so that we may be required to (partially) mandatorily prepay a relevant asset financing in order to ensure such compliance. For example, recent market valuations indicate that the loan-to-value ratio requirement for each of our BNPP 1 Vessel Financing and BNPP 2 Vessel Financing may not be met as of December 31, 2016. If the financiers are not consenting to a waiver request already provided, we may, within 30 days upon demand by the agent, have to partially prepay such financings in an aggregate amount of up to US\$69 million. Furthermore, if we breach any of these covenants or restrictions, we could be in default under the terms of the indentures governing our outstanding senior notes and/or our other financing arrangements and trigger cross-defaults between any financing investments. If the debt under our material financing arrangements that we entered into were to be accelerated, our assets may be insufficient to service our debt.

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

From time to time, we may enter into financial transactions to completely or partly hedge risks resulting, for example, from fluctuating currency exchange rate movements and changes in the price of bunker fuel. If commercially reasonable, we currently may hedge up to 80% of our anticipated bunker fuel consumption on a rolling twelve-month basis. Based on the rolling average calculation, the percentage of hedging varies throughout the year and diminishes usually towards the end of the rolling twelve-month period. As of September 30, 2016, approximately 39% of our anticipated bunker fuel consumption for the total year of 2016 was hedged compared to 33% at the end of the first quarter of 2016 and 37% at the end of the second quarter of 2016. However, there is no assurance that such hedging transactions entered into by us will adequately mitigate the negative impact of rising bunker fuel prices. Such shortfalls in hedging transactions could potentially result in significantly negative settlements.

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

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

Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. As of September 30, 2016, we had total financial debt of €3,905.9 million, of which approximately €2,898.7 million, or 74.2%, was floating rate. This ratio is in line with our floating rate indebtedness at the time of our initial public offering in November 2015. As of September 30, 2016, UASC had total financial debt of US\$3,910.3 million, of which approximately US\$3,128.3 million, or 80%, was floating rate. Following the UASC Business Combination, we expect our ratio of floating rate debt to increase to 79% for the combined entity.

If interest rates increase, our debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, which would require that we use more of our available cash to service our indebtedness. While we strive to manage our exposure to fluctuations in interest rates, we do not currently have any hedging arrangements or interest rate swaps to adjust interest-rate risk exposure. If interest rates increase dramatically, we could be unable to service our indebtedness, which would exacerbate the risks associated with our leveraged capital structure (see “—We may not be profitable in future reporting periods and our leverage, which will increase substantially as a result of the UASC Business Combination, may make it difficult for us to operate our businesses”). This could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows. As of the date of this Offering Memorandum, UASC uses interest rate swaps to adjust its interest-rate risk exposure.

***The Hanjin bankruptcy proceeding may result in more restrictive bank lending and credit support to the container shipping industry, including Hapag-Lloyd, which may have a material adverse effect on our financial condition and future operations.***

Hanjin Shipping Co., Ltd. (“**Hanjin**”) filed for bankruptcy in the United States and Korea. As a result, certain lead creditor banks of Hanjin have halted their lending support to Hanjin. The results of the bankruptcy proceedings are still not certain as those proceedings are ongoing at the date of this Offering Memorandum. However, while the effect are currently limited to Hanjin, there is a risk that bank lending and other types of credit support to container shipping companies, including Hapag-Lloyd, may become more restrictive, unavailable on commercial terms acceptable to us or not available at all. In addition, the sharp increase of the idle fleet and the redelivery of Hanjin ships to their commercial owners have depressed the market value of container vessels and may have a negative impact on the loan-to-value clauses contained in financing arrangements. This could have a material impact on our ability to operate our business and result in a material adverse effect on our financial condition and future operations.

**Risks Relating to the UASC Business Combination**

***The UASC Business Combination could fail.***

On July 15, 2016, Hapag-Lloyd AG and UASC (S.A.G.) entered into the UASC BCA in connection with the UASC Business Combination. On July 18, 2016, Hapag-Lloyd AG, UASC (S.A.G.), CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne Maritime**”) (together, the “**HL BCA Controlling Shareholders**”), along with Qatar Holding LLC (“**QH**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”), entered into a shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL BCA Controlling Shareholders under the UASC BCA.

The closing of the UASC Business Combination is currently still subject to the occurrence or waiver of the following conditions precedent, including but not limited to:

- The clearance of the UASC Business Combination by the Committee on Foreign Investment in the United States (“CFIUS”) under the Exon-Florio amendment to the Defense Production Act of 1950 as amended by the Foreign Investment and National Security Act of 2007, or the absence of action to block, prevent, suspend or condition the UASC Business Combination by the President of the United States of America and the expiry of the applicable period of time to take such action;
- The granting of all necessary consents and waivers on the part of UASC (S.A.G.)’s (including their respective controlled subsidiaries) financing banks and lessors;
- The entering by UASC (S.A.G.) into certain unsecured debt maturity extension agreements with the relevant financing banks; and
- The absence of judicial or official orders or other decisions permanently or temporarily preventing the implementation of the UASC Business Combination.

In addition, prior to completion of the UASC Business Combination, UASC (S.A.G) is required to transfer its incorporation to the Dubai International Financial Center (“DIFC”) to continue its existence as a DFIC company limited by shares and effected the establishment of an on-shore Dubai branch of UASC (S.A.G.) registered with the Department of Economic Development (the “DED”) (hereafter to be known as United Arab Shipping Company Limited). In connection with this process, UASC (S.A.G.) is also required to implement certain additional corporate restructuring measures among its group companies. As of the date of this Offering Memorandum, not all consents and waivers required for these reorganization steps by certain banks and other lenders to UASC have been obtained.

If the conditions precedent set out above have not occurred or are not satisfied or waived before March 31, 2017 or if closing of the UASC Business Combination has not occurred by March 31, 2017, then Hapag-Lloyd AG and UASC (S.A.G.) may each terminate the UASC BCA and consequently, the UASC Business Combination would fail.

A failure of the UASC Business Combination would likely entail reputational damage as well as financial hardships for us as a result of the significant efforts and the costs incurred in connection with the UASC Business Combination and could have a material adverse effect on our business, financial condition and results of operations. In addition, the anticipated synergies as a result of the UASC Business Combination would not materialize.

*The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale.*

The joint team from Hapag-Lloyd and UASC expects total synergies to amount to US\$435 million per year from 2019 onwards based on a synergy report prepared by Hapag-Lloyd, UASC and a third party (the “**Synergy Report**”). In particular, the synergy effects are expected to be generated in the areas of (i) network, (ii) personnel, (iii) administrative, (iv) terminals, (v) inland and (vi) equipment. The expected synergies have been calculated on the basis of operational and financial data, including the cost structures and levels at Hapag-Lloyd and UASC, as of the fourth quarter of 2015 (or earlier). Facts and developments that occur after completion of the UASC Business Combination in the economy and/or in relevant markets may negatively affect the amount of calculated synergies. The joint team from Hapag-Lloyd and UASC expects one-off costs of approximately US\$150 million related to both the implementation of the planned synergies (synergy-related one-offs) as well as related to the successful conclusion of the UASC Business Combination (transaction-related one-offs and integration support).

These synergies and one-off costs are based on estimates and assumptions that are inherently uncertain and subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. In addition, the assumptions used as a basis for the estimated synergy effects could turn out to be inappropriate or incorrect. For example, we may have underestimated the commercial loss of volume or other potential risks in calculating the expected synergies. Also, the synergies may be offset by a deterioration in the markets in which we operate, increases in other expenses, operating losses or problems in the business unrelated to the UASC Business Combination. As a result, there can be no assurance that such synergies will be realized.

The realization of synergies might be substantially impacted by future market developments such as freight rates, charter and bunker price changes, exchange rate deviations, the on-going industry consolidation as well as alterations in alliance partnerships that were not considered.

Furthermore, synergies may have been incorrectly assessed and/or calculated and assumptions on which those calculations are based may turn out to be unfounded. The achievement of the synergies is subject to significant uncertainty; synergies might fail to materialize or be significantly delayed for various factors beyond our control. Even if we realize the expected synergies, they may not be realized within the anticipated time frame. A delay in the closing of the UASC Business Combination beyond February 2017 will have a potentially significant impact on the expected synergy ramp-up. If synergies do not materialize or if we fail to fully exploit economies of scale, this could have a material adverse effect on our business, results of operations and financial condition.

The estimation of potential synergies is forward-looking and therefore subject to change resulting from a large number of factors, such as the general macroeconomic, industry, legal, regulatory and tax environment, as well as changes in the Group's business strategy, development and investment plans. In addition, various factors in estimating the future synergies included in this Offering Memorandum of the combination of both businesses relate solely to UASC. We have only limited access to and insights into these input factors. Prospective investors should therefore be aware that the estimations of synergies to be realized by the UASC Business Combination are subject to significant uncertainty. A failure to realize the estimated synergy effects in part or at all could have a material adverse effect on our business, financial condition and results of operations.

***Certain of our large shareholders may fail to honor their commitments under the Shareholder Support Agreement.***

Under the terms of the UASC BCA and the SSA, Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. The HL BCA Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the "**Capital Increase II**"). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG's regular annual general meeting to be held in 2017. There can be no assurance that the creation of new authorized capital will be approved in the proposed form or be approved at all.

Should the HL BCA Controlling Shareholders or the UASC Controlling Shareholders fail to honor their respective commitments under the UASC BCA and the SSA or should the new authorized capital fail to be approved, the intended development of our business operations and financial profile may not be achieved which could in turn materially adversely affect our results of operations and financial condition.

***The financial disclosure regarding UASC contained in this Offering Memorandum has not been prepared in accordance with Rule 3-05 of Regulation S-X of the U.S. Securities Act.***

The Notes have not been, and will not be, registered under the U.S. Securities Act. As a result, this Offering Memorandum has not been prepared in strict compliance with U.S. disclosure requirements applicable to securities registered under the U.S. Securities Act. In particular, Rule 3-05 of Regulation S-X of the U.S. Securities Act requires disclosure of full historical financial statements of an acquired business, if that business meets certain significance tests, for specified periods of time. Although UASC would meet these significance tests, were they applicable, the financial disclosure in this Offering Memorandum does not follow Rule 3-05 and such financial information for UASC is therefore not included.

***Pro Forma Financial Information describes only a hypothetical situation and, therefore, may not reflect the actual results of operation of the Group following the completion of the UASC Business Combination.***

The *pro forma* financial information presented in this Offering Memorandum has been taken from the unaudited *pro forma* financial information prepared by the Issuer for the purpose of this Offering Memorandum, comprising the *pro forma* consolidated income statement for the financial year ended December 31, 2015 and for the nine months ended September 30, 2016, the *pro forma* consolidated



interim statement of financial position of Hapag-Lloyd AG as of September 30, 2016 as well as the notes to the *pro forma* financial information (together, the “**Pro Forma Financial Information**”).

Hapag-Lloyd AG’s *Pro Forma* Financial Information may not be a precise indicator of our future performance, nor reflect what our combined results of operations would have been if Hapag-Lloyd AG and UASC had been operating as a combined company during the periods presented in the *Pro Forma* Financial Information nor indicate Hapag-Lloyd AG’s or UASC’s future financial condition, results of operations and cash flow.

Hapag-Lloyd AG’s *Pro Forma* Financial Information was prepared based on the combination of (i) the unaudited special purpose condensed financial information of UASC as of and for the year ended December 31, 2015 and the special purpose condensed interim financial information of UASC as of and for the nine months ended September 30, 2016 (derived from the audited condensed financial information of UASC as of and for the year ended December 31, 2015 and the unaudited condensed interim financial information of UASC as of and for the nine months ended September 30, 2016, respectively, each adjusted and reclassified to align the accounting policies that were used by UASC to the accounting policies that were used by Hapag-Lloyd AG as described in the notes to the Hapag-Lloyd AG’s *Pro Forma* Financial Information) and (ii) the audited consolidated financial statements of Hapag-Lloyd AG as of and for the financial year ended December 31, 2015 and the unaudited condensed consolidated interim financial information for the nine months ended September 30, 2016 in order to provide an estimate of what our results of operations would have been if we had been operating as a combined group. Therefore, the *Pro Forma* Financial Information describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual results of operations of the Group following the completion of the UASC Business Combination. The presentation of the *Pro Forma* Financial Information is based on information available, preliminary estimates and certain *pro forma* assumptions, as described therein. The *Pro Forma* Financial Information has not been audited by any independent auditors and is intended for illustrative purposes only. In addition, our *Pro Forma* Financial Information may: (i) not be indicative of our future performance; (ii) not reflect what our combined results of operations would have been if we had been operating as an independent company during the periods presented; or (iii) not indicate our future results of operations. The *Pro Forma* Financial Information neither contains potential synergies nor cost savings, nor a normalization of any additional future expenses that could result from the UASC Business Combination. Furthermore, the *Pro Forma* Financial Information is only meaningful in conjunction with the Consolidated Financial Statements of Hapag-Lloyd AG.

The UASC Business Combination is going to be executed by a contribution in-kind with Hapag-Lloyd AG issuing common shares as consideration to former shareholders of UASC, corresponding to 28% of the subscribed capital of the combined entity. The valuation and determination of the number of Hapag-Lloyd shares to be issued for the contribution of all UASC shares of the consideration was based on the book value of the respective equity according to the consolidated financial statements prepared by Hapag-Lloyd and UASC, respectively, in compliance with IFRS as of December 31, 2015. Due to the current stock market valuation where container shipping companies are traded at prices below their respective book values of equity the measurement of the consideration transferred using the quoted stock price of Hapag-Lloyd does not reflect the book value of its equity. Therefore, the accounting for the UASC Business Combination as reflected in the *Pro Forma* Financial Information results in a gain from a bargain purchase which is a one-time increase in other operating income of €333.9 million based on the valuation of the assets acquired and liabilities assumed in accordance with IFRS 3.

The respective estimates of the fair value of the assets acquired and liabilities assumed of UASC are based on the information that was available in the course of carrying out the UASC Business Combination, especially the financial due diligence and is dependent upon certain estimates, assumptions and assessments including, but not limited to, estimating future cash flows and developing appropriate discount rates. The fair value estimates for the assets acquired and liabilities assumed are preliminary and have been made solely for the purpose of developing such *Pro Forma* Financial Information.

Due to the fact that the UASC Business Combination has not been closed at the date of this Offering Memorandum especially the customer relationship cannot be reliably measured, because of

commercial restrictions. Furthermore, a final determination of the consideration transferred is subject to the final amount of shares issued in the Capital Increase I and the prevailing fair value of the shares issued by Hapag-Lloyd AG at the time of closing the UASC Business Combination. If the final amount of the customer base deviates significantly from €551.3 million in the final purchase price allocation, if the valuation of other assets acquired or liabilities assumed deviates in the final purchase price allocation or if the fair value of the shares issued by Hapag-Lloyd AG deviates significantly from €840.1 million, even a significant change in the expected gain from a bargain purchase could result from the final purchase price allocation.

A final determination of the fair value of assets acquired and liabilities assumed of UASC will be based on the actual assets and liabilities of UASC that are going to exist at the time of closing of the UASC Business Combination. Such valuations could change significantly upon the completion of further analyses and asset valuations from those used in the *Pro Forma* Financial Information. The final valuation will be completed in succession of the completion of the UASC Business Combination. Consequently, the accounting for the UASC Business Combination for the purpose of the *Pro Forma* Financial Information is incomplete and the uncertainty associated with the valuation of the assets acquired and liabilities assumed is significant.

***Hapag-Lloyd may not be successful in integrating UASC into its existing business in the manner, or within the timeframe, as currently anticipated or only at higher expense.***

The process of integrating UASC into our existing business involves certain risks and uncertainties, and there can be no assurance that we will be able to integrate the two businesses in the manner or within the time frame currently anticipated. The necessity of combining and consolidating the networks, IT systems, customer service platforms and other operational or administrative units makes us susceptible to failure and disruptions in these areas during the integration phase. Any material delays in the combination of our business with that of UASC could also adversely affect our ability to realize the estimated synergy effects.

The general process of integrating UASC into our Group is subject to changes in processes and potential business disruptions in particular through human error. We may not be able to successfully transfer the know-how or integrate UASC personnel. If we fail to integrate UASC into our business or if we fail to provide the necessary transitional services, this could have a material adverse effect on our business, results of operations and financial condition.

***The integration of UASC might result in the loss of key personnel or customers, business interruptions and disturbances.***

Our ability to compete successfully and to implement our business strategies depends, in part, on our and UASC's senior management personnel. We also depend on our ability to attract and retain a highly skilled workforce over the long term, such as nautical and engineer officers. Such employees with appropriate knowledge and experience are scarce, and the employment market for such personnel is very competitive. The integration of UASC into our business could cause the departure of personnel with specialized knowledge and senior management personnel. As a result, we might not be able to retain our key personnel or to attract and retain a highly-skilled workforce. The UASC Business Combination might also result in the loss of customers, as customers might not identify with our product and service offering. In addition, the UASC Business Combination may require substantial time and attention of our management, which may draw our management's attention away from other responsibilities and could have a negative impact on our operational business.

Our business also depends on our customer goodwill, our reputation and on maintaining good relationships with our customers, business partners, employees and regulators. Any circumstances, including in connection with the UASC Business Combination, which damage our reputation, damage our business relationships or negatively impact on the perception of the Hapag-Lloyd brand may have an adverse effect on our business and business prospects by loss of business, goodwill, customers, business partners and employees.

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

***We may face much higher investment needs as a result of a failure to consummate the UASC Business Combination.***

In conjunction with the UASC Business Combination, we will acquire a young and fuel efficient fleet from UASC, including seventeen ultra-large container vessels (“ULCV”). As a result of the UASC Business Combination, we therefore expect a significantly reduced need for investment into our fleet in the future which we in turn expect to allow us to gradually reduce our high level of indebtedness. If we fail to complete the UASC Business Combination or if we fail to integrate the UASC vessels into our fleet, we may be required to make a significantly higher amount of investment into our fleet. This may prevent us from deleveraging our business and further increase our high level of indebtedness which may have a material adverse effect on our business, results of operations and financial condition.

***We will incur substantial indebtedness as a result of the UASC Business Combination.***

In connection with the UASC Business Combination, we will incur a substantial amount of existing indebtedness from UASC in addition to our already substantial existing indebtedness prior to the UASC Business Combination. In addition, UASC is required to refinance a portion of its existing indebtedness as a condition precedent to the closing of the UASC Business Combination. Such refinancing may only be achievable on terms and conditions which are less favorable than those contained in UASC’s current financing arrangements. See “The UASC Business Combination—Description of Certain UASC Financing Arrangements”.

Our increased level of indebtedness as a result of the UASC Business Combination may materially impact our ability to operate our combined company. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of cash flow from operations to payments on our indebtedness, which could reduce the availability of cash flow to fund working capital needs, capital expenditures and other general corporate needs;
- result in a downgrade of our corporate and debt credit rating, which may increase the cost of current and potential future borrowings or limit our ability to borrow additional funds; and
- limit our flexibility in planning for, or especially in reacting to, changes in our business and the industry in which we operate.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination.***

As a result of the UASC Business Combination, our fleet will increase both in terms of size and capacity. After completion of the UASC Business Combination, our fleet will comprise 227 vessels (including three vessels, which were chartered to third parties) with total transport capacity of approximately 1.5 million TEU. As of September 30, 2016, we have five new vessels on order, each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC’s order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. Maintaining and fully utilizing such a large fleet may become difficult and could have a material adverse effect on our business, results of operations and financial condition.

***We could be exposed to risks of UASC which have not been detected during our due diligence preceding the UASC Business Combination.***

The business of UASC may be subject to risks or problems that we may not be aware of, which may not have been detected or which have not been disclosed to us in the due diligence process or derived from the financial information of UASC and that may only emerge after consummation of the UASC Business Combination or at a much later stage. The UASC BCA provides us with limited protection against the existence of such problems or the materialization of any such risks. The existence of any such risks or problems could lead to a deterioration of the business of UASC and

therefore, Hapag-Lloyd as a whole. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

***The UASC Business Combination will entitle certain counterparties of UASC to terminate their agreements as a result of change of control provisions.***

The UASC Business Combination will constitute a change of control under certain agreements (excluding certain financing arrangements which are subject to amendment as of the date of this Offering Memorandum), entered into by UASC and will entitle the counterparties to terminate such agreements. We cannot exclude the possibility that some of these counterparties may exercise their termination rights or try to use their termination right to negotiate more favorable contract terms, which could have a material adverse effect on our business and results of operations following the UASC Business Combination.

***The UASC Business Combination will increase our exposure to the highly competitive Far East trade and will increase our exposure to the Middle East.***

UASC is predominantly active in the Far East trade which is characterized by a high degree of overcapacity, declining freight rates and intense competition. As a result of the UASC Business Combination, our exposure to the Far East trade and therefore the risks inherent with that trade will increase. Prior to the UASC Business Combination, we had limited exposure to the Middle East trade. Economic growth in that region has declined from 4.1% in 2012 to 2.3% in 2015 due to a substantial decline of the price for crude oil. Regional GDP growth is expected to recover to 3.4% in 2017 (source: IMF, January 2014, October 2016) but high political and economic uncertainties is expected to persist.

In addition, the Middle East is a region that has been subject to ongoing political and security concerns, especially in recent years. Political instability in the Middle East has increased since the terrorist attacks of September 11, 2001, the U.S. intervention in Iraq and issues concerning Iran's nuclear program. Since December 2010, a number of Middle Eastern countries have experienced significant political and military upheaval, conflict and revolutions (such as the "Arab Spring" or the ongoing severe civil conflict in Syria). The effects of these conflicts have resulted in the destabilization of the region and brought about political, social and economic instability. The continuation of such events or the outbreak of new conflicts in the region could further negatively affect regional economies, their economic growth as well as activity on the Middle East trade. This may result in a decrease of our shipping volumes to and from the Middle and have a material impact on our results of operations.

***UASC's business activities are exposed to risks that are comparable to the aforementioned risks related to our business and our industry and could be exposed to additional risks.***

Hapag-Lloyd and UASC operate in the same industry and we engage in business activities that are similar in many respects. We therefore believe that UASC is exposed to legal and regulatory, compliance, tax, market, business, financing as well as other risks similar to those that have been described in the paragraphs above with respect to Hapag-Lloyd (see "—Risks Relating to Our Business and Industry"). The materialization of any of these risks for UASC could, upon the closing of the UASC Business Combination, have a materially adverse effect on our business, financial condition and results of operations, as the risks of UASC become our risks.

#### **Risks Relating to the Notes**

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

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

full in such circumstances. The incurrence of additional debt would increase the leverage related risks described in this Offering Memorandum.

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

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

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

- reduce our business activities or delay capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

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

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

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

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

The indenture governing the Notes will require the Issuer to make an offer to repurchase the Notes at 101% of their principal amount if we experience certain specified change of control events. The Issuer's failure to effect a change of control offer when required would constitute an event of default under the indenture governing the Notes. However, some important corporate events that might adversely affect the value of the Notes would not constitute a "change of control" under the indenture governing the Notes. In addition, the Issuer's ability to repurchase the Notes as may be required by the indenture governing the Notes will depend on its access to funds at such time, and it may not be able to secure access to enough cash to finance the repurchase. Upon a change of control event the Issuer may be required to also offer to repurchase certain other debt instruments, including the Existing Notes. It



cannot be assured that there will be sufficient funds available upon a change of control to make these repayments and repurchases of tendered Notes. For a complete description of the events that would constitute a “change of control”, prospective investors should read the section entitled “Description of the Notes—Purchase of Notes upon a Change of Control”.

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

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

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

Our largest shareholders as of the date of this Offering Memorandum, directly or indirectly, are CSAV (31.4%), HGV (20.6%), Kühne Maritime GmbH and Kühne Holding AG (together “**Kühne**”) (20.2%) and TUI AG (12.3%). Following the UASC Business Combination, QH and PIF will both be part of the group of our largest shareholders. See “Principal Shareholders”. The interests of our ultimate shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the holders of the Notes. Finally, our direct and indirect shareholders may have strategic objectives or business interests that could conflict with our own strategies or interests. If the interests of our principal shareholders conflict with our interests or the interests of the holders of the Notes, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests or the interest of the holders of the Notes, we and you could be disadvantaged.

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

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

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

Because the Notes have not been, and are not required to be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States,

they may not be offered or sold except to QIBs in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit your ability to resell the Notes. It is your obligation to ensure that your offers and sales of the Notes within the U.S. and other countries comply with applicable securities laws. Please refer to the section entitled “Transfer Restrictions” for further information on these restrictions.

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

The Notes will not be secured by any of the Issuer’s assets. As a result, the indebtedness represented by the Notes will be effectively subordinated to any existing and future secured indebtedness we may incur, including without limitation, the Secured Revolving Credit Facility, the Unsecured Revolving Credit Facility, the Vessel Financings and the Container Financings, to the extent of the value of the assets securing such indebtedness. As of September 30, 2016, the Notes will effectively rank junior to €3,127.9 million of secured debt, which represents 29.5% of our total assets and 53.3% of our total liabilities (including trade payables, but excluding intercompany liabilities and provisions). We entered into an amendment (and prolongation) agreement to the Secured Revolving Credit Facility on September 30, 2015 which provides us with availability of an additional US\$200.0 million until October 1, 2018 (subject to an option of the Issuer to request the extension of the final maturity of the Secured Revolving Credit Facility for an additional one or two years, provided that only revolving commitments of lenders agreeing to such extension upon such request in accordance with the relevant terms of the Secured Revolving Credit Facility will be extended). The terms of the indenture governing the Notes will permit us to incur additional secured indebtedness in the future subject to certain limitations. Accordingly, in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding affecting the Issuer, your rights to receive payment will be effectively subordinated to those of secured creditors up to the value of the collateral securing such indebtedness. Holders of the Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Notes, and potentially with all of our other general creditors, based on the respective amounts owed to each holder or creditor, in our remaining assets. In addition, if the secured lenders were to declare a default with respect to their loans and enforce their rights with respect to their collateral, there can be no assurance that our remaining assets would be sufficient to satisfy our other obligations, including our obligations with respect to the Notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of the Notes may receive less, ratably, than holders of secured indebtedness.

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

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

Further, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings, “the courts of the member state within the territory of which the center of a debtor’s main interests is situated” have jurisdiction to open insolvency proceedings. The European Court of Justice has held (Case C-396/09) that “where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties”, there is an irrebuttable presumption that the center of the company’s main interests is located in that place. At the moment, the factual requirements of this presumption are fulfilled by the Issuer, however, it is not certain that this will continue to be the case. See “Certain Insolvency Law Considerations”.

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

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

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

The indenture governing the Notes, as well as the indentures governing the Existing Notes, contain certain covenants that will be suspended for so long as the Notes are rated investment grade by both Standard & Poor's and Moody's. These covenants include:

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

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

***Changes in respect of the public debt ratings of the Notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt.***

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

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

The Notes will be denominated and payable in euros. If you measure your investment returns by reference to a currency other than the currency in which your Notes are denominated, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return

on your investments, because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investment in the Notes may also have important tax consequences as a result of any foreign currency exchange gains or losses. See “Taxation”.

***The Notes may be issued with original issue discount for U.S. federal income tax purposes.***

The Notes may be issued with original issue discount for U.S. federal income tax purposes. If the stated principal amount of the Notes exceeds their “issue price” by an amount that is equal to or greater than the statutory *de minimis* amount, the Notes will be treated as issued with original issue discount (“**OID**”) for U.S. federal income tax purposes in an amount equal to such difference. If the Notes are issued with OID for U.S. federal income tax purposes, U.S. investors in such Notes will generally be required to include OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method. See “Taxation—Certain United States Federal Income Tax Considerations”.

***There may be withholding from payments under the Notes under the EU Savings Tax Directive.***

Under Council Directive 2003/48/EC on the taxation of savings income (“**EU Savings Tax Directive**”), EU member states are required to provide to the tax authorities of other EU member states details of certain payments of interest or similar income paid or secured by a person established in an EU member state to or for the benefit of an individual resident in another EU member state or certain limited types of entities established in another EU member state. Originally, Austria, Belgium and Luxembourg had instead imposed a withholding system for a transitional period unless during that period they elect otherwise. In the meantime Belgium and Luxembourg abandoned the withholding system.

Pursuant to Council Directive (EU) 2015/2060 of November 10, 2015 repealing Council Directive 2003/48/EC, the EU Savings Directive was in general repealed with effect from January 1, 2016. However, pursuant to detailed grandfathering provisions, Austria shall in general continue to apply it until December 31, 2016.

If a payment were to be made or collected through an EU member state which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined under “Description of the Notes”) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in an EU member state that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

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

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

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

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying

Agent will, in turn, make such payments to the common depository for Euroclear and/or Clearstream or its nominee, which will, in turn, distribute such payments to participants in accordance with its procedures. After payment to the common depository for Euroclear and/or Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests. Accordingly, if the investor holds a Book-Entry Interest, it must rely on the procedures of Euroclear or Clearstream, as applicable, or the procedures of the participant through which the investor holds its interest, to exercise any rights and obligations of a holder of Notes under the Indenture governing the Notes.

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

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



## THE UASC BUSINESS COMBINATION

### Overview

On July 15, 2016, Hapag-Lloyd AG and UASC (S.A.G.) entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”). On July 18, 2016, Hapag-Lloyd AG, UASC (S.A.G.), CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne Maritime**”) (together, the “**HL BCA Controlling Shareholders**”), along with Qatar Holding LLC (“**QH**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”), entered into a shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL BCA Controlling Shareholders under the UASC BCA.

The closing of the UASC Business Combination is currently still subject to the occurrence or waiver of the following conditions precedent, including but not limited to:

- The clearance of the UASC Business Combination by the Committee on Foreign Investment in the United States (“**CFIUS**”) under the Exon-Florio amendment to the Defense Production Act of 1950 as amended by the Foreign Investment and National Security Act of 2007, or the absence of action to block, prevent, suspend or condition the UASC Business Combination by the President of the United States of America and the expiry of the applicable period of time to take such action;
- The granting of all necessary consents and waivers on the part of UASC (S.A.G.)’s (including their respective controlled subsidiaries) financing banks and lessors;
- The entering by UASC (S.A.G.) into certain unsecured debt maturity extension agreements with the relevant financing banks; and
- The absence of judicial or official orders or other decisions permanently or temporarily preventing the implementation of the UASC Business Combination.

In addition, prior to completion of the UASC Business Combination, UASC (S.A.G.) is required to transfer its incorporation to the Dubai International Financial Center (“**DIFC**”) to continue its existence as a DFIC company limited by shares and effected the establishment of an on-shore Dubai branch of UASC (S.A.G.) registered with the Department of Economic Development (the “**DED**”) (hereafter to be known as United Arab Shipping Company Limited). In connection with this process, UASC (S.A.G.) is also required to implement certain additional corporate restructuring measures among its group companies. As of the date of this Offering Memorandum, not all consents and waivers required for these reorganization steps by certain banks and other lenders to UASC have been obtained.

UASC (S.A.G.) has initiated the sale and transfer of its minority participation in United Arab Chemicals Carriers Limited for proceeds of US\$182.4 million. According to the UASC BCA, should the sale and transfer occur prior to the closing of the UASC Business Combination, UASC may apply the sale proceeds towards prepayment of its indebtedness. Alternatively, the cash proceeds will remain on the balance sheet at closing of the UASC Business Combination.

The UASC Business Combination will be effected by way of a contribution-in-kind of all existing UASC shares by (i) all entities and individuals holding UASC (S.A.G.) shares (“**Participating UASC Shareholders**”) as well as (ii) the company secretary of UASC (S.A.G.), on behalf of certain minority shareholders that were dragged along pursuant to UASC (S.A.G.)’s Articles of Association (the “**Dragged UASC Shareholders**”), to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Dragged UASC Shareholders. The new shares will originate from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG and approved by the supervisory board of Hapag-Lloyd, utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, QH and PIF will receive a 14.4% stake and 10.1% stake in Hapag-Lloyd AG. See “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash

capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. The HL BCA Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.

### History of UASC

UASC was established in July of 1976 by the Arab states of the Arabian Gulf, being Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. Over the past decade, UASC expanded its Middle Eastern footprint by connecting key locations in Asia, such as China, Hong Kong, Japan, Singapore and Thailand, to key destinations in Northern Europe, North America, the Mediterranean, the Black Sea, the Adriatic Sea and Africa, as well as adding new connections from the Indian subcontinent to destinations in the Middle East, Asia Minor and the Red Sea regions. Additionally, in this same time frame, UASC began operations in Austria, the Czech Republic, Hungary, Jordan, Poland, Pakistan, Slovakia, Switzerland and Uruguay either through directly owned subsidiaries or joint ventures as well as expanding into the South American markets of Argentina and Brazil via strategic partnerships.

### Business of UASC

UASC’s headquarters are located in Dubai. As of September 30, 2016, it had four regional offices with more than 183 local offices and 143 ports worldwide. UASC’s fleet included 61 ships with a total carrier capacity of 590,685 TEU, making UASC the largest container shipping line in the Middle East with a wide range of services, including dry containerized shipping, temperature controlled containerized transportation, out of gauge cargo as well as other value added services.

For the fiscal year ended December 31, 2015 and the nine months ended September 30, 2016, after taking into account certain *pro forma* adjustments, UASC generated revenues of US\$2,376.7 million and US\$1,799.5 million, EBITDA of US\$(24.9) million and US\$106.7 million and an EBITDA margin of (1.0)% and 5.9%, respectively. See “Unaudited *Pro Forma* Financial Information”.

### Services

UASC’s services provided to its global customer base consist of sea and ocean containerized cargo, temperature controlled/refrigerated cargo and out of gauge cargo shipping services. UASC operates 41 services as of September 30, 2016.

UASC’s core focus is on containerized, temperature controlled/refrigerated and out of gauge shipping, which primarily consists of the loading, shipping and unloading of goods in containers measured in 20-foot increments. In addition, UASC provides its customers with other valued added services complimentary to cargo shipping, such as shipping agency, freight forwarding, warehousing, trucking and logistics, customs brokerage, air cargo, petrochemical transportation, chartering, container as well as ship maintenance and repairs as well as storage services through its diversified subsidiaries and joint ventures. Under its “UASC Online” ecommerce platform, UASC provides customers with sailing schedules, booking, tracking and financing options as well as shipping instructions and printable bills of lading.

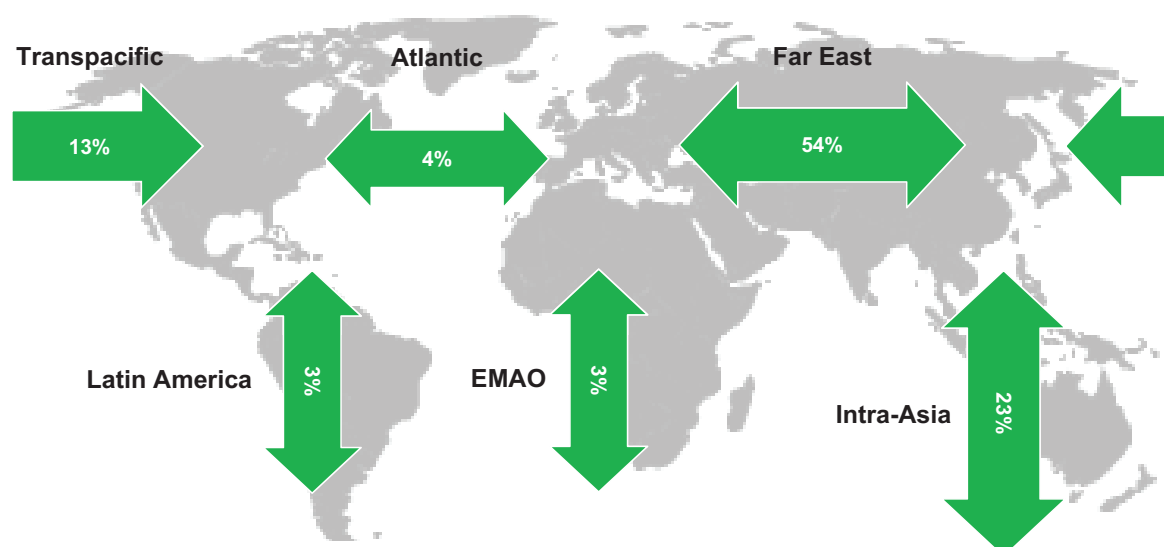
The table below shows UASC’s market shares per trade for the nine months ended September 30, 2016:

	<u>Company’s market share</u>
Far East-Europe .....	7%
Transpacific .....	2%
North Atlantic .....	1%
Latin America .....	0%

*Source:* Alphaliner Monthly Monitor, December 2016.

In the nine months ended September 30, 2016, UASC’s trades contributed to UASC’s total transport volumes as follows: Far East (54%), Transpacific (13%), Atlantic (4%), Latin America (3%), EMAO (3%), Intra-Asia (23%).

## Transport volume by trade (September 30, 2016)



### Operations

#### Vessels

As of September 30, 2016, UASC's entire fleet comprised of 61 container vessels, of which it owned 42 (including five vessels chartered, out of which four have a capacity of 13,100 TEU each and one has a capacity of 6,900 TEU) and chartered 19, including three on a long-term basis, chartered nine on a mid-term basis and chartered seven on a short-term basis. UASC's fleet has an average age of 3.9 years with 93% of the fleet being less than ten years old. As of September 30, 2016, UASC's entire fleet had a combined capacity of 590,685 TEU. The average size of its entire vessel fleet is approximately 9,683 TEU compared to an industry average of 3,407 TEU and an average among the top 20 carriers of 4,942 TEU (source: MDS Transmodal, December 2016, assuming all other announced mergers were carried out).

In 2014, UASC ordered a total of 17 new vessels ranging in size from 15,000 TEU to 19,000 TEU, all of which can run on both diesel and liquid natural gas ("LNG") with delivery occurring in 2014, 2015 and 2016. In 2014, UASC took delivery of the world's first LNG ready ultra-large container vessels ("ULCV"), the "M.V. Sajir", and in 2015, took delivery of the "M.V. Barzan", an environmentally efficient vessel. As of September 30, 2016, UASC's order book consisted of two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017.

The table below sets forth certain information regarding container vessels that UASC owned and finance leased as of September 30, 2016:

	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company <sup>(1)</sup>
Barzan	2015	19,870	Bank Debt	Valletta	UASC (S.A.G.)	Barzan Ltd.
Al Muraykh	2015	19,870	Bank Debt	Valletta	UASC (S.A.G.)	Al Muraykh Ltd.
Al Nefud	2015	19,870	Bank Debt	Valletta	UASC (S.A.G.)	Al Nefud Ltd.
Al Zubara	2015	19,870	Bank Debt	Valletta	UASC (S.A.G.)	Al Zubara Ltd.
Al Dahna	2016	19,870	Bank Debt	Valletta	UASC (S.A.G.)	Al Dahna Ltd.
Tihama	2016	19,870	Bank Debt	Valletta	UASC (S.A.G.)	Tihama Ltd.
Al Mashrab	2016	14,993	Bank Debt	Valletta	UASC (S.A.G.)	Al Mashrab Ltd.
Al Jasrah	2016	14,993	Bank Debt	Valletta	UASC (S.A.G.)	Al Jasrah Ltd.
Umm Qarn	2016	14,993	Bank Debt	Valletta	UASC (S.A.G.)	Umm Qarn Ltd.
Sajir	2014	14,993	Bank Debt	Majuro	UASC (S.A.G.)	Sajid Ltd.
Al Murabba	2015	14,993	Bank Debt	Majuro	UASC (S.A.G.)	Al Murabba Ltd.
Salahuddin	2015	14,993	Bank Debt	Majuro	UASC (S.A.G.)	Salahuddin Ltd.
Linah	2015	14,993	Bank Debt	Majuro	UASC (S.A.G.)	Linah Ltd.
Al Nasriyah	2015	14,993	Bank Debt	Majuro	UASC (S.A.G.)	Al Nasriyah Ltd.
Al Dhail	2016	14,993	Bank Debt	Majuro	UASC (S.A.G.)	Al Dhail Ltd.
Umm Salal	2011	13,100	Bank Debt	Valetta	UASC (S.A.G.)	Umm Salal Ltd.
Ain Snan	2012	13,100	Bank Debt	Valetta	UASC (S.A.G.)	Ain Esnan Ltd.

	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company <sup>(1)</sup>
Unayzah	2012	13,100	Bank Debt	Valetta	UASC (S.A.G.)	Onayzah Ltd.
Alula	2012	13,100	Bank Debt	Valetta	UASC (S.A.G.)	Alula Ltd.
Tayma	2012	13,100	Bank Debt	Valetta	UASC (S.A.G.)	Tayma Ltd.
Malik al Ashtar	2012	13,100	Debt Issuance	Valetta	UASC (S.A.G.)	Al Jowf Ltd. <sup>(2)</sup>
Al Riffa	2012	13,100	Bank Debt	Valetta	UASC (S.A.G.)	SNC Carla <sup>(3)</sup> (Time charter to Al Riffa Ltd.)
Al Qibla	2012	13,100	Debt Issuance	Kuwait	UASC (S.A.G.)	Al Qibla Ltd. <sup>(2)</sup>
Jebel Ali	2012	13,100	Bank Debt	Valetta	UASC (S.A.G.)	SNC Valeria <sup>(3)</sup> (Time charter to Jebel Ali Ltd.)
Al Safat	2008	6,900	Bank Debt	Kuwait	UASC (S.A.G.)	UASC (S.A.G.)
Al Kharj (ex Hatta)	2008	6,900	Bank Debt	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Al Bahia	2008	6,900	Bank Debt	Abu Dhabi	V-Ship	UASC (S.A.G.)
Mayssan	2008	6,900	Bank Debt	Manama	UASC (S.A.G.)	UASC (S.A.G.)
Al Manamah	2008	6,900	Bank Debt	Bahrain	UASC (S.A.G.)	UASC (S.A.G.)
Jazan	2008	6,900	Bank Debt	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Al Hilal	2008	6,900	None	Doha	UASC (S.A.G.)	UASC (S.A.G.)
Al Rawdah	2008	6,900	Bank Debt	Majuro	UASC (S.A.G.)	Al Rawdah Ltd.
Fowairet	1998	3,800	Bank Debt	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Al Farahidi	1998	3,800	None	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Deira	1998	3,800	None	Abu Dhabi	V-Ship	UASC (S.A.G.)
Al Abdali	1998	3,800	None	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Najran	1998	3,800	None	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Asir	1998	3,800	None	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Sakaka (ex-Abu Dhabi)	1998	3,800	None	Dammam	V-Ship	UASC (S.A.G.)
Al Rain (ex-mutanabbi)	1998	3,800	None	Dammam	V-Ship	UASC (S.A.G.)
Sabya (ex-Al Sabahia)	1998	3,800	Bank Debt	Dammam	UASC (S.A.G.)	UASC (S.A.G.)
Sudair (ex-Al Noof)	1998	3,800	None	Dammam	V-Ship	UASC (S.A.G.)

(1) All special purpose vehicles are 100% owned by UASC (S.A.G.) unless specified.

(2) All Class A shares owned by UASC (S.A.G.) and one class B share owned by Orphan Foundation.

(3) Legal ownership of vessels is with special purpose vehicles (*i.e.* SNC Carla and SNC Valeria) owned by Société Générale (lender), however, economic ownership remains with special purpose vehicles (*i.e.* Al Riffa and Jebel Ali) owned by UASC (S.A.G.).

### Container Fleet

As of September 30, 2016, UASC operated a total of 683,097 TEUs of various types and sizes of containers including dry containers used for solid dry goods not requiring special temperature controls, refrigerated (“reefers”) containers and open-top containers as well as flat rack containers used for transporting abnormally shaped or exceptionally large goods. As of September 30, 2016, UASC operated a very young reefer fleet with 72% of all reefer containers being less than five years old.

The table below shows the number of containers and capacity UASC owned or leased as of September 30, 2016 by type.

Container Type	General			Special			Reefer			Total	
	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)
20-foot	168.6	168.6	25%	2.2	2.2	0%	0.0	0.0	0%	170.8	170.8
40-foot	239.7	479.4	70%	4.3	8.5	1%	12.2	24.3	4%	256.1	512.3
<b>Total</b>	<b>408.3</b>	<b>648.0</b>	<b>95%</b>	<b>6.5</b>	<b>10.8</b>	<b>2%</b>	<b>12.2</b>	<b>24.3</b>	<b>4%</b>	<b>427.0</b>	<b>683.1</b>

### Ports

As of September 30, 2016, UASC had 143 ports on six continents divided into eleven geographic regions, being North and Central America (seven ports), South America (eight ports), North West Europe (47 ports), the Black Sea (four ports), the West Mediterranean (19 ports), the East Mediterranean (23 ports), West Africa (seven ports), the Middle East and Red Sea (26 ports), the Indian Sub-Continent (six ports), Asia (65 ports) and Australia (four ports).

## *Alliances*

As of September 30, 2016, UASC participated in the “Ocean 3” alliance comprising UASC, CMA CGM and CSG covering routes from Asia to the Americas, Europe and Africa. Subject to certain regulatory approvals, UASC, together with Hapag-Lloyd, will join THE Alliance comprising MOL, “K” Line, NYK, and Yang Ming as of April 2017.

## *Employees*

As of September 30, 2016 and as of December 31, 2015, UASC had 3,613 full-time equivalent employees and 3,327 total employees, respectively. The following table sets forth UASC’s total employees as of December 31, 2015 and full-time equivalent employees as of September 30, 2016.

	Employees as of	
	December 31, 2015 <sup>(1)</sup> (unaudited)	September 30, 2016 (unaudited)
Land personnel .....	2,753	3,021
<i>Thereof based in:</i>		
<i>Agencies</i> .....	1,888	1,864
<i>Americas</i> .....	178	179
<i>Asia</i> .....	58	56
<i>Europe</i> .....	50	59
<i>Mediterranean</i> .....	26	1
<i>Middle East</i> .....	49	45
<i>South America</i> .....	5	8
<i>Head Office</i> .....	443	435
Subsidiaries .....	56	49
Shared Service Centers <sup>(2)</sup> .....	—	325
Sea personnel .....	574	592
<b>Total</b> .....	<b>3,327</b>	<b>3,613</b>

(1) Total employees. UASC started recording full time employees as of January 1, 2016.

(2) Employees in shared service centers have only been accounted for separately as of January 1, 2016. For the financial year ended December 31, 2015, employees employed in service centers are included in employees employed in agencies.

## *Legal and Tax Proceedings*

From time to time, UASC (S.A.G.) and certain of its subsidiaries are involved in legal disputes and administrative proceedings as part of their ordinary business activities.

On May 29, 2015, the Office of Foreign Assets Control under the US Department of Treasury (“OFAC”) commenced an investigation into 37 shipments undertaken by UASC to Sudan. UASC admitted that these shipments were moved without any applicable license or exemption and were not accurately checked. UASC responded to this matter on July 29, 2015. On September 30, 2016, OFAC concluded its investigation by issuing a cautionary letter to UASC without pursuing a civil monetary penalty. The cautionary letter represents a final enforcement response to the alleged violation.

On October 7, 2016, UASC received a subpoena from OFAC requesting shipping documentation relating to Dr. Hassan Al Nimah and/or Ms. Kehli Longworth from anywhere in the United States to Doha (Qatar), Cairo (Egypt), the Republic of Yemen or the Republic of Moldova during the years 2005 to 2012. UASC provided all available supporting documents on November 8, 2016. There are no further developments on this matter as of the date of this Offering Memorandum.

In May 2016, Hanjin Shipping Co., Ltd. (“**Hanjin**”) notified UASC of its intention to claim certain payments from UASC under the terms of a vessel sharing and slot allocation agreement. The claim is based on an alleged shortfall of slots that UASC failed to provide to Hanjin. Hanjin reserved the right to initiate judicial or arbitration proceedings should the matter not be resolved amicably. Both parties agreed to resolve the matter by UASC agreeing to settle a portion of the claim in cash and the remainder by way of future slot allocations. UASC has paid the agreed cash payment and Hanjin has started to receive the slot allocation. However, due to Hanjin’s ongoing bankruptcy proceedings, Hanjin is not in a position to execute the agreed slot allocation with UASC.



Apart from the proceedings described above, the UASC is not and has not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Company is aware) during the past twelve months, which may have, or have had in the recent past, significant effects on the UASC's financial position or profitability.

## Description of Certain UASC Financing Arrangements

### Overview of UASC Financing Arrangements

The following overview provides a summary of the key features of our financing arrangements, which are described in more detail under “—UASC's Financing Arrangements” below.

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
1. United Arab Shipping Company (S.A.G.)	ABC Credit Financing. US\$548,000,000 facility dated June 17, 2014 (as amended and/or restated from time to time), between United Arab Shipping Company (S.A.G.) as borrower, Arab Banking Corporation (B.S.C.) as agent, mandated lead arranger and lender and Qatar National Bank S.A.Q., Al Ahli Bank of Kuwait K.S.C.P., Commercial Bank of Dubai and Gulf Bank KSC as mandated lead arrangers and lenders.	Unsecured term loan facility for general corporate purposes.	—	US\$548,000,000	US\$548,000,000
2. United Arab Shipping Company (S.A.G.)	Burgan Unsecured Facility. US\$150,000,000 unsecured term loan agreement dated April 15, 2012 (as amended and/or restated from time to time) between United Arab Shipping Company (S.A.G.) as borrower and Burgan Bank as lender.	Unsecured term loan facility for general corporate purposes.	—	US\$150,000,000	US\$114,000,000
3. United Arab Shipping Company (S.A.G.)	CBD Unsecured Facility. US\$37,500,000 facility agreement dated July 13, 2015 (as amended and/or restated from time to time), between United Arab Shipping Company (S.A.G.) as borrower, and Commercial Bank of Dubai as lender.	Unsecured term loan facility for general corporate purposes.	—	US\$37,500,000	US\$37,500,000
4. United Arab Shipping Company (S.A.G.)	AUB Unsecured Facility. US\$53,200,000 facility dated July 12, 2015 (as amended and/or restated from time to time), between United Arab Shipping Company (S.A.G.) as borrower, and Ahli United Bank B.S.C. as lender.	Unsecured term loan facility to refinance existing indebtedness.	—	US\$53,200,000	US\$50,540,000

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
5. United Arab Shipping Company (S.A.G.)	Gulf Bank Facility Agreement. US\$80,000,000 term loan (non-revolving) facility dated November 2, 2015 (as amended and/or restated from time to time) between United Arab Shipping Company (S.A.G.) as borrower and Gulf Bank KSC as lender.	An unsecured on demand term loan facility for funding the obligor's shipping transport business activity.	—	US\$80,000,000	US\$80,000,000
6. United Arab Shipping Company (S.A.G.)	QIB Facility. US\$200,000,000 unsecured <i>murabaha</i> facility dated May 29, 2014 (as amended and/or restated from time to time), between United Arab Shipping Company (S.A.G.) as purchaser, and Qatar Islamic Bank (QSC) as seller.	An unsecured <i>murabaha</i> facility to purchase commodities.	—	US\$200,000,000	US\$200,000,000
7. United Arab Shipping Company (S.A.G.)	AUB Unsecured Facility. BHD25,000,000 term loan facility dated October 11, 2011 (as amended and/or restated from time to time) between United Arab Shipping Company (S.A.G.) as borrower and Ahli United Bank B.S.C as lender.	Unsecured term loan facility for general corporate purposes.	—	BHD25,000,000	US\$5,525,643
8. United Arab Shipping Company (S.A.G.)	AUB Secured Facility. US\$55,000,000 term loan facility dated October 15, 2009 (as amended and/or restated from time to time), between United Arab Shipping Company (S.A.G.) as borrower and Ahli United Bank B.S.C. as facility agent, arranger and security agent.	Secured financing (now repaid) of one 6,919,TEU containership.		US\$55,000,000	US\$5,499,965
9. United Arab Shipping Company (S.A.G.)	2008 Containership Financing. US\$375,000,000 loan agreement dated November 7, 2008 (as amended and/or restated from time to time) between, amongst others, United Arab Shipping Company (S.A.G.) as borrower, BNP Paribas (Suisse) SA as facility agent, Gulf International Bank B.S.C. as security agent, and various financial institutions as lenders.	Secured financing of five 6,919 TEU containerships.	Asset security customary for this type of financing including vessel mortgages, account security and assignment of contracts to the lenders.	US\$375,000,000	US\$203,503,000
10. United Arab Agencies, Inc.	TD Bank Loan Note. US\$2,746,250 secured loan note dated March 14, 2014, for borrowing made available by TD Bank, N.A. as lender to United Arab Agencies, Inc. as borrower.	Secured loan note secured against real property.	Mortgage over the premises and security over insurances and leases.	US\$2,746,250	US\$2,082,572.82

<b>Obligor</b>	<b>Description of financing arrangement</b>	<b>Subject matter of the financing arrangement</b>	<b>Security/ guarantees</b>	<b>Financial indebtedness (original amount)</b>	<b>Financial indebtedness outstanding as per September 30, 2016</b>
11. Onayzah Limited, Alula Limited, Tayma Limited	KEXIM Vessel Financing. Loan Agreement dated December 14, 2010 with, amongst others, The Export-Import Bank of Korea as KEXIM and BNP Paribas S.A. as documentation agent, facility agent and security agent.	Secured financing of three 13,100 TEU containerships.	Asset security customary for this type of vessel financing including share pledges, vessel mortgages, account pledges and assignment of contracts to the lenders.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of the borrowers under each vessel financing.	US\$302,040,000	US\$188,775,000
12. Al Rawdah Limited	ABN Secured Vessel Financing. US\$48,750,000 loan agreement dated December 28, 2010 between, amongst others, Al Rawdah Limited as borrower and ABN Amro Bank N.V., Singapore Branch as mandated lead arranger, agent and security trustee.	Secured (re)financing of 60 per cent of the fair market value at drawdown of the vessel m.v. "Al Rawdah".	Asset security customary for this type of vessel financing including general assignment, share security, vessel mortgage and account security.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of the borrower under the vessel financing.	US\$42,900,000	US\$19,305,000

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
13. Umm Salal Limited	Citibank Secured Vessel Financing. US\$102,753,801.89 loan agreement dated April 7, 2011 between Umm Salal Limited as borrower, Citibank Europe plc as mandated lead arranger, bookrunner and lender, Citibank International plc as agent, Citibank, N.A. London Branch as security trustee and Citibank International plc as K-Sure agent.	Secured (re)financing of the contract price of one 13,100 TEU class containership and the financing of the payment of the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including general assignment, share security, vessel mortgage and account security.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of the borrower under the vessel financing.  Export credit insurance cover for part of the vessel financing by Korea Trade Insurance Corporation.	US\$102,753,802	US\$59,939,719
14. Ain Esnan Limited	DB Secured Vessel Financing. US\$103,531,250.64 loan agreement dated April 14, 2011 between Ain Esnan Limited as borrower, Deutsche Bank AG, Hong Kong Branch as mandated lead arranger, lender, agent and K-Sure agent, Deutsche Bank AG, London Branch as swap bank and DB Trustees (Hong Kong Limited) as security trustee.	Secured (re)financing of the contract price of one 13,100 TEU class containership and the financing of the payment of the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including general assignment, share security, vessel mortgage and account security.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of the borrower under the vessel financing.  Export credit insurance cover for part of the vessel financing by Korea Trade Insurance Corporation.	US\$103,531,251	US\$64,707,032

<b>Obligor</b>	<b>Description of financing arrangement</b>	<b>Subject matter of the financing arrangement</b>	<b>Security/ guarantees</b>	<b>Financial indebtedness (original amount)</b>	<b>Financial indebtedness outstanding as per September 30, 2016</b>
15. Afif Limited, Al Jmelyah Limited	Burgan Vessel Financing. US\$189,600,000 facility agreement dated December 3, 2013 between Afif Limited and Al Jmelyah Limited as borrowers, United Arab Shipping Company (S.A.G.) as guarantor, and Burgan Bank S.A.K. as lender.	Secured financing of the purchase of two 14,500 TEU vessels to be constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd.	Asset security customary for this type of vessel financing including share pledges, a vessel mortgage account pledges and assignment of contracts to the lender.  Guarantee by United Arab Shipping Company (S.A.G.) of the obligations of the borrowers under the vessel financings.	US\$189,600,000	US\$75,840,000
16. Al Jasrah Limited, Umm Qarn Limited	QNB Vessel Financing. US\$216,948,154 Secured Loan Agreement dated September 16, 2014 between, amongst others, Al Jasrah Limited and Umm Qarn Limited as borrowers, United Arab Shipping Company S.A.G. as guarantor and Qatar National Bank S.A.Q. as agent and security agent.	Secured financing of two 14,500 TEU vessels constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd.	Asset security customary for this type of vessel financing including share pledges, vessel mortgages, account pledges and assignment of contracts.  Guarantee by United Arab Shipping Company (S.A.G.) of all obligations of the borrowers under the financing.	US\$216,948,154	US\$216,948,154



Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
17. Barzan Limited, Al Dahna Limited, Al Nefud Limited, Al Zubara Limited, Tihama Limited, Al Dhail Limited, Al Mashrab Limited, Al Murabba Limited, Al Nasriyah Limited, Linah Limited, Sajid Limited, Salahuddin Limited	Syndicated Vessel Financing. US\$1,250,654,939 secured loan agreement (providing financing of US\$950,654,938 and the SAR equivalent of US\$300,000,000) dated December 12, 2013 with, amongst others, United Arab Shipping Company S.A.G. as guarantor, Standard Chartered Bank as agent and DVB Group Merchant Bank (Asia) Ltd (DVB) as security agent.	Secured financing of 12 vessels (of which five 18,800 TEU and seven 14,500 TEU) constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd.	Asset security customary for this type of vessel financing including share pledges, account pledges, mortgages and assignment of contracts.  Guarantee by United Arab Shipping Company (S.A.G.) of the obligations of the borrowers under the respective vessel financing.  Export credit insurance cover for part of the vessel financing by Korea Trade Insurance Corporation.	US\$1.25 billion	US\$1,161,659,637
18. Al Muraykh Ltd.	ADNL Vessel Financing. Facility Agreement dated November 27, 2013 between, amongst others, Al Muraykh Ltd. as borrower, United Arab Shipping Company (S.A.G.) (as guarantor) and Abu Dhabi National Leasing, L.L.C. as facility arranger.	Secured financing of one 18,800 TEU vessel constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd.	Asset security customary for this type of vessel financing including share pledges, account pledges, vessel mortgages and assignment of contracts to the facility arranger.  Guarantee by United Arab Shipping Company (S.A.G.) of all obligations of the borrower under the financing.	US\$113,625,000	US\$104,156,250

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
19. Al Rayyan Limited	Al Rayyan Container Financing. US\$50,000,000 secured term loan facility dated July 10, 2012, between Al Rayyan Limited as borrower and Arab Banking Corporation (B.S.C.) as arranger, facility agent, security agent and lender.	Secured financing of cargo containers (up to 80% of original purchase cost) sold by United Arab Shipping Company (S.A.G.) to the borrower.	Asset security customary for this type of container financing including a lease assignment, security over accounts, mortgage over equipment, and security over shares.  Guarantee by United Arab Shipping Company (S.A.G.) of all obligations of the borrower under the financing.	US\$50,000,000	US\$26,000,000
20. Qurtuba Limited	SINOSURE-backed Container Financing. Four loan agreements providing (in aggregate) up to US\$78,169,163 of financing each dated July 23, 2012 between, amongst others, Qurtuba Limited as borrower and ABN Amro Bank N.V., Singapore Branch as mandated lead arranger, SINOSURE agent, lender, facility agent and security trustee.	Secured financing of cargo containers, to part finance Qurtuba Limited's acquisition of the equipment pursuant to the relevant purchase contract.	Asset security customary for this type of container financing including share pledges, account pledges, container mortgages and assignment of contracts.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of the borrower under the financing.  Export credit insurance cover for part of the financing provided by China Export & Credit Insurance Corporation (SINOSURE).	US\$77,701,008	US\$38,850,503

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
21. Al Riffa Limited (as bareboat charterer)	Al Riffa Financing. French tax lease facility made available pursuant to a US\$102,662,974.55 term loan agreement dated December 10, 2010 (with Société Générale as Head Borrower), a Head Borrower Loan Agreement (with SNC Carla as borrower) and a lease ( <i>Crédit-bail</i> ) agreement between SNC Carla as lessor and Al Riffa Limited as charterer.	Secured financing of (i) amounts payable under the acquisition contract in respect of one 13,100 TEU ship "Al Riffa" and (ii) the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including account pledge, deed of covenants, Delegation agreement, general security assignment, vessel mortgage, pre-delivery security assignment and share pledge.  Guarantee by United Arab Shipping Company (S.A.G.) of the obligations of Al Riffa Limited under the transaction documents.	US\$102,662,974.55	US\$65,230,835
22. Jebel Ali Limited (as bareboat charterer)	Jebel Ali Financing. French tax lease facility made available pursuant to a US\$103,115,026.94 term loan agreement dated March 17, 2011 (with Société Générale as Head Borrower), a Head Borrower Loan Agreement (with SNC Valeria as borrower) and a lease ( <i>Crédit-bail</i> ) agreement between SNC Valeria as lessor and Jebel Ali Limited as charterer.	Secured financing of (i) amounts payable under the acquisition contract in respect of one 13,100 TEU ship "Jebel Ali" and (ii) the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including account pledge, deed of covenants, Delegation agreement, general security assignment, vessel mortgage, pre-delivery security assignment and share pledge.  Guarantee by United Arab Shipping Company (S.A.G.) of the obligations of Jebel Ali Limited under the transaction documents.	US\$103,115,026.94	US\$67,354,359

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
23. Al Aziziyah Limited (as sub-lessor)	SG Container Box Financing. French tax lease facility made available pursuant to a US\$95,160,035 term loan facility dated June 23, 2015 (with Société Anonyme de Crédit A L'Industrie Française—CALIF as borrower (the " <b>Borrower</b> ") and Société Générale and Banque Internationale à Luxembourg as lenders) and a lease ( <i>Crédit-bail</i> ) agreement between the Borrower as lessor and Al Aziziyah Limited as charterer.	Secured financing of marine container boxes acquired by the Borrower under a master acquisition agreement with United Arab Shipping Company (S.A.G.) as seller, for leasing by the Borrower to Al Aziziyah Limited and sub-leasing to United Arab Shipping Company (S.A.G.).	Asset security customary for this type of container financing including security assignment of rights under the lease agreement, assignment of insurances, requisition compensation and warranties, and Delegation agreement.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of the Al Aziziyah Limited under the lease agreement and of Khafji Limited under a put option agreement in respect of the container boxes.	US\$95,160,035	US\$86,323,746
24. Al-Mutanabbi Limited	Al-Mutanabbi JOLCO Financing. US\$30,000,000 JOLCO financing pursuant to (i) a US\$21,000,000 loan made available by DVB Transport Finance Limited, Tokyo Branch as initial lender, to JPC No. 14 Limited as borrower pursuant to a loan agreement dated August 26, 2014 and (ii) an equity investment by the borrower repaid through lease rentals.  Containers are leased by the borrower to Al-Mutanabbi Limited and sub-leased to United Arab Shipping Company (S.A.G.).	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	Asset security customary for this type of container financing including a vessel mortgage, and assignment of contracts to the lender.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of Al-Mutanabbi Limited.	US\$30,000,000	US\$17,062,500 (loan portion) US\$7,647,500 (equity portion)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
25. Wakrah Limited	<p>Wakrah JOLCO Financing. US\$30,000,000 JOLCO financing pursuant to (i) a US\$21,000,000 loan made available by DVB Transport Finance Limited, Tokyo Branch as initial lender, to JPC No. 15 Limited as borrower pursuant to a loan agreement dated April 22, 2015 and (ii) an equity investment by the borrower repaid through lease rentals.</p> <p>Containers are leased by the borrower to Wakrah Limited and sub-leased to United Arab Shipping Company (S.A.G.).</p>	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	<p>Asset security customary for this type of container financing including a vessel mortgage, and assignment of contracts to the lender.</p> <p>Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of Wakrah Limited.</p>	US\$30,000,000	<p>US\$18,375,000 (loan portion)</p> <p>US\$7,757,500 (equity portion)</p>
26. Busaiteen	<p>Busaiteen JOLCO Financing. US\$45,000,000 JOLCO financing pursuant to (i) a US\$31,500,000 loan made available by DVB Transport Finance Limited, Tokyo Branch and Mega International Commercial Bank Co., Ltd. as initial lenders, to JPC No. 12 Limited as borrower pursuant to a loan agreement dated July 22, 2015 and (ii) an equity investment by the borrower repaid through lease rentals.</p> <p>Containers are leased by the borrower to Busaiteen and sub-leased to United Arab Shipping Company (S.A.G.).</p>	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	<p>Asset security customary for this type of container financing including a vessel mortgage, and assignment of contracts to the lender.</p> <p>Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of Busaiteen.</p>	US\$45,000,000	<p>US\$28,392,750 (loan portion)</p> <p>US\$12,064,250 (equity portion)</p>
27. Hira Limited	<p>Hira JOLCO Financing. US\$50,002,360 JOLCO financing pursuant to (i) two loans in the amount of US\$21,883,547 and US\$13,118,105, respectively, made available by ING Bank N.V., Tokyo Branch as initial lender, to CLIP No. 76 Co., Ltd., and CLIP No. 77 Co., Ltd., respectively, as borrowers pursuant to two loan agreements each dated June 26, 2014 and (ii) an equity investment by the relevant borrower repaid through lease rentals.</p> <p>Containers are leased by each borrower to Hira Limited and sub-leased to United Arab Shipping Company (S.A.G.).</p>	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	<p>Asset security customary for this type of container financing including a vessel mortgage, account pledge and assignment of contracts to the lender.</p> <p>Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of Hira Limited.</p>	US\$50,002,360	<p>US\$24,838,488 (loan portion)</p> <p>US\$15,000,708 (equity portion)</p>



Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
28. Al Madinah Limited	Al Madinah JOLCO Financing. US\$75,001,414 JOLCO financing pursuant to (i) three loans in the amount of US\$17,207,048.60, US\$17,764,896.80, and US\$17,529,044.40 respectively, made available by ING Bank N.V., Tokyo Branch as initial lender, to CLIP No. 109 Co., Ltd., CLIP No. 110 Co., Ltd. and CLIP No. 111 Co., Ltd., respectively, as borrowers pursuant to three loan agreements each dated May 25, 2015 and (ii) an equity investment by the relevant borrower repaid through lease rentals.  Containers are leased by each borrower to Al Madinah Limited and sub-leased to United Arab Shipping Company (S.A.G.)	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	Asset security customary for this type of container financing including a vessel mortgage, account pledge and assignment of contracts to the lender.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of Al Madinah Limited.	US\$75,001,414	US\$43,561,226 (loan portion)  US\$22,500,424 (equity portion)
29. Al Oyun Limited	Al Oyun JOLCO Financing. US\$125,000,000 JOLCO financing pursuant to (i) three loans in the amount of US\$27,295,568.30, US\$29,539,422.50, and US\$30,665,009.20, respectively, made available by ING Bank N.V., Tokyo Branch as initial lender, to CLIP No. 49 Co., Ltd., CLIP No. 119 Co., Ltd. and CLIP No. 120 Co., Ltd., respectively, as borrowers pursuant to three loan agreements each dated December, 14 2015 and (ii) an equity investment by the relevant borrower repaid through lease rentals.  Containers are leased by each borrower to Al Oyun Limited and sub-leased to United Arab Shipping Company (S.A.G.).	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	Asset security customary for this type of container financing including a vessel mortgage, account pledge and assignment of contracts to the lender.  Guarantee by United Arab Shipping Company (S.A.G.) of the payment obligations of Al Oyun Limited.	US\$125,000,000	US\$79,201,403 (loan portion)  US\$37,500,000 (equity portion)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
30. Manamah Limited	<p>Manamah JOLCO Financing. US\$71,429,135 JOLCO financing pursuant to (i) three loans in the amount of US\$16,680,225.80, US\$18,435,298, and US\$14,884,870.70, respectively, made available by Bank of America, N.A., Tokyo Branch as initial lender, to CLIP No. 99 Co., Ltd., CLIP No. 100 Co., Ltd. and CLIP No. 105 Co., Ltd., respectively, as borrowers pursuant to three loan agreements dated December 20, 2014, December 20, 2014 and February 17, 2015 respectively and (ii) an equity investment by the relevant borrower repaid through lease rentals.</p> <p>Containers are leased by each borrower to Manamah Limited and sub-leased to United Arab Shipping Company (S.A.G.).</p>	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	<p>Asset security customary for this type of container financing including a mortgage, bank parent letter, account pledge and assignment of contracts to the lender.</p> <p>Guarantee by United Arab Shipping Company (S.A.G.) of the obligations of Manamah Limited.</p>	US\$71,429,135	<p>US\$39,167,935 (loan portion)</p> <p>US\$21,428,741 (equity portion)</p>
31. Al Jowf Limited, Al Qibla Limited	Transactions contemplated by a Certificate Purchase Agreement, dated June 15, 2015, between, amongst others, UASC, Wells Fargo Bank Northwest N.A. as pass through trustee and loan trustee, Al Jowf Limited and Al Qibla Limited and the certificate purchasers.	Bond financing for the purchase of two vessels (Al Qibla and Al Jowf).	Mortgages over the vessels, assignment of earnings, account pledge, and assignment of insurances.	US\$162,000,000	US\$151,961,002
32. Aratrans Transport and Logistics Services LLC	Operating lease for containers pursuant to a master lease agreement dated May 30, 2013 between Bank of London and the Middle East PLC and Aratrans Transport and Logistics Services LLC.	Lease of 550 containers.	Guarantee by United Arab Shipping Company (S.A.G.) of the obligations of the lessee.	US\$11,228,494	US\$5,881,854
33. Container finance leases	The lessors are Intermodal Finance Ltd., CAI International Inc., Dong Fang International, Florence Container Services, Seaco Global Ltd, Seacube Container Leasing, TAL International Container and Textainer Equipment Management.	Lease of 26,372 containers in total.	Asset security customary for this type of container financing.	US\$129,042,159	US\$53,986,146

## *UASC Financing Arrangements*

### *Unsecured Facilities*

Prior to the closing of the UASC Business Combination, provision will be made with the expected result that certain of the below described unsecured facilities originally due 2019 will be amended or (partially) refinanced with the result that at least US\$500.0 million of such unsecured facilities will become due at the earliest in 2021. The effectiveness of such maturity extension(s) and/or satisfactory arrangements relating thereto is a condition precedent to the closing of the UASC Business Combination.

#### *ABC Credit Financing*

##### I. General

By a US\$548,000,000 facility agreement dated June 17, 2014 with Arab Banking Corporation (B.S.C.) as agent, mandated lead K-Sure arranger and lender and Qatar National Bank S.A.Q., Al Ahli Bank of Kuwait K.S.C.P., Commercial Bank of Dubai and Gulf Bank KSC as mandated lead arrangers and lenders, the lenders have agreed to make available to United Arab Shipping Company (S.A.G.) (“**UASC (S.A.G.)**”) an unsecured term loan facility for its general corporate purposes (as amended and/or restated from time to time, the “**ABC Credit Financing**”).

The ABC Credit Financing will be further amended subject to the suspensive condition of the occurrence of closing of the UASC Business Combination (the date of amendment, the “**ABC Amendment Effective Date**”).

##### II. Repayment / Maturity

The loan under the ABC Credit Financing shall be repaid in full on the applicable final maturity date. The final maturity date of the ABC Credit Financing is 5 years following the drawdown date, being June 25, 2019.

As of September 30, 2016, the principal amount of the loan outstanding under the ABC Credit Financing was US\$548,000,000.

##### III. Undertakings and Financial Covenants

The ABC Credit Financing contains certain information undertakings (including the provision of financial information and other information regarding UASC (S.A.G.)’s financial condition), and restrictive covenants and general undertakings which are customary for a facility of this nature, including restrictions on disposals, change of business, mergers and non-arm’s length transactions.

The ABC Credit Financing contains financial covenants, which require that UASC maintain: (i) cash and cash equivalents of not less than US\$75,000,000; (ii) a tangible net worth of not less than US\$1,000,000,000; (iii) a ratio of net debt to tangible net worth of not more than 2:1; and (iv) a ratio of current assets to current liabilities of not less than 1:1.

Such covenants are tested six-monthly by reference to the latest consolidated accounts of UASC (S.A.G.).

##### IV. Interest Rates and Fees

UASC (S.A.G.) is required to pay interest to the lenders at a rate per annum that is customary and market standard for this type of transaction.

UASC is required to pay customary fees under and in connection with the ABC Credit Financing.

##### V. Guarantees and Security

The ABC Credit Financing is an unsecured facility. However, subject to the occurrence of the ABC Amendment Effective Date, Hapag-Lloyd will provide a guarantee in respect of the obligations of UASC (S.A.G.) under the facility agreement.

##### VI. Mandatory Prepayment

The ABC Credit Financing includes mandatory prepayments customary for an unsecured credit facility of this type. In addition, a mandatory prepayment event applies if there is a change in the ultimate control of UASC (S.A.G.) without the consent of all lenders.

## VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the ABC Credit Financing may (in whole or in part) be accelerated or declared to be payable on demand in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which the majority lenders reasonably believe has or is reasonably likely to have a material adverse effect on: (a) the business or financial condition of UASC (S.A.G.); or (b) the ability of UASC (S.A.G.) to perform its payment obligations under the finance documents for the ABC Credit Financing; or (c) the validity or enforceability of, or the effectiveness or ranking of such finance documents or the rights or remedies of any finance party under such finance documents.

### *Burgan Unsecured Facility*

#### I. General

UASC (S.A.G.) has entered into a US\$150,000,000 term loan agreement dated April 15, 2012, between UASC (S.A.G.) as borrower and Burgan Bank as lender, for general corporate purposes (as amended and/or restated from time to time, the “**Burgan Unsecured Facility**”). The Burgan Unsecured Facility will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity

The loan is to be repaid in ten consecutive semi-annual installments commencing on October 30, 2014, with the final installment being due at final maturity, being April 30, 2022.

As of September 30, 2016, the total principal amount of the loan outstanding under the Burgan Unsecured Facility was US\$114,000,000.

#### III. Undertakings

The Burgan Unsecured Facility contains certain information undertakings (including the provision of financial information relating to UASC (S.A.G.)), and certain other undertakings, including (i) an undertaking whereby UASC (S.A.G.) undertakes that the security granted by it under the Burgan Unsecured Facility will at no time be less than what is provided to other banks; (ii) an undertaking to assign to the lender all its rights under the contracts that are financed under the Burgan Unsecured Facility; and (iii) an undertaking to sign all assignments, transfers, mortgages, powers of attorney and other documents requested by the lender as security for its rights under the Burgan Unsecured Facility, in addition to certain other general undertakings, subject to certain agreed exceptions.

#### IV. Interest Rate

Under the Burgan Unsecured Facility, UASC (S.A.G.) is required to pay interest to the lender at a rate that is customary and market standard for this type of transaction

#### V. Events of Default

The lender may unilaterally declare all amounts outstanding under the Burgan Unsecured Facility to have become immediately due and payable, without giving any reason or notice. In addition, the Burgan Unsecured Facility also provides that all amounts outstanding under the Burgan Unsecured Facility will become immediately due and payable if an event of default has occurred (in which case the lender will be entitled to charge delay interest on the due amounts). The events of default include, among others: (i) defaults in the payment of principal or interest; (ii) a substantial change to UASC (S.A.G.)’s management or the ownership of its shares without the prior written consent of the lender; and (iii) a disposal of all or part of UASC (S.A.G.)’s property where UASC (S.A.G.) fails to provide the lender, upon request, sufficient collateral acceptable to the lender.

### *CBD Unsecured Facility*

#### I. General

By a US\$37,500,000 facility agreement dated July 13, 2015, with Commercial Bank of Dubai as lender, the lender has agreed to make available to UASC (S.A.G.) an unsecured term loan facility for its general corporate purposes (as amended and/or restated from time to time, the “**CBD Unsecured Facility**”).

The CBD Unsecured Facility will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

## II. Repayment / Maturity

The loan and other amounts outstanding under the CBD Unsecured Facility are repayable on the fifth and sixth anniversaries of the relevant utilization date, with the installment due on each such date being 20% of the amounts outstanding. The final repayment date is the seventh anniversary (being June 30, 2022) of the relevant utilization date, on which the remaining 60% of the outstanding loan shall be repaid.

As of September 30, 2016, the principal amount of the loan outstanding under the CBD Unsecured Facility was US\$37,500,000.

## III. Undertakings and Financial Covenants

The CBD Unsecured Facility contains certain undertakings which are customary for a facility of this nature, and which are substantially as described under “—ABC Credit Financing—Undertakings and Financial Covenants”.

The financial covenants applicable to UASC (S.A.G.) are in all respects substantially as described under “—ABC Credit Financing—Undertakings and Financial Covenants”.

## IV. Interest Rates and Fees

UASC (S.A.G.) is required to pay interest to the lenders at a rate per annum that is customary and market standard for this type of transaction.

UASC (S.A.G.) is also required to pay customary fees under and in connection with the CBD Unsecured Facility.

## V. Mandatory Prepayment

The CBD Unsecured Facility includes a customary mandatory prepayment in the event of illegality affecting a lender or its affiliates. In addition, a mandatory prepayment event applies if there is a change in the ultimate control of UASC (S.A.G.) without the consent of all lenders.

## VI. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the CBD Unsecured Facility may (in whole or in part) be accelerated or declared to be payable on demand in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which the lender reasonably believes has or is reasonably likely to have a material adverse effect on the business or financial condition of UASC (S.A.G.), its ability to perform its payment obligations under the CBD Unsecured Facility or the validity, enforceability, effectiveness or ranking of the loan agreement or rights and remedies of the lender thereunder.

### *AUB 2015 Unsecured Facility*

#### I. General

By a US\$53,200,000 facility agreement dated July 12, 2015, with Ahli United Bank B.S.C. as lender, the lender agreed to make available to UASC (S.A.G.) an unsecured term loan facility (as amended and/or restated from time to time, the “**AUB 2015 Unsecured Facility**”) for refinancing existing indebtedness owed by UASC (S.A.G.) to Ahli United Bank B.S.C. previously incurred in connection with the acquisition by UASC (S.A.G.) of m.v. “AL QIBLA”.

The AUB 2015 Unsecured Facility will be further amended subject to the suspensive condition of completion of the UASC Business Combination.



## II. Repayment / Maturity

The loan under the AUB 2015 Unsecured Facility shall be repaid in 14 consecutive semi-annual installments, the first eight such installments being in an amount equal to 2.5% of the loan borrowed, the next five such installments being in an amount equal to 12.5% of the amount of the loan borrowed and the 14th and final such installment being in an amount equal to 17.5% of the amount of the loan borrowed. Such repayments commenced on the date falling six months after the drawdown date.

The final maturity date of the AUB 2015 Unsecured Facility is seven years following the drawdown date, being July 29, 2022.

As of September 30, 2016, the principal amount of the loan outstanding under the AUB 2015 Unsecured Facility was US\$50,540,000.

## III. Undertakings and Financial Covenants

The AUB 2015 Unsecured Facility contains certain undertakings which are customary for a facility of this nature, and which are substantially as described under “—ABC Credit Financing—Undertakings and Financial Covenants”.

The financial covenants applicable to UASC (S.A.G.) are in all respects substantially as described under “—ABC Credit Financing—Undertakings and Financial Covenants”.

## IV. Interest Rates and Fees

UASC (S.A.G.) is required to pay interest to the lender at a rate per annum that is customary and market standard for this type of transaction.

UASC (S.A.G.) is also required to pay customary fees under and in connection with the AUB 2015 Unsecured Facility. Except in the case of a prepayment due to illegality, a prepayment fee of 1% will apply to any amounts prepaid under the AUB 2015 Unsecured Facility.

## V. Mandatory Prepayment

The AUB 2015 Unsecured Facility includes a customary mandatory prepayment in the event of illegality affecting the lender or its affiliates. In addition, a mandatory prepayment event applies if there is a change in the ultimate control of UASC (S.A.G.) without the consent of the lender.

## VI. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the AUB 2015 Unsecured Facility may (in whole or in part) be accelerated or declared to be payable on demand in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and are substantially as described under “—CBD Credit Financing—Events of Default”.

### *Gulf Bank Facility Agreement*

#### I. General

Pursuant to a bank facility agreement (and a bank facility letter related thereto) dated November 2, 2015, entered into by UASC (S.A.G.) and Gulf Bank KSC (“**Gulf Bank**”), Gulf Bank made available to UASC (S.A.G.) a term loan (non-revolving) facility in an amount not exceeding US\$80,000,000 (the “**GB Facility**”) to fund UASC (S.A.G.)’s general transport shipping business activities (as amended and/or restated from time to time, the “**Gulf Bank Facility Agreement**”).

The Gulf Bank Facility Agreement will be further amended subject to the suspensive condition of the occurrence of completion of the UASC Business Combination (the date of amendment, the “**GB Facility Amendment Effective Date**”).

#### II. Repayment / Maturity

The GB Facility is to be repaid by (i) seven semi-annual installments each in an amount of US\$4,000,000 starting on May 30, 2019 and (ii) a final installment in an amount of US\$52,000,000 which is due on November 30, 2022. The GB Facility matures on November 30, 2022.

### III. Undertakings and Financial Covenants

The Gulf Bank Facility Agreement contains certain information covenants (including the provision by UASC (S.A.G.) to Gulf Bank of its annual and semi-annual audited financial statements) and restrictive covenants, including restrictions on UASC (S.A.G.):

- amending the memorandum of association or articles of association of UASC (S.A.G.);
- selling, assigning or creating rights to third parties, including mortgages of assets or other dispositions that may negatively affect UASC (S.A.G.)'s credit rating; and
- changing the identity of the shareholders or partners of UASC (S.A.G.) (or the relevant partnership shares / shareholdings thereof) or UASC (S.A.G.)'s corporate structure, without the prior written consent of Gulf Bank).

Subject to the occurrence of the GB Facility Amendment Effective Date, certain amendments to such undertakings under the Gulf Bank Facility Agreement shall be effected in order to permit the UASC Business Combination to take place.

### IV. Interest Rates and Fees

The interest rate payable under the GB Facility for each interest period is a rate per annum that is customary and market standard for this type of transaction plus LIBOR. The Gulf Bank Facility Agreement provides that the interest rate is subject to any changes imposed on Gulf Bank by the Central Bank of Kuwait.

Pursuant to the terms of the Gulf Bank Facility Agreement, UASC (S.A.G.) is responsible for paying to Gulf Bank a consulting fee in an amount equal to 0.75% of the GB Facility amount plus other applicable tariffs and commissions.

### V. Mandatory Prepayment

Pursuant to the terms of the Gulf Bank Facility Agreement, Gulf Bank may (in its sole discretion) at any time during the term of the GB Facility request the GB Facility amount to be prepaid (in whole or in part).

### VI. Events of Default

All outstanding amounts under the Gulf Bank Facility Agreement may be accelerated or declared to be payable on demand by Gulf Bank if an event of default has occurred. The events of default include non-payment of any amount due and payable pursuant to the terms of the Gulf Bank Facility Agreement and breach of any terms of the Gulf Bank Facility Agreement.

The Gulf Bank Facility Agreement further provides that if UASC (S.A.G.) has defaulted in its obligations under the Gulf Bank Facility Agreement (whether relating to cash facilities or non-cash facilities) UASC (S.A.G.) undertakes to provide, within 5 days of Gulf Bank's request, cash collateral as security for any non-cash facilities, and for an amount representing 110% of the value of the non-cash facilities. In the event of a failure by UASC (S.A.G.) to comply with such requirement within that period, the Gulf Bank Facility Agreement provides that Gulf Bank is entitled to debit an amount equal to the value of such requested collateral from any of UASC (S.A.G.)'s accounts held with Gulf Bank and to deposit such amount in a suspense / ring-fenced account.

### *QIB Facility*

#### I. General

By a US\$200,000,000 unsecured murabaha facility agreement dated May 29, 2014, with Qatar Islamic Bank (QSC) as seller (“**Seller**”), the Seller has agreed to purchase certain commodities and immediately sell them to UASC (S.A.G.) through murabaha arrangements (as amended and/or restated from time to time, the “**QIB Facility**”). The amendment of the QIB Facility shall, *inter alia*, extend the maturity of the QIB Facility to at least 2021 (the “**QIB Debt Maturity Extension**”). The effectiveness of the QIB Debt Maturity Extension is a condition precedent to the closing of the UASC Business Combination.

## II. Repayment / Maturity

Commitments under the QIB Facility shall be repaid in full on the applicable final maturity date.

The final maturity date of the QIB Facility is June 3, 2019.

As of September 30, 2016, commitments in an amount of US\$200,000,000 were outstanding under the QIB Facility.

## III. Undertakings and Financial Covenants

The QIB Facility contains certain information undertakings (including the provision of financial information and other information regarding UASC (S.A.G.)'s financial condition), financial covenants and restrictive covenants which are customary for a facility of this nature, including restrictions on disposals, changes of business, mergers and non-arm's length transactions.

The QIB Facility contains financial covenants, which require that UASC (S.A.G.) maintains: (i) cash and cash equivalents of not less than US\$75,000,000; (ii) a tangible net worth of not less than US\$1,000,000,000; (iii) a ratio of net debt to tangible net worth of not more than 2:1; and (iv) a ratio of current assets to current liabilities of not less than 1:1. Such covenants shall be tested six-monthly by reference to the latest consolidated accounts of UASC (S.A.G.).

## IV. Interest Rates and Fees

UASC (S.A.G.) is required to pay a profit rate to the Seller at a rate per annum equal to the aggregate of LIBOR plus a margin that is customary and market standard for this type of transaction.

UASC (S.A.G.) is required to pay customary fees under and in connection with the QIB Facility.

## V. Mandatory Prepayment

The QIB Facility includes mandatory prepayments customary for an unsecured murabaha facility of this type. In addition, a mandatory prepayment event applies if there is a change in the ultimate control of UASC (S.A.G.) without the consent of the Seller.

The QIB Facility includes a customary mandatory prepayment in the event of illegality affecting the Seller's ability to perform any of its obligations under the QIB Facility.

## VI. Events of Default

Any (a) commitments and/or (b) relevant Seller offer and purchaser acceptance relating to any commodities, the cost price of which has not yet been paid, may be cancelled by the Seller and the deferred purchase price and all other amounts outstanding under the QIB Facility may (in whole or in part) be accelerated (i.e., declared immediately due and payable or payable on demand) by the Seller in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which the Seller reasonably believes has or is reasonably likely to have a material adverse effect on: (a) the business or financial condition of UASC (S.A.G.); or (b) the ability of UASC (S.A.G.) to perform its payment obligations under the QIB Facility; or (c) the validity or enforceability of, or the effectiveness or ranking of the transaction documents or the rights or remedies of any finance party under, such transaction documents.

### *AUB 2011 Unsecured Facility*

#### I. General

UASC (S.A.G.) has entered into a BHD25,000,000 term loan facility agreement dated October 11, 2011, with Ahli United Bank B.S.C. as lender (as amended and/or restated from time to time, the "AUB 2011 Unsecured Facility") for general working capital purposes. The AUB 2011 Unsecured Facility was repaid in full on October 11, 2016.

## *Secured Facilities*

### *AUB Secured Facility*

#### I. General

UASC (S.A.G.) has entered into a US\$55,000,000 term loan facility agreement dated October 15, 2009, with, *inter alia*, Ahli United Bank B.S.C. as arranger, facility agent and security agent, (as amended and/or restated from time to time, the “**AUB Secured Facility**”) to finance one 6,919 TEU containership. The AUB Secured Facility was repaid in full on October 31, 2016.

### *2008 Containership Financing*

#### I. General

UASC (S.A.G.) has entered into a US\$375,000,000 term loan facility agreement dated November 7, 2008 and supplemented from time to time between, amongst others, UASC (S.A.G.) as borrower, BNP Paribas (Suisse) SA as facility agent, Gulf International Bank B.S.C. as security agent, and various financial institutions as lenders, relating to the financing of up to 71% of the contract price of five 6,919 TEU containerships (as amended and/or restated from time to time, the “**2008 Containership Financing**”).

The 2008 Containership Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity

The loan is to be repaid in twenty consecutive semi-annual installments of 3.25% of the loan advanced (in the case of the first nineteen installments) and of 38.25% of the loan advanced (in the case of the final installment, being a balloon payment). The first installment was due on October 15, 2009 and the final balloon installment is payable on the final maturity date, being April 15, 2019.

As of September 30, 2016, the total principal amount of the loan outstanding under the 2008 Containership Financing was US\$203,503,000.

#### III. Undertakings and Financial Covenants

The 2008 Containership Financing contains certain information undertakings (including the provision of financial information relating to UASC (S.A.G.)), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels and any other assets being the subject of any security provided in connection with the 2008 Containership Financing and restrictions on reorganization measures, in each case subject to agreed exceptions.

UASC (S.A.G.)’s financial condition is monitored by financial covenants, substantially as described under “—ABC Credit Financing—Undertakings and Financial Covenants”. The financial covenants are tested semi-annually by reference to the latest audited consolidated accounts.

#### IV. Interest Rates and Fees

Under the 2008 Containership Financing, UASC (S.A.G.) is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR, plus (ii) a margin that is customary and market standard for this type of transaction, plus (iii) mandatory costs of the lenders.

UASC (S.A.G.) is required to pay customary fees under and in connection with the 2008 Containership Financing.

#### V. Security

All obligations under the 2008 Containership Financing are secured by customary security for an asset financing transaction of this type, including but not limited to mortgages over the vessels financed by the 2008 Containership Financing, security over bank accounts and assignments of rights and claims (including rights and claims relating to earnings and insurances) with respect to the vessels. Pursuant to certain supplemental agreements, additional security was provided in connection with loan-

to-value covenant breaches by UASC (S.A.G.). The additional security comprises (i) vessel mortgages over three container ships and assignments of rights and claims relating to earnings, insurance and requisition with respect to those container ships and (ii) cash collateral.

#### VI. Mandatory Prepayment

UASC (S.A.G.) is required to prepay a relevant percentage of the loan if (i) the relevant vessel is sold, using the net proceeds of the sale or (ii) a vessel becomes a total loss, using the insurance proceeds relating to the relevant vessel. The relevant percentage of the loan to be prepaid is, how many ships have been sold or become a total loss on the relevant date, expressed as a percentage of the overall number of ships then the subject of financing under the 2008 Containership Financing.

In addition, the loan under the 2008 Containership Financing shall be prepaid on demand by the facility agent if a security interest under the 2008 Containership Financing proves to have been or becomes invalid or unenforceable or such security interest proves to have ranked after, or loses its priority to, any other security interest.

Prepayments must also be made upon the occurrence of an illegality event, following notice from the facility agent to the borrower in respect thereof.

#### VII. Events of Default

The total commitments may be cancelled and all other amounts outstanding under the 2008 Containership Financing may be accelerated (in whole or in part) or declared to be payable on demand if an event of default has occurred which is continuing. The events of default include (among other things) non-payment of any amount due and payable pursuant to the terms of the 2008 Containership Financing or any related finance document, change of ownership of any shares in UASC (S.A.G.) without the prior written consent of the lenders, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or any commitment for financial indebtedness of UASC (S.A.G.) or its subsidiaries (subject to agreed thresholds).

An event of default also includes a change in the business, financial condition or operations of UASC (S.A.G.), or of UASC (S.A.G.) and its subsidiaries taken as a whole, which in the reasonable opinion of the majority lenders has a “Material Adverse Effect”, being a material adverse effect on the business, financial condition or operations of UASC (S.A.G.) or of UASC (S.A.G.) and its subsidiaries taken as a whole or on UASC (S.A.G.)’s ability to perform its material obligations under the 2008 Containership Financing.

#### VIII. Security Cover Ratio

If at any time the aggregate of the market value of the mortgaged vessels under the 2008 Containership Financing, plus the net realizable value of any additional security previously provided under the security cover provisions, falls below 120% of the loan, UASC (S.A.G.) shall either (i) prepay such part of the loan in an amount equal to the shortfall or (ii) provide, or ensure that a third party provides, additional security which has a net realizable value at least equal to the shortfall, within 60 days after the date on which the facility agent serves notice requiring the same.

#### *TD Bank Loan Note*

##### I. General

United Arab Agencies, Inc. (“**UAA**”) as borrower has issued a US\$2,746,250 loan note dated March 14, 2014 to TD Bank, N.A. as lender, which is secured against a premises at Spalding Drive, Norcross, Georgia, USA (the “**Premises**”) (as amended and/or restated from time to time, the “**TD Bank Loan Note**”).

UAA is a Delaware corporation that is a wholly owned subsidiary of UASC (S.A.G.).

##### II. Repayment / Maturity

The principal amount of the loan note is to be repaid in one hundred and twenty (120) consecutive monthly installments of US\$22,885.42. The first installment was due on May 1, 2014 and the final installment is payable on the final maturity date, being April 1, 2024.



As of September 30, 2016, the total principal amount of the loan note outstanding under the TD Bank Loan Note was US\$2,082,572.82.

### III. Undertakings and Financial Covenants

The TD Bank Loan Note contains certain information undertakings (including the provision of financial information relating to UAA), and general undertakings in each case customary for a loan note instrument of this nature, including certain restrictive covenants such as a negative pledge in relation to the Premises and undertakings in relation to the preservation of the Premises, including insurance undertakings and undertakings to maintain and repair the buildings at the Premises.

UAA's financial condition is monitored by a financial covenant that requires UAA to maintain or cause to be maintained a debt service coverage ratio equal to or greater than 1.20:1.00 (as tested on an annual basis on the last day of each of UAA's fiscal years).

### IV. Interest Rates and Fees

Under the TD Bank Loan Note, UAA is required to pay interest to the lender at a rate per annum of 4.68% on the outstanding principal balance, calculated daily and paid in consecutive monthly installments.

### V. Security

All obligations under the TD Bank Loan Note are secured by a mortgage over the Premises, including security over any insurance proceeds and any fixtures or equipment connected with the Premises. In addition, UAA assigns to the lender its rights under any leases in respect of the Premises.

### VI. Events of Default

All unpaid principal and accrued interest outstanding under the TD Bank Loan Note may become due and payable if an event of default occurs. The events of default include (among other things) non-payment of any amount due and payable pursuant to the terms of the TD Bank Loan Note, breach of any other obligation (including non-compliance with the financial covenant and other undertakings, subject to agreed grace periods) as well as the occurrence of any event which, in the reasonable opinion of the lender, materially impairs the financial responsibility of UAA.

### VII. Security Cover Ratio

If at any time the outstanding amount of UAA's obligations under the TD Bank Loan Note exceeds 65% of the fair market value of the Premises, UAA is required, upon notice and demand by the lender, to either reduce the amount of the debt outstanding or pledge additional collateral in order to maintain the required loan to value ratio.

## *SPV Secured Vessel Facilities*

### *KEXIM Vessel Financing*

#### I. General

By a loan agreement dated December 14, 2010 between Onayzah Limited, Alula Limited and Tayma Limited as borrowers, The Export-Import Bank of Korea ("**KEXIM**"), BNP Paribas S.A., Industrial and Commercial Bank of China (Middle East) Limited and Ahli United Bank B.S.C. as commercial lenders and mandated lead arrangers, BNP Paribas S.A. as documentation agent, facility agent and security agent and BNP Paribas (Suisse) S.A. as account bank, the lenders thereunder agreed to make available to the borrowers a secured term loan of up to US\$302,040,000 for the financing of three 13,100 TEU class container carriers (as amended and/or restated from time to time, the "**KEXIM Vessel Financing**"). The loan agreement contemplates each borrower acquiring title to one of the container carriers, with each borrower being joint and severally liable for the obligations of the other borrowers under the KEXIM Vessel Financing.

The KEXIM Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

## II. Repayment / Maturity

Each vessel loan is to be repaid by twenty-four equal consecutive semi-annual installments. The final repayment date for each vessel loan is 12 years after the drawdown date of the vessel loan for the vessel which was first delivered or (if earlier) September 7, 2024.

As of September 30, 2016, the aggregate principal amount of the loan outstanding under the KEXIM Vessel Financing was US\$188,775,000.

## III. Undertakings and Financial Covenants

The KEXIM Vessel Financing contains certain information undertakings and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements. In addition, the borrowers agree to undertakings restricting distributions by UASC (S.A.G.) in connection with dividends, subject to agreed exceptions and debt service cover ratio undertakings.

The borrowers undertake to procure that UASC (S.A.G.) at all times complies with the equivalent financial covenants referred to under “—ABC Credit Financing—Undertakings and Financial Covenants”.

## IV. Interest and fees

Under the KEXIM Vessel Financing, the borrowers are required to pay interest at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is customary and market standard for this type of transaction plus (iii) any mandatory costs of the lenders.

Customary fees are payable in connection with the KEXIM Vessel Financing. In addition, in the event of a mandatory prepayment due to the sale of a vessel (described under “—Mandatory Prepayment Events” below), the borrowers must also pay a prepayment fee on the amount prepaid (not exceeding 1% of the amount prepaid), with the level of the fee depending on when the relevant vessel is sold.

## V. Security and guarantees

All obligations of the borrowers under the KEXIM Vessel Financing are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessels, assignments by the borrowers of rights and claims under the shipbuilding contracts and refund guarantees, and a general assignment by each of the borrowers and UASC (S.A.G.) of their respective rights in the insurances and transaction documents.

## VI. Mandatory prepayment events

The KEXIM Vessel Financing includes mandatory prepayment events for any sale of a vessel, the non-delivery of the vessels under the shipbuilding contracts and in the event of the total loss of a vessel, which are customary for an asset financing facility of this nature.

The KEXIM Vessel Financing also includes a customary mandatory prepayment event if it becomes unlawful for a lender to perform its obligations or to participate in the loan.

## VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the KEXIM Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the facility agent (on behalf of the lenders) if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include: (i) a change in beneficial ownership or control of the borrowers or UASC (S.A.G.) without consent, (ii) a reduction in share capital of the borrowers, UASC (S.A.G.) or the bareboat charterers, and (iii) the country of registration of a vessel becoming involved in war or civil war or under occupation (subject to agreed exceptions).

In addition, the events of default include the occurrence (in the opinion of the lenders) of a material adverse change in the international money and capital markets, or in the market for loan facilities of the nature of the loan, or in the business activities and/or credit standing of the borrowers

or UASC (S.A.G.), or in the overall socio-political and economic condition of Kuwait and/or the Republic of Korea.

#### VIII. Security Cover Requirements

If at any time the market value of the vessels falls below 120% of the loan outstanding, the borrowers are (joint and severally) required to either prepay the loan by the amount of the shortfall, or provide additional security to cover the shortfall, within 60 days of the facility agent's request.

##### *ABN Secured Vessel Financing*

#### I. General

Under a loan agreement dated December 28, 2010 between, amongst others, Al Rawdah Limited (a subsidiary of UASC (S.A.G.)) as borrower and ABN Amro Bank N.V., Singapore Branch, as mandated lead arranger, agent, security trustee and lender, the lender made available to the borrower a facility of up to US\$48,750,000 for the purpose of refinancing up to sixty per cent of the market value of the vessel m.v. "Al Rawdah" (as amended and/or restated from time to time, the "**ABN Secured Vessel Financing**").

The ABN Secured Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

UASC (S.A.G.) leases the financed vessel from the borrower, and pursuant to a subordinated loan agreement dated December 28, 2010 between UASC (S.A.G.) and the borrower, UASC (S.A.G.) made available a loan to the borrower to enable the borrower to finance the balance of the sale price.

#### II. Repayment / Maturity

Under the ABN Secured Vessel Financing, the loan is repayable by fourteen equal consecutive six monthly installments of US\$2,145,000, plus a balloon of US\$15,015,000 payable with the final installment. The first installment was payable six months after the drawdown date. The final repayment is due December 31, 2017.

As of September 30, 2016, the aggregate principal amount of the loan outstanding under the ABN Secured Vessel Financing was US\$19,305,000.

#### III. Undertakings and Financial Covenants

The loan agreement contains certain information undertakings (including the provision of financial information relating to UASC (S.A.G.) as guarantor and its subsidiaries including the borrower), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature. These include certain SPV restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the loan agreement.

As guarantor, UASC (S.A.G.) undertakes under the ABN Secured Vessel Financing to procure that UASC will at all times comply with the equivalent financial covenants referred to under "—ABC Credit Financing—Undertakings and Financial Covenants".

#### IV. Interest Rates and Fees

Interest is payable under the ABN Secured Vessel Financing at a rate per annum equal to LIBOR plus a margin that is customary and market standard for this type of transaction, with interest periods being of 3 months' duration.

The borrower is required to pay customary fees under the ABN Secured Vessel Financing.

#### V. Security and Guarantees

All payment obligations of the borrower under the ABN Secured Vessel Financing are guaranteed by UASC (S.A.G.). All obligations are also secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessel, share charge in respect of the shares in the borrower, assignments by UASC (S.A.G.) and the borrower of rights in insurances and requisition compensation, assignment by the borrower of rights to earnings and the bareboat charter, and security over the borrower's earnings account.

## VI. Mandatory Prepayment

The ABN Secured Vessel Financing contains customary mandatory prepayment events if the vessel is sold or becomes a total loss or (subject to mitigation procedures) in the event of illegality affecting a lender.

## VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the ABN Secured Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the agent (on behalf of the lenders) following the occurrence of an event of default.

The loan agreement includes events of default customary for this type of transaction including, but not limited to, breach of financial covenants, cross-default with the financial indebtedness of UASC (S.A.G.) or any security under the ABN Secured Vessel Financing being imperilled or in jeopardy.

Events of default also include:

- subject to agreed thresholds and certain exceptions, cross-default with subsidiaries and affiliates of the borrower and UASC (S.A.G.) (other than dormant companies with assets of US\$50,000 or less);
- outbreak of war (whether or not declared) or civil war in the country of registration of the vessel (if the agent, acting on the majority lenders' instructions, considers the security to be materially prejudiced thereby); and
- an event or circumstance in light of which the majority lenders consider there is a significant risk that the borrower or UASC (S.A.G.) is or will become unable to discharge the liabilities under the ABN Secured Vessel Financing.

## VIII. Security Cover Requirements

The borrower may be required to provide additional security if the market value of the vessel plus the value of any additional security previously provided is less than 120% of the loan outstanding. If this applies then, following notice from the agent, the borrower is required, within one month, to prepay the loan by the amount of the shortfall or to provide additional security for the shortfall (subject to a right for the additional security to be released if the requirements are subsequently met).

### *Citibank Secured Vessel Financing*

#### I. General

Under a loan agreement dated April 7, 2011 between, amongst others, Umm Salal Limited (a subsidiary of UASC (S.A.G.)), as borrower and Citibank Europe plc, as lender, mandated lead arranger and bookrunner, the lender made available to the borrower a loan of (i) up to US\$100,000,000 to finance in part the acquisition cost of one 13,100 TEU class container vessel manufactured by Samsung Heavy Industries and (ii) up to US\$2,753,801.89 for financing the export credit insurance premium payable to the Korea Trade Insurance Corporation, the Korean export credit agency (“**K-Sure**”), who provided an export insurance policy covering up to 95% of the loan (as amended and/or restated from time to time, the “**Citibank Secured Vessel Financing**”).

The Citibank Secured Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

UASC (S.A.G.) leases the financed vessel from the borrower, and, pursuant to a subordinated loan agreement between UASC (S.A.G.) and the borrower, UASC (S.A.G.) made a loan to the borrower to enable the borrower to finance the balance of the purchase price.

#### II. Repayment / Maturity

The loan is to be repaid in 24 equal consecutive semi-annual installments with the first repayment due 6 months after the drawdown date. The final repayment date is 12 years after the drawdown date, being April 11, 2023.

As of September 30, 2016, the aggregate principal amount of the loan outstanding under the Citibank Secured Vessel Financing was US\$59,939,719.

### III. Undertakings and Financial Covenants

The Citibank Secured Vessel Financing contains certain undertakings customary for an asset financing facility of this nature and substantially as described under “—Unsecured Facilities—ABN Secured Vessel Financing—Undertakings and Financial Covenants” above, including single-purpose entity restrictive covenants applicable to the borrower, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

As guarantor, UASC (S.A.G.) undertakes under the Citibank Secured Vessel Financing to procure that UASC (S.A.G.) will at all times comply with the equivalent financial covenants referred to under “—ABC Credit Financing—Undertakings and Financial Covenants”.

### IV. Interest Rates and Fees

Interest is payable under the Citibank Secured Vessel Financing at a rate per annum equal to the sum of (1) a margin that is customary and market standard for this type of transaction, (2) LIBOR and (3) the mandatory costs of the lenders.

The borrower may select interest periods of three or six months’ duration.

The borrower is required to pay customary fees under the Citibank Secured Vessel Financing.

### V. Security and Guarantees

UASC (S.A.G.) guarantees the obligations of the borrower under the Citibank Secured Vessel Financing. All obligations are also secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessel, share charge in respect of the shares in the borrower, assignments by UASC (S.A.G.) and the borrower of rights in insurances and requisition compensation, assignment by the borrower of rights to earnings and the bareboat charter and a pre-delivery security assignment of the borrower’s rights under the shipbuilding contract and refund guarantee and security over the borrower’s earnings account.

### VI. Mandatory Prepayment

The Citibank Secured Vessel Financing includes mandatory prepayment events customary for this type of asset financing transaction, and substantially as described under “—ABN Secured Vessel Financing—Mandatory Prepayment”.

The borrower may be required to repay the loan on demand of the agent if the shipbuilding contract is, among other things, terminated, sold, frustrated, rescinded or if claims are made under the refund guarantee.

An additional mandatory prepayment event applies in the event of (i) the termination, unenforceability, cancellation or other cessation of the K-Sure insurance policy, (ii) insolvency events occurring in relation to K-Sure, (iii) any consent necessary for K-Sure to provide the insurance policy or to comply with its obligations under the policy (which the majority lenders consider material) not being granted or not otherwise fully in place, (iv) illegality affecting K-Sure which the majority lenders consider material, or (v) a provision of the insurance policy which the majority lenders reasonably consider material being invalid or unenforceable. In such cases, subject to a 30 day restructuring mitigation / consultation period, the borrower may be required to prepay the loan if the majority lenders so instruct.

### VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the Citibank Secured Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the agent (on behalf of the lenders) following the occurrence of an event of default.

The loan agreement includes events of default customary for this type of transaction including breach of financial covenants and cross-default with the financial indebtedness of UASC (S.A.G.) and any security under the Citibank Secured Vessel Financing being in any way imperilled or in jeopardy.

Events of default also include:

- subject to agreed thresholds and certain exceptions, cross-default with subsidiaries and affiliates of the borrower and UASC (S.A.G.) (if the relevant company is a material subsidiary of UASC



(S.A.G.) or if the financial indebtedness of the company is guaranteed by or incurred with recourse to UASC (S.A.G.);

- an event or circumstance in light of which the majority lenders consider there is a significant risk that the borrower or UASC (S.A.G.) is or will become unable to discharge the liabilities under the Citibank Secured Vessel Financing;
- a change without majority lender consent in the shareholding structure of UASC (S.A.G.);
- outbreak of war (whether or not declared) or civil war in the country of registration of the vessel (if the agent, acting on the majority lenders' instructions, considers security to be materially prejudiced thereby); and
- the occurrence of an event or circumstance which the majority lenders reasonably believe has or is reasonably likely to have a "Material Adverse Effect", being a material adverse effect on the business, condition, operations, performance, properties or prospects of the borrower or UASC (S.A.G.), the ability of the borrower or UASC (S.A.G.) to comply with its respective obligations under the Citibank Secured Vessel Financing, the legality, validity or enforceability of rights and remedies under the Citibank Secured Vessel Financing or the priority of the security.

#### VIII. Security Cover Requirements

The borrower may be required to provide additional security if the market value of the vessel plus the value of any additional security previously provided is less than 120% of the loan outstanding. If this applies then, following notice from the agent, the borrower is required, within sixty days, to prepay the loan by the amount of the shortfall or to provide additional security for the shortfall (subject to a right for the additional security to be released if the requirements are subsequently met).

##### *DB Secured Vessel Financing*

#### I. General

Under a loan agreement dated April 14, 2011 between, amongst others, Ain Esnan Limited (a subsidiary of UASC (S.A.G.)), as borrower, Deutsche Bank AG, Hong Kong Branch as lender, mandated lead arranger, agent and K-Sure agent, and Deutsche Bank AG, London Branch, as swap bank, the lender made available to the borrower a loan of (i) up to US\$100,680,000 to finance in part the acquisition cost of one 13,100 TEU class container vessel manufactured by Samsung Heavy Industries (or if less, the lower of 60% of the contract price of the vessel and 83.33% of its market value at drawdown) and (ii) up to US\$2,851,520.64 for financing the export credit insurance premium payable to K-Sure, who provided an export insurance policy covering up to 95% of the loan (as amended and/or restated from time to time, the "**DB Secured Vessel Financing**").

The DB Secured Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

UASC (S.A.G.) leases the financed vessel from the borrower and, pursuant to a subordinated loan agreement between UASC (S.A.G.) and the borrower, UASC (S.A.G.) made a loan to the borrower to enable the borrower to finance the balance of the purchase price.

#### II. Repayment / maturity

The loan was available for drawing in four advances. The borrower is required to repay the loan by twenty-four equal consecutive semi-annual installments, commencing on the date falling six months after the drawdown date of the fourth advance (or if earlier, six months after the last day of the availability period). The final repayment is due on January 13, 2024.

As of September 30, 2016, the aggregate principal amount of the loan outstanding under the DB Secured Vessel Financing was US\$64,707,032.

#### III. Undertakings and Financial Covenants

The DB Secured Vessel Financing contains certain undertakings customary for an asset financing facility of this nature and substantially as described under "—ABN Secured Vessel Financing—Undertakings and Financial Covenants" above.

As guarantor, UASC undertakes under the DB Secured Vessel Financing to procure that UASC will at all times comply with the equivalent financial covenants referred to under "—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants".

#### IV. Interest Rates and Fees

Interest is payable under the DB Secured Vessel Financing at a rate per annum equal to the sum of (1) a margin that is customary and market standard for this type of transaction and (2) LIBOR.

The borrower is required to pay customary fees under the DB Secured Vessel Financing.

#### V. Security and Guarantees

UASC (S.A.G.) guarantees the payment obligations of the borrower under the DB Secured vessel Financing. All obligations are also secured by asset security customary for this type of asset financing transaction, and substantially as described under “—Citibank Secured Vessel Financing—Security and Guarantees”.

#### VI. Mandatory Prepayment

The DB Secured Vessel Financing includes mandatory prepayment events customary for this type of asset financing transaction, and substantially as described under “—ABN Secured Vessel Financing—Mandatory Prepayment”.

In addition, the borrower may be required to repay the loan on demand of the agent if the shipbuilding contract is, among other things, terminated, sold, frustrated, rescinded or if claims are made under the refund guarantee.

An additional mandatory prepayment event applies in the event of (i) the termination, unenforceability, cancellation or other cessation of the K-Sure insurance policy, (ii) insolvency events occurring in relation to K-Sure, (iii) any consent necessary for K-Sure to provide the insurance policy or to comply with its obligations under the policy (which the majority lenders consider material) is not granted or is not otherwise fully in place, (iv) illegality affecting K-Sure which the majority lenders consider material, or (v) a provision of the insurance policy which the majority lenders reasonably consider material being invalid or unenforceable. In such cases, subject to a 45 day restructuring mitigation / consultation period, the borrower is required to prepay the loan 60 days from the date on which demand for prepayment is given by the agent (acting on the instructions of the majority lenders) or (if applicable) such earlier date as may be necessary to ensure compliance with applicable law or regulation.

#### VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the DB Secured Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the agent (on behalf of the lenders) following the occurrence of an event of default.

The loan agreement includes events of default customary for this type of transaction including, but not limited to, breach of financial covenants and cross-default with the financial indebtedness of UASC (S.A.G.) and any security under the DB Secured Vessel Financing being in any way imperilled or in jeopardy.

Events of default also include:

- cross-default with subsidiaries and affiliates of the borrower and UASC (S.A.G.) (if the financial indebtedness of the relevant company is guaranteed by or incurred with recourse to UASC (S.A.G.));
- an event or circumstance in light of which the majority lenders consider there is a significant risk that the borrower or UASC (S.A.G.) is or will become unable to discharge the liabilities under the DB Secured Vessel Financing;
- a change without majority lender consent in the shareholding structure of UASC (S.A.G.); and
- outbreak of war (whether or not declared) or civil war in the country of registration of the vessel (if the agent, acting on the majority lenders’ instructions, considers the security to be materially prejudiced thereby).

#### VIII. Security Cover Requirements

The DB Secured Vessel Financing includes security cover requirements substantially as described under “—Citibank Secured Vessel Financing—Security Cover Requirements”.

## *Burgan Bank facility*

### I. General

By a facility agreement dated December 3, 2013 entered into between Afif Limited and Al Jmeliyah Limited as borrowers, UASC (S.A.G.) as guarantor and Burgan Bank S.A.K. as lender, the lender has agreed to make available to the borrowers a secured term loan facility of up to US\$189,600,000 for the purposes of financing in part the purchase price payable to the shipbuilder in respect of two 14,500 TEU vessels (as amended and/or restated from time to time, the “**Burgan Vessel Financing**”). The facility agreement contemplates each borrower acquiring title to one of the vessels, with each borrower being joint and severally liable for the obligations of the other borrower.

The Burgan Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

### II. Repayment / Maturity

Each vessel loan is to be repaid by twenty-four equal consecutive semi-annual installments, commencing on the date falling six months after the delivery of the relevant vessel. The final repayment date for each vessel loan is the twelfth anniversary of the actual delivery date of the relevant financed vessel, being July 30, 2029 and September 30, 2029.

As of September 30, 2016, the aggregate principal amount of the loan outstanding under the Burgan Vessel Financing was US\$75,840,000.

### III. Undertakings and Financial Covenants

The Burgan Vessel Financing contains certain information undertakings and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants applicable to the borrowers, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

UASC (S.A.G.) undertakes under the Burgan Vessel Financing to procure that UASC (S.A.G.) will at all times comply with the equivalent financial covenants referred to under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”.

### IV. Interest and Fees

Under the Burgan Vessel Financing, the borrowers are required to pay interest at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is customary and market standard for this type of transaction.

Customary fees are payable in connection with the Burgan Vessel Financing.

### V. Security and Guarantees

All obligations of the borrowers under the Burgan Vessel Financing are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessels, share charges in respect of the shares in the borrowers, assignments by the borrowers of rights and claims under the shipbuilding contract and refund guarantees, and a general assignment by each of the borrowers and the bareboat charterers of insurances, earnings and requisition compensation. Each borrower is required to maintain a debt service account (subject to security for the benefit of the lenders) from which repayment installments of the relevant vessel loan are to be made.

### VI. Mandatory Prepayment Events

The Burgan Vessel Financing includes mandatory prepayment events in the event of (i) any sale of a vessel, (ii) defaults under the shipbuilding contract or any rescission of the shipbuilding contract or refund guarantees, (iii) non-delivery of a vessel and (iv) total loss of a vessel, which are customary for an asset financing facility of this nature.

The Burgan Vessel Financing also includes a customary mandatory prepayment event in relation to illegality affecting the lender and a mandatory prepayment event if a deduction on account of FATCA is required to be made in relation to a payment to the lender.

In addition a mandatory prepayment event will occur if there is a change in the ultimate beneficial ownership or ultimate control of a borrower or UASC (S.A.G.) without consent.

## VII. Events of Default

The total commitments may be cancelled and the loans and all other amounts outstanding under the Burgan Vessel Financing accelerated (in whole or in part) by the lender if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include: (i) a reduction in share capital of the borrowers, and (ii) the country of registration of a vessel becoming involved in war or civil war or under occupation (subject to agreed exceptions).

In addition, the events of default include the occurrence of an event or circumstance which the lender reasonably believes has or is reasonably likely to have a “Material Adverse Effect”, being a material adverse effect on the business, operations, property or financial condition of the borrowers or UASC (S.A.G.) (or another security party) or the UASC (S.A.G.) group, the ability of the borrowers or UASC (S.A.G.) (or another security party) to perform its obligations under the Burgan Vessel Financing, or the validity, enforceability, effectiveness or ranking of the security under the Burgan Vessel Financing.

## VIII. Security Cover Requirements

If at any time the market value of the vessels (plus any additional collateral provided, other than cash) falls below 120% of the aggregate of the loan outstanding (less cash provided by way of security), the borrowers are required to either prepay part of that loan by the amount of the shortfall, or provide additional security to cover the shortfall, within 60 business days of the lender’s request.

### *QNB Vessel Financing*

#### I. General

By a secured loan agreement dated September 16, 2014 between, *inter alia*, Al Jasrah Limited and Umm Qarn Limited as borrowers, UASC (S.A.G.) as guarantor and Qatar National Bank S.A.Q. as agent and security agent and various financial institutions as lenders, the lenders agreed to make available to the borrowers a secured term facility of up to US\$216,948,154 for the financing of two 14,500 TEU vessels built by Hyundai Heavy Industries (as amended and/or restated from time to time, the “**QNB Vessel Financing**”). The loan agreement contemplates each borrower acquiring title to one of the vessels, with each borrower being joint and severally liable for the obligations of the other borrower.

The QNB Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity

Each vessel loan is to be repaid by twenty-four equal consecutive semi-annual installments, commencing on the date falling six months after the delivery of the relevant vessel. The final repayment date for each vessel loan is the twelfth anniversary of the delivery of the relevant financed vessel, being May 2, 2028 and June 19, 2028.

As of September 30, 2016, the aggregate principal amount of the loans outstanding under the QNB Vessel Financing was US\$216,948,154.

#### III. Undertakings and Financial Covenants

The QNB Vessel Financing contains certain information undertakings and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants applicable to the borrowers, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

Further, UASC (S.A.G.) undertakes under the QNB Vessel Financing to procure that UASC will at all times comply with the equivalent financial covenants referred to under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”. Financial covenants to be maintained by UASC (S.A.G.) are tested every six months by reference to the latest consolidated accounts.

In addition, UASC (S.A.G.) is subject to restrictions on disposal of assets (subject to certain agreed exceptions) where such disposal may have a “Material Adverse Effect” (the meaning of which is described under “—Events of Default” below).

#### IV. Interest and Fees

Interest is payable at a rate per annum equal to the aggregate of a margin that is customary and market standard for this type of transaction plus LIBOR. Customary fees are required to be paid under and in connection with the vessel financings including agency fees, commitment and arrangement fees.

#### V. Security and Guarantees

All obligations of the borrowers under the QNB Vessel Financing are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessels, share charges in respect of the shares in the borrowers, assignments by the borrowers of rights and claims under the shipbuilding contracts and refund guarantees, and a general assignment by each of the borrowers and UASC (S.A.G.) (as bareboat charterer) of insurances, earnings and requisition compensation. Each borrower is required to maintain a debt service account (subject to security for the benefit of the lenders) from which repayment installments of the relevant vessel loan are to be made.

#### VI. Mandatory Prepayment Events

The QNB Vessel Financing includes mandatory prepayment events in the event of (i) any sale of a vessel, (ii) defaults under the shipbuilding contract or any rescission of the shipbuilding contract or refund guarantees, (iii) non-delivery of a vessel and (iv) the total loss of a vessel, which are customary for an asset financing facility of this nature.

The QNB Vessel Financing also includes a customary mandatory prepayment event in relation to illegality affecting a lender and a mandatory prepayment event if a deduction on account of FATCA is required to be made in relation to a payment to a lender.

In addition, a mandatory prepayment event will occur if there is a change in the ultimate beneficial ownership or ultimate control of a borrower or UASC (S.A.G.) without consent.

#### VII. Events of Default

The total commitments may be cancelled and the loans and all other amounts outstanding under the QNB Vessel Financing accelerated (in whole or in part) by the agent (on behalf of the lenders) if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include: (i) a reduction in share capital of the borrowers, and (ii) the country of registration of a vessel becoming involved in war or civil war or under occupation (subject to agreed exceptions).

An event of default also includes the occurrence of an event or circumstance which the majority lenders reasonably believe has or is reasonably likely to have a “Material Adverse Effect”, being a material adverse effect on the business, operations, property, or financial condition of a borrower or UASC (S.A.G.) (or another security party) or the UASC (S.A.G.) group, the ability of a borrower or UASC (S.A.G.) (or another security party) to perform its obligations, or the validity, enforceability, effectiveness or ranking of the security under the QNB Vessel Financing.

In addition, an event of default may occur if the agent determines at the end of any financial quarter, or following an event of default, that UASC (S.A.G.)’s cash and cash equivalents is less than US\$125,000,000 or its minimum liquidity is less than US\$200,000,000 (subject to an agreed exception where UASC (S.A.G.)’s most recent compliance certificate demonstrates UASC (S.A.G.)’s compliance with the financial covenants).

#### VIII. Security Cover Requirements

If at any time the market value of the vessels (plus any additional collateral provided, other than cash) falls below an amount constituting 120% of the aggregate senior tranches (less cash provided as security), the borrowers shall, within 90 days of being requested by the agent, prepay such part of the loan in an amount equal to the shortfall or provide additional security covering the shortfall (subject to a right to a release of the additional security, if the applicable requirements are met).



## *Syndicated Vessel Financing*

### I. General

US\$1,250,654,939 Secured Loan Agreement dated December 12, 2013 between, *inter alia*, Barzan Limited, Tihama Limited, Al Zubara Limited, Al Nefud Limited, Al Dahna Limited, Al Murabba Limited, Al Nasriyah Limited, Sajid Limited, Salahuddin Limited, Linah Limited, Al Dhail Limited and Al Mashrab Limited as borrowers, UASC (S.A.G.) as guarantor, Standard Chartered Bank as agent, DVB Group Merchant Bank (Asia) Ltd as security agent and various financial institutions as lenders. Under the financing (as amended and/or restated from time to time, the “**Syndicated Vessel Financing**”), the lenders agreed to advance to the borrowers commitments aggregating up to US\$950,654,938 and the South African Rand (“**SAR**”) equivalent of US\$300,000,000, to assist the borrowers (i) to finance in part the contract price payable for five 18,500 TEU vessels and seven 14,500 TEU vessels, each manufactured by Hyundai Heavy Industries and (ii) to finance in full, the export credit insurance premium payable to K-Sure for the insurance (for political and commercial risk cover) provided by K-Sure in an amount of up to 95% of the amount of the relevant K-Sure tranches. The loan agreement contemplates each borrower acquiring title to one of the vessels, with each borrower being joint and severally liable for the obligations of the other borrowers.

The Syndicated Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

### II. Repayment / maturity

Under the Syndicated Vessel Financing, each of the US\$ denominated commercial tranches, the SAR denominated commercial tranches and the relevant K-Sure covered tranches matures on the twelfth anniversary of the delivery date of the relevant financed vessel and is to be repaid in twenty-four equal consecutive, semi-annual installments commencing on the date falling six months after the relevant drawdown date.

As of September 30, 2016, the aggregate principal amount of the loan outstanding under the Syndicated Vessel Financing was US\$1,161,659,637.

### III. Undertakings and Financial Covenants

The Syndicated Vessel Financing contains certain information undertakings and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants applicable to the borrowers, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

As guarantor, UASC (S.A.G.) is subject to restrictions on disposal of assets (subject to certain agreed exceptions) where such disposal may have a “Material Adverse Effect” (the meaning of which is described under “—Events of Default” below).

There are also covenants relating to the K-Sure export credit insurance policy, whereby the borrowers and UASC (S.A.G.) agree not to knowingly act or omit to do anything adversely prejudicing the K-Sure covered lenders under the policy.

Further, UASC (S.A.G.) undertakes under the Syndicated Vessel Financing to procure that UASC (S.A.G.) will at all times comply with the equivalent financial covenants referred to under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”.

### IV. Interest and fees

The interest rate applicable to each US\$ commercial tranche is the percentage rate per annum equal to the aggregate of (i) a margin that is customary and market standard for this type of transaction and (ii) LIBOR. The interest rate applicable to each SAR denominated commercial tranche is the percentage rate per annum equal to the aggregate of (i) a margin that is customary and market standard for this type of transaction and SAIBOR. For the K-Sure covered tranche, the interest rate is the per annum rate equal to the aggregate of (i) a margin that is customary and market standard for this type of transaction and (ii) LIBOR.

Customary fees are payable in connection with the financing, including commitment fees, agency fees, account holder fees and other fees.

## V. Security and guarantees

All obligations of the borrowers under the Syndicated Vessel Financing are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of ECA-supported asset financing transaction including a mortgage over the financed vessels, share charges in respect of the shares in the borrowers, assignments by the borrowers of rights and claims under the shipbuilding contracts and refund guarantees, and a general assignment by each of the borrowers and UASC (S.A.G.) (as bareboat charterer) of insurances, earnings and requisition compensation. Each borrower is required to maintain US\$ and SAR denominated debt service accounts (subject to security for the benefit of the lenders) from which repayment installments of the relevant vessel tranches are to be made.

## VI. Mandatory prepayment events

The Syndicated Vessel Financing includes mandatory prepayment events substantially as described under “—QNB Vessel Financing—Mandatory Prepayment Events”, which are customary for an asset financing facility of this nature.

An additional mandatory prepayment event applies in the event of (i) the termination, unenforceability, cancellation or other cessation of the K-Sure insurance policy, (ii) notice from K-Sure to the agent and the K-Sure agent to determine its obligations under the insurance policy and (iii) the terms of the K-Sure insurance policy requiring the relevant vessel to be sold. In such cases, subject to a 90 day restructuring mitigation / consultation period, the borrowers must prepay the affected vessel loan(s).

## VII. Events of Default

The total commitments may be cancelled and the loans and all other amounts outstanding under the Syndicated Vessel Financing accelerated (in whole or in part) by the agent (on behalf of the lenders) if an event of default has occurred which is continuing.

The events of default are substantially as described under “—QNB Vessel Financing—Events of Default”.

## VIII. Security cover requirements

If at any time the market value of the vessels (plus any additional collateral provided, other than cash) falls below an amount constituting 120% of the aggregate senior tranches (less cash provided as security), the borrowers shall within 90 days of being requested by the agent, prepay such part of the loan in an amount equal to the shortfall or provide additional security covering the shortfall (subject to a right to a release of the additional security, if the applicable requirements are met).

### *ADNL Vessel Financing*

#### I. General

Under a US\$113,625,000 secured facility agreement dated November 27, 2013, entered into between Al Muraykh Ltd. as borrower, UASC (S.A.G.) as guarantor and Abu Dhabi National Leasing L.L.C., as lender, the lender agreed to make available a facility for the purpose of financing part of the purchase price of one 18,800 TEU vessel manufactured by Hyundai Heavy Industries (as amended and/or restated from time to time, the “**ADNL Vessel Financing**”).

The ADNL Vessel Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity

The vessel loan is to be repaid by twenty-four equal consecutive semi-annual installments, commencing on the date falling six months after the drawdown date. The final maturity date is twelve (12) years from the drawdown date, being August 18, 2027.

As of September 30, 2016, the principal amount of the loan outstanding under the ADNL Vessel Financing was US\$104,156,250.

### III. Undertakings and Financial Covenants

The ADNL Vessel Financing contains certain information undertakings and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants applicable to the borrower, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

As guarantor, UASC (S.A.G.) undertakes under the ADNL Vessel Financing to procure that UASC (S.A.G.) will at all times comply with the equivalent financial covenants referred to under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”.

### IV. Interest and Fees

Under the ADNL Vessel Financing, the borrower is required to pay interest at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is customary and market standard for this type of transaction.

Customary fees are payable in connection with the ADNL Vessel Financing.

### V. Security and Guarantees

All obligations of the borrowers under the ADNL Vessel Financing are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessels, share charges in respect of the shares in the borrower, assignments by the borrower of rights and claims under the shipbuilding contracts and refund guarantees, and a general assignment by each of the borrower and UASC (S.A.G.), as bareboat charterer, of insurances, earnings and requisition compensation. The borrower is required to maintain an earnings account and facility service account (subject to security for the benefit of the lenders).

### VI. Mandatory Prepayment Events

The ADNL Vessel Financing includes mandatory prepayment events substantially as described under “—Burgan Bank Facility—Mandatory prepayment events”.

### VII. Events of Default

The total commitments may be cancelled and the loans and all other amounts outstanding under the ADNL Vessel Financing accelerated (in whole or in part) by the lender if an event of default has occurred which is continuing.

The events of default are substantially as described under “—Burgan Bank Facility—Events of Default”.

### VIII. Security Cover Requirements

If at any time the market value of the vessel (plus any additional collateral provided, other than cash) falls below 120% of the aggregate of the loan outstanding (less cash provided by way of security), the borrower is required to either prepay part of the loan by the amount of the shortfall, or provide additional security to cover the shortfall, within 60 business days of the facility agent's request.

#### *SPC Secured Container Facilities*

##### *Al Rayyan Container Financing*

#### I. General

By a US\$50,000,000 secured term loan facility agreement dated July 10, 2012 for Al Rayyan Limited as borrower (being a special purpose vehicle incorporated in the Cayman Islands set up for the purposes of the financing) with Arab Banking Corporation (B.S.C.) as arranger, facility agent, security agent and lender, the lender has agreed to make available to the borrower a secured term loan facility for the purposes of financing part of the purchase price of US\$62,500,470 for marine cargo containers (as amended and/or restated from time to time, the “**Al Rayyan Container Financing**”). Pursuant to the transaction, the borrower purchased the cargo containers from UASC (S.A.G.) pursuant to a sale agreement. Pursuant to a guarantee agreement dated July 10, 2012 (the “**UASC (S.A.G.) AR Guarantee**”), UASC (S.A.G.) guarantees to Arab Banking Corporation (B.S.C.) as security agent the

borrower's obligations under the Al Rayyan Container Financing. UASC (S.A.G.) is the sole shareholder of the borrower and the borrower owns each of the cargo containers so financed, and leases the containers to UASC (S.A.G.) under a lease.

The Al Rayyan Container Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

## II. Repayment / maturity

The loan under the Al Rayyan Container Financing is to be repaid in twenty-four consecutive quarterly installments, and a final balloon payment of US\$14,000,000 which shall be repaid with the final quarterly installment; the first installment being due and payable on the date falling 3 months after the utilisation date of the loan. The final maturity date of the Al Rayyan Container Financing is the date falling seventy-two months after the utilisation date, being July 23, 2018.

As of September 30, 2016, the aggregate amount of the loan outstanding under the Al Rayyan Container Financing is US\$26,000,000.

## III. Undertakings and Financial Covenants

The facility agreement contains certain information undertakings (including provision of financial statements and financial information), undertakings as to insurance, container undertakings and general undertakings in each case customary for a secured asset financing facility for a special purpose vehicle, including: (i) restrictive covenants such as a negative pledge and restrictions on disposals, expenditure and mergers; (ii) restrictions on incurring any financial indebtedness other than as contemplated by the Al Rayyan Container Financing documents; (iii) restrictions on change of business; and (iv) restrictions on dividends, each subject to certain agreed exceptions. In addition the undertakings include positive undertakings regarding maintenance of title to assets and insurances, and compliance with laws and authorisations.

The guarantee granted by UASC (S.A.G.) in favor of the security agent (see further “—Security and Guarantees” below) contains information undertakings (including the provision of financial information and compliance certificates) and general undertakings (for example, as regards title to assets, compliance with authorisations and a negative pledge in relation to the security granted by UASC (S.A.G.) over the shares in the borrower), in each case customary for a guarantor in respect of a financing for a single purpose company.

The financial covenants applicable to UASC (S.A.G.) under the guarantee are in all respects substantially as described under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”. The financial covenants are tested semi-annually by reference to the relevant audited consolidated accounts of UASC (S.A.G.).

## IV. Interest Rates and Fees

Under the Al Rayyan Container Financing, the borrower is required to pay interest to the Lenders at a rate per annum equal to the aggregate of (i) a margin that is customary and market standard for this type of transaction, plus (ii) LIBOR, plus (iii) mandatory costs of the lenders.

The Borrower is required to pay customary fees under and in connection with the Al Rayyan Container Financing.

## V. Security and Guarantees

UASC (S.A.G.) guarantees the obligations of the borrower under the Al Rayyan Container Financing pursuant to a guarantee in favor of the security agent, dated July 10, 2012.

The obligations of the borrower under the Al Rayyan Container Financing, and of UASC (S.A.G.) under the UASC (S.A.G.) guarantee, are secured by (including but not limited to), mortgages over the containers, an assignment of the lease of the containers, security over the accounts of the borrower, and a share mortgage over the shares in the borrower granted by UASC (S.A.G.).

## VI. Mandatory Prepayment

The Borrower is required to prepay the loan (in part) if containers having a book value of US\$500,000 or higher become a total loss since the date of the facility agreement or (if later) since a mandatory prepayment was last made because containers having a book value of US\$500,000 or higher

previously became a total loss. The amount of the prepayment is proportionate to the value of the containers that have become a total loss.

Subject to certain exceptions, the borrower is also required to prepay the loan (i) if any of the containers are sold by the borrower and (ii) in the event of the invalidity or unenforceability, or loss of priority, of the security created under the Al Rayyan Container Financing. The borrower is also required to prepay a lender's participation if it becomes unlawful for that lender to perform its obligations under the facility agreement or to fund its participation in the loan.

In addition, subject to certain permitted exceptions, the agent may require the loan, together with all other amounts accrued under the Al Rayyan Container Financing, to be prepaid if there is a change of ownership of UASC (S.A.G.).

## VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the Al Rayyan Container financing accelerated (in whole or in part) by the facility agent (on behalf of the lenders) if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include (i) a breach of the financial covenants by UASC (S.A.G.), (ii) cross-defaults in relation to the financial indebtedness of the material subsidiaries of UASC (S.A.G.) (in addition to cross-default with the financial indebtedness of the borrower and UASC (S.A.G.)), and (iii) a change in the ultimate beneficial ownership of the shares in the borrower or in the ultimate control of the associated voting rights, or in the direct or indirect management control of the borrower.

### *SINOSURE-backed Container Financing*

#### I. General

By four purchase contracts dated December 1, 2011, Qurtuba Limited (a subsidiary of UASC (S.A.G.)) agreed to purchase and take delivery of certain marine cargo containers manufactured and supplied by China International Marine Containers (Group) Ltd.

Under four loan agreements each dated July 23, 2012 with, *inter alia*, Qurtuba Limited, as borrower, ABN Amro Bank N.V., Singapore Branch as lender, mandated lead arranger, SINOSURE agent, facility agent and security trustee, the lender agreed to finance the borrower's acquisition of the equipment the subject of each purchase contract, and China Export & Credit Insurance Corporation ("SINOSURE") provided certain export credit insurance cover for the loans (as amended and/or restated from time to time the "**SINOSURE-backed Container Financing**"). The facilities were provided in amounts of up to US\$22,626,863, US\$21,604,687.50, US\$23,586,750 and US\$10,350,862.50, being in total approximately US\$78.2 million. The container equipment acquired by the borrower is leased to UASC (S.A.G.).

The SINOSURE-backed Container Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity

The borrower is required to repay each loan by thirty-two equal consecutive quarterly installments. The first installment is payable on the date falling three months after the applicable drawdown date and the final installment shall be repaid on the date falling ninety-six months after the drawdown date, being October 31, 2020.

As of September 30, 2016, the principal amount of the loans outstanding under the SINOSURE-backed Container Financing was US\$38,850,503.

#### III. Undertakings

Each loan agreement contains certain information undertakings (including the provision of financial information relating to UASC (S.A.G.) as guarantor and its subsidiaries including the borrower), and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants applicable to the borrower, and covenants to preserve and protect the collateral (including as to insuring the containers and maintenance/alteration/repair/record-keeping requirements in respect of the containers).



In addition, there is a general undertaking relating to SINOSURE's requirements, under which the borrower must execute such documents as the SINOSURE agent may require to carry out the transactions contemplated by the loan agreements and to maintain and comply with the buyer's credit insurance policy.

As guarantor, UASC (S.A.G.) has agreed to customary undertakings such as a negative pledge, maintenance of corporate status, and undertakings regarding financial statements.

UASC (S.A.G.) also undertakes to procure that UASC (S.A.G.) will at all times comply with the equivalent financial covenants referred to under "—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants".

#### IV. Interest Rates and Fees

The borrower is required to pay interest on the loan under each loan agreement at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is customary and market standard for this type of transaction.

The borrower is required to pay customary fees under each loan agreement, including an upfront fee.

#### V. Security and Guarantees

All obligations of the borrower under the SINOSURE-backed Container Financing are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including (i) a security assignment by the borrower and UASC (S.A.G.) in respect of, *inter alia*, warranties, rights under the leases and rights under the purchase contracts; (ii) container mortgages; (iii) account security granted by the borrower and (iv) a share mortgage in respect of the shares in the borrower, granted by UASC (S.A.G.).

#### VI. Mandatory Prepayment

The borrower is required to prepay the loan (in part) if containers having a book value of US\$500,000 or higher become a total loss since the date of the facility agreement or (if later) since a mandatory prepayment was last made as a result of containers having a book value of US\$500,000 or higher becoming a total loss. The amount of the prepayment is proportionate to the value of the containers that have become a total loss. As customary, the borrower is also required to partially prepay the loan if any of the containers are sold by the borrower.

Additional mandatory prepayment events apply (if so requested by the majority lenders), if: (i) SINOSURE gives any instruction to accelerate the loan under the credit insurance policy; (ii) the credit insurance policy is cancelled, terminated, rescinded or ceases to remain in force or to be enforceable; (iii) it becomes unlawful in an applicable jurisdiction or impossible for SINOSURE to comply with its obligations under the credit insurance policy (subject to agreed exceptions); and (iv) any consent required by SINOSURE to maintain the credit insurance policy or to comply with the provisions thereof is revoked or otherwise ceases to be in effect.

If any provision of the buyer's credit insurance policy, which the majority lenders consider material, becomes invalid, then the borrower may be required to prepay the loan, subject to a thirty (30) day restructuring negotiation period.

#### VII. Events of Default

Upon service of a notice on the borrower following an event of default, the total commitments and all other obligations of the lender to the borrower may be cancelled and the loan, all accrued interest and all other amounts accrued or owing under the SINOSURE-backed Container Financing may become immediately due and payable, or as the case may be, payable on demand.

The loan agreements include events of default customary for this type of transaction, including breach of covenants, non-payments and breach of financial covenants.

In addition, the events of default include (subject to certain agreed grace periods or exceptions) (i) cross-defaults in relation to the financial indebtedness of, and insolvency events of default in relation to, the subsidiaries and affiliates of UASC (S.A.G.) and the borrower (in addition to cross-default with the financial indebtedness, and insolvency, of the borrower and UASC (S.A.G.)), (ii) illegality affecting performance of obligations by security parties or the finance parties,

(iii) changes in control of the borrower or UASC (S.A.G.), (iv) invalidity or unenforceability affecting the provisions of the finance documents (if considered material by the majority lenders), and (v) an event or circumstance arising or developing (including change in financial position, state of affairs or prospects of UASC (S.A.G.) or the borrower or their affiliates), if the majority lenders consider that there is a significant risk that the borrower, UASC (S.A.G.) or another security party will be unable to discharge its liabilities under the finance documents.

#### *French Tax Lease Facilities*

##### *Al Riffa Financing*

###### I. General

UASC (S.A.G.) has received the benefit of US\$102,662,974.55 in financing provided through a French tax lease facility which was used to finance: (i) the acquisition cost of one 13,100 TEU Containership “Al Riffa”; and (ii) the export credit insurance premium payable to K-Sure, who provided an export insurance policy providing 95% commercial and political risk cover in respect of the loan (as amended and/or restated from time to time, the “**Al Riffa Financing**”). The financing was made available to Société Générale, as Head Borrower (the “**Al Riffa Head Borrower**”) under a senior K-Sure mortgage loan agreement dated December 10, 2010 (the “**AR K-Sure Loan Agreement**”), for the purpose of enabling the Al Riffa Head Borrower to make advances available to the entity purchasing the ship (being SNC Carla) (the “**Al Riffa Owner**”), to enable the Al Riffa Owner to finance the acquisition cost of the ship. Such onward advances were made under a head borrower loan agreement (the “**AR Head Borrower Loan Agreement**”) dated December 10, 2010 between the Al Riffa Head Borrower, as lender, and the Al Riffa Owner, as borrower. The ship was acquired pursuant to an acquisition contract between the Al Riffa Owner, as buyer, and Al Riffa Limited (“**Al Riffa**”), as seller (Al Riffa being a subsidiary of UASC (S.A.G.)). The balance of the acquisition cost was financed for the Al Riffa Owner under a subordinated loan agreement between the Al Riffa Owner, as borrower, and Al Riffa, as subordinated lender. After the sale, the ship was leased by the Al Riffa Owner to Al Riffa pursuant to a bareboat charter (the “**Al Riffa Bareboat Charter**”).

The Al Riffa Financing will be amended subject to the suspensive condition of completion of the UASC Business Combination.

###### II. Repayment / maturity

The loan under the AR K-Sure Loan Agreement is to be repaid in 25 semi-annual installments. The first installment was due on June 30, 2012, and the final maturity date is June 30, 2024.

The rental under the Al Riffa Bareboat Charter is payable in 25 semi-annual installments. The rental consists of a variable rental and a fixed rental, which are used to pay the amounts due under the AR K-Sure Loan Agreement, the AR Head Borrower Loan Agreement and the subordinated loan agreement.

As of September 30, 2016, the aggregate amount of the loan outstanding under the AR K-Sure Loan Agreement is US\$65,230,835.

###### III. Undertakings and Financial Covenants

The AR K-Sure Loan Agreement and AR Head Borrower Loan Agreement contain customary undertakings for an asset financing transaction of this type.

The Al Riffa Bareboat Charter contains certain information undertakings and other general undertakings at the Al Riffa level, including covenants to preserve and protect the collateral (including operational, maintenance and insurance covenants), restrictive covenants (including restrictions against merging or consolidating with other persons or incurring any other financial indebtedness) and semi-annual financial reporting requirements. In addition, the Al Riffa Bareboat Charter provides that Al Riffa shall enter into a time charter with UASC (S.A.G.), who may enter into sub-time charters with other parties (subject to certain agreed conditions).

The guarantee between UASC and the Al Riffa Owner (see further “—Security and Guarantees” below), contains additional covenants, at the UASC (S.A.G.) level, including financial covenants requiring UASC (S.A.G.) to ensure that UASC (S.A.G.) at all times complies with the equivalent financial covenants referred to under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”. The financial covenants are tested semi-annually by reference to the latest consolidated financial statements of UASC (S.A.G.).

#### IV. Interest Rates and Fees

Interest is payable under the AR K-Sure Loan Agreement at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is customary and market standard for this type of transaction. Interest is payable under the AR Head Borrower Loan Agreement at a rate per annum equal to the aggregate of (i) EURIBOR plus (ii) a margin that is customary and market standard for this type of transaction.

The rental under the Al Riffa Bareboat Charter includes fixed rental (denominated in dollars and euro), and variable rental which is the aggregate of (i) fixed rate amounts payable by the Al Riffa Owner pursuant to any interest rate swaps, (ii) the floating rate interest payable under the AR Head Borrower Loan Agreement (if applicable), (iii) a margin of a margin that is customary and market standard for this type of transaction, and (iv) the interest payable under the subordinated loan agreement.

#### V. Security and Guarantees

UASC guarantees to the Al Riffa Owner the obligations of Al Riffa under the Al Riffa Bareboat Charter and the other finance documents to which Al Riffa is a party.

The obligations of Al Riffa under the transaction documents are secured by security customary for this type of asset financing transaction, including a mortgage over the ship, a share pledge in respect of the shares in Al Riffa granted by UASC (S.A.G.), a pre-delivery security assignment and a general security assignment assigning (amongst other things) insurances, requisition proceeds, ship warranties, Al Riffa's rights under the time charter agreement with UASC (S.A.G.) and the Al Riffa Owner's rights under the UASC (S.A.G.) guarantee.

#### VI. Mandatory Prepayment

The AR K-Sure Loan Agreement and AR Head Borrower Loan Agreement include customary mandatory prepayment events for a transaction of this type.

In the event of the K-Sure insurance policy being illegal or invalid or terminated, or ceasing to be in full force and effect, then the loan under the AR K-Sure Loan Agreement may become repayable if the K-Sure agent so notifies the Al Riffa Head Borrower.

The Al Riffa Bareboat Charter includes early termination events for (i) illegality (subject to a mitigation regime) and (ii) a total loss in respect of the ship.

The Al Riffa Owner is required to transfer title to the ship to Al Riffa once the termination sum (covering all amounts payable to the Al Riffa Owner or the finance parties pursuant to the transaction documents) under the Al Riffa Bareboat Charter has been paid and all other obligations have been performed thereunder.

#### VII. Events of Default

The primary events of default are those contained in the Al Riffa Bareboat Charter, and which are triggered by conduct of Al Riffa – those events of default are customary for this type of asset financing transaction and include, amongst other things, change of control in respect of UASC (S.A.G.) and cross-default with the other bareboat charter entered into in connection with the financing of ship "Jebel Ali" (see further "—Jebel Ali Financing").

The events of default also include the occurrence of a Material Adverse Effect, which means an event or circumstance which in the reasonable opinion of the Al Riffa Owner (acting on the security agent's instructions) has or could have a material adverse effect on (i) the financial or business condition of Al Riffa or UASC (S.A.G.), (ii) the ability of Al Riffa or UASC (S.A.G.) to perform its obligations under the transaction documents, (iii) the validity or enforceability of any transaction document, or (iv) the ranking or priority of the security.

If an event of default under the Al Riffa Bareboat Charter is continuing, the Al Riffa Owner may terminate the charter period and, by notice to Al Riffa, require it to pay the applicable "Termination Sum" (which covers, amongst other things, all other amounts payable to the Al Riffa Owner or the finance parties pursuant to the transaction documents).

Customary events of default for an asset financing transaction of this type are also included in the AR K-Sure Loan Agreement and the AR Head Borrower Loan Agreement. An event of default under such agreements would trigger an event of default under the Al Riffa Bareboat Charter.

#### VIII. Purchase Option

Al Riffa has the right to purchase the ship by notice to the Al Riffa Owner at least 120 days and not more than 180 days prior to the scheduled expiry date. Al Riffa may exercise the purchase option, subject to payment of an amount of €58,970,931.77, together with any other amounts unpaid under the transaction documents.

#### IX. Security Cover Ratio

Al Riffa undertakes to ensure that the market value of the ship (estimated by the average of the valuations of three approved appraisers) divided by the aggregate of (i) the loan under the AR K-Sure Loan Agreement, (ii) certain hedging values and (iii) certain tax exposure amounts (as determined in accordance with the finance documents) remains at all times equal to or greater than 1.20. If the quotient of that calculation is less than 1.20, Al Riffa is required to provide additional security in order to satisfy the cover ratio requirement.

#### *Jebel Ali Financing*

##### I. General

UASC (S.A.G.) has received the benefit of US\$103,115,026.94 in financing provided through a French tax lease facility which was used to finance: (i) the acquisition cost of one 13,100 TEU Containership “Jebel Ali”; and (ii) the export credit insurance premium payable to K-Sure, who provided an export insurance policy providing 95% commercial and political risk cover in respect of the loan (as amended and/or restated from time to time, the “**Jebel Ali Financing**”). The financing was made available to Société Générale, as Head Borrower (the “**Jebel Ali Head Borrower**”) under a senior K-Sure mortgage loan agreement dated March 17, 2011 (the “**JA K-Sure Loan Agreement**”), for the purpose of enabling the Jebel Ali Head Borrower to make advances available to the entity purchasing the ship (being SNC Valeria) (the “**Jebel Ali Owner**”), to enable the Jebel Ali Owner to finance the acquisition cost of the ship. Such onward advances were made under a head borrower loan agreement (the “**JA Head Borrower Loan Agreement**”) dated March 17, 2011 between the Jebel Ali Head Borrower, as lender, and the Jebel Ali Owner, as borrower. The ship was acquired pursuant to an acquisition contract between the Jebel Ali Owner, as buyer, and Jebel Ali Limited (“**Jebel Ali**”), as seller (Jebel Ali being a subsidiary of UASC (S.A.G.)). The balance of the acquisition cost was financed by the Jebel Ali Owner under a subordinated loan agreement between the Jebel Ali Owner, as borrower, and Jebel Ali, as subordinated lender. After the sale, the ship was leased by the Jebel Ali Owner to Jebel Ali pursuant to a bareboat charter (the “**Jebel Ali Bareboat Charter**”).

The Jebel Ali Financing will be amended subject to the suspensive condition of completion of the UASC Business Combination.

##### II. Repayment / Maturity

The loan under the JA K-Sure Loan Agreement is to be repaid in 25 semi-annual installments. The first installment was due on June 28, 2012, and the final maturity date is June 30, 2024.

The rental under the Jebel Ali Bareboat Charter is payable in 25 semi-annual installments. The rental consists of a variable rental and a fixed rental, which are used to pay the amounts due under the JA K-Sure Loan Agreement, the JA Head Borrower Loan Agreement and the subordinated loan agreement.

As of September 30, 2016, the aggregate amount of the loan outstanding under the JA K-Sure Loan Agreement is US\$67,354,359.

##### III. Undertakings and Financial Covenants

The JA K-Sure Loan Agreement and JA Head Borrower Loan Agreement contain customary undertakings for an asset financing transaction of this type.

The Jebel Ali Bareboat Charter contains certain information undertakings and other general undertakings at the Jebel Ali level, substantially as described under “—Al Riffa Financing— Undertakings and Financial Covenants” above. In addition, the Jebel Ali Bareboat Charter provides

that Jebel Ali shall enter into a time charter with UASC (S.A.G.), who may enter into sub-time charters with other parties (subject to certain agreed conditions).

The guarantee between UASC (S.A.G.) and the Jebel Ali Owner (see further “—Security and Guarantees” below), contains additional covenants, at the UASC (S.A.G.) level, which are substantially as described under “—Al Riffa Financing—Undertakings and Financial Covenants” above.

#### IV. Interest Rates and Fees

Interest is payable under the JA K-Sure Loan Agreement and the JA Head Borrower Loan Agreement substantially as described under “—Al Riffa Financing—Interest Rates and Fees” above.

The rental under the Jebel Ali Bareboat Charter includes fixed rental (denominated in dollars and euro), and variable rental substantially as described under “—Al Riffa Financing—Interest Rates and Fees” above.

#### V. Security and Guarantees

UASC (S.A.G.) guarantees to the Jebel Ali Owner the obligations of Jebel Ali under the Jebel Ali Bareboat Charter and the other finance documents to which Jebel Ali is a party.

The obligations of Jebel Ali under the transaction documents are secured by security customary for this type of asset financing transaction, and substantially as described under “—Al Riffa Financing—Security and Guarantees” above.

#### VI. Mandatory Prepayment

The JA K-Sure Loan Agreement and JA Head Borrower Loan Agreement include customary mandatory prepayment events for a transaction of this type.

In the event of the K-Sure insurance policy being illegal or invalid or terminated, or ceasing to be in full force and effect, then the loan under the JA K-Sure Loan Agreement may become repayable if the K-Sure agent so notifies the Jebel Ali Head Borrower.

The Bareboat Charter includes early termination events and transfer of title provisions substantially as described under “—Al Riffa Financing—Mandatory Prepayment” above.

#### VII. Events of Default

The events of default under the JA K-Sure Loan Agreement, the JA Head Borrower Loan Agreement, and the Jebel Ali Bareboat Charter, and the possible consequences thereof, are substantially as described under “—Al Riffa Financing—Events of Default” above.

#### VIII. Purchase Option

Jebel Ali has the right to purchase the ship by notice to the Jebel Ali Owner at least 120 days and not more than 180 days prior to the scheduled expiry date. Jebel Ali may exercise the purchase option, subject to payment of an amount of €55,761,256.51, together with any other amounts unpaid under the transaction documents.

#### IX. Security Cover Ratio

Jebel Ali undertakes to maintain the market value of the ship relative to certain liabilities, substantially as described under “—Al Riffa Financing—Security Cover Ratio” above.

#### *SG Container Box Financing*

##### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$95,160,035 in financing provided through a French tax lease facility which was used to finance the acquisition cost of certain shipping container boxes operated by UASC (S.A.G.) (as amended and/or restated from time to time, the “**SG Container Box Financing**”). The financing is made available under a credit agreement dated June 23, 2015, between, amongst others, Société Anonyme de Crédit à l’Industrie Française – CALIF as borrower (the “**Borrower**”), and Société Générale as mandated lead arranger, agent and security agent. The financing was made available under two facilities, named “Credit X” and “Credit Y”. The container boxes are leased by the Borrower to Al Aziziyah Limited (“**Al Aziziyah**”), and sub-leased to UASC (S.A.G.).



## II. Repayment / Maturity / Rental Payments

Each loan under the SG Container Box Financing is repayable by fourteen equal semi-annual principal installments, with an additional balloon payment being due on the final maturity date in the amount of 35% of the relevant loan. The final maturity date is June 30, 2022.

The lease term under the lease agreement (Crédit-Bail Agreement), pursuant to which the container boxes are leased to Al Aziziyah, corresponds to the term of the corresponding financing under the credit agreement. Rent is payable under the lease agreement quarterly in arrear, in the amount of the repayments due under the credit agreement. If Al Aziziyah does not exercise the purchase option (see further Purchase Option below), then Al Aziziyah undertakes to enter into a subsequent lease, and a subsequent sub-lease with UASC (S.A.G.), for an additional six month term commencing at the end of the scheduled term.

As of September 30, 2016, the aggregate principal amount of the loan outstanding under the SG Container Box Financing was US\$86,323,746.

## III. Undertakings and Financial Covenants

The lease contains certain information undertakings and other general undertakings, at the lessee level, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants (including restrictions on carrying out any other business), covenants to preserve and protect the collateral (including negative pledge) and semi-annual financial reporting requirements.

In addition, the lease agreement contains undertakings applicable to UASC (S.A.G.) at the sub-lessee and guarantor level, including information undertakings, restrictions on granting security over the container boxes, and restrictions on changing its business or organizational structure, subject to agreed exceptions. In addition, UASC (S.A.G.) agrees to comply with the equivalent financial covenants referred to under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”.

The credit agreement also contains undertakings applicable to the Borrower which are customary for a transaction of this type, including a negative pledge, restrictions on change of business and compliance with laws and authorisations.

## IV. Interest Rate

Interest on the loan principal is payable at the rate per annum equal to (1) a margin that is customary and market standard for this type of transaction plus (2) LIBOR.

## V. Security and Guarantees

All payment obligations of Al Aziziyah under the lease agreement are guaranteed by UASC (S.A.G.). In addition, in the event that Al Aziziyah does not exercise the purchase option (see further —Purchase Option below), then the Borrower is entitled to require Khafji Limited (“**Khafji**”) to purchase the equipment (with the purchase price being the amount of the purchase option price, plus default interest accruing under the credit agreement). The obligations of Khafji are also guaranteed by UASC (S.A.G.).

The obligations of Al Aziziyah are secured by an assignment by UASC (S.A.G.) and Al Aziziyah of rights in the insurances, requisition compensation and equipment warranties. In addition, under a French law delegation agreement, certain claims under the finance documents are ‘delegated’ for the benefit of the finance parties.

## VI. Mandatory Prepayment / Early Termination

The credit agreement includes mandatory prepayment events for illegality affecting a Lender, or the Borrower or a subsidiary of the Borrower becoming a sanctioned person or a change of control in respect of the Borrower, Al Aziziyah or UASC (S.A.G.).

In addition, the Borrower is required to prepay the loan in respect of equipment that is subject to an event of loss (if the acquisition cost of the equipment suffering an event of total loss exceeds 5% of the aggregate acquisition price of all financed equipment).

In addition, and subject to a thirty day mitigation regime, the leasing may terminate early if it becomes unlawful for the Borrower or Al Aziziyah to perform its respective obligations under the lease

agreement or for the Borrower to perform its obligations under the master acquisitions contract (pursuant to which the container boxes were sold by UASC (S.A.G.) to the Borrower), or if a market disruption event occurs (subject to agreed exceptions / mitigation).

## VII. Events of Default

The primary events of default are those contained in the lease agreement and which are triggered by conduct of Al Aziziyah or UASC (S.A.G.). The events of default are customary for this type of asset financing transaction. Among other things, an event of default is triggered by the occurrence of an event or circumstance which the Borrower reasonably believes constitutes or is reasonably likely to constitute a material adverse effect on (i) the business, operation, property or financial condition of Al Aziziyah, Khafji or UASC (S.A.G.), (ii) the ability of such parties to perform their obligations under the transaction documents, or (iii) the validity, enforceability or effectiveness or ranking of the security.

Upon an event of default under the lease agreement, the Borrower or the agent is entitled to terminate the leasing and require Al Aziziyah to pay the "Lease Termination Amount" (which covers, amongst other things, all unpaid rentals, amounts due under the lease agreement, break costs, and amounts payable by the Borrower under the transaction documents). Upon payment of such amounts plus one dollar, Al Aziziyah has the right to receive title to the equipment in accordance with the applicable terms of the lease agreement.

The credit agreement separately contains loan event of defaults which are triggered by the conduct of the Borrower; however, these are somewhat limited in comparison to the events of default under the lease agreement. The events of default under the credit agreement include events of default which are customary for this type of asset financing transaction, including, amongst others, illegality affecting transaction documents, insolvency of the Borrower, Al Aziziyah or UASC (S.A.G.) or cessation of business by such parties, or the sale of the equipment without consent. In addition, an event of default can be triggered if:

- any foreign exchange law is enacted or introduced in the Cayman Islands or Kuwait which, has or would reasonably be expected to have, in the agent's opinion, the effect of prohibiting, restricting or delaying payments under the finance documents (subject to a mitigation regime); or
- a moratorium is called on payment of interest or principal on international debts of borrowers in the countries in which the Borrower, Al Aziziyah or UASC (S.A.G.) are incorporated (being, France, the Cayman Islands and Kuwait, respectively).

The loan can be accelerated by the lenders following a breach by the borrower or following the occurrence of an event of default under the lease agreement.

## VIII. Purchase Option

Under the lease agreement, Al Aziziyah is granted a purchase option exercisable not later than 9 months and not earlier than twelve months prior to the end of the applicable lease term, to purchase the relevant leased equipment. Subject to the payment of 35% of the acquisition cost of the relevant equipment and all outstanding rentals, the Borrower is required to transfer title to the equipment to Al Aziziyah.

### *JOLCO Facilities*

#### *Al-Mutanabbi JOLCO Financing*

##### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$30,000,000 in financing (as amended and/or restated from time to time, the "**Al-Mutanabbi JOLCO Financing**") provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC (S.A.G.). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by DVB Transport Finance Limited, Tokyo Branch, as initial lender, to JPC No. 14 Limited as borrower ("**JPC No. 14**") pursuant to a loan agreement dated August 26, 2014 (the "**Al-Mutanabbi JOLCO Loan Agreement**"). The remainder of the container purchase price paid to UASC (S.A.G.) at closing is provided by JPC No. 14, which is a

special purpose company managed by JP Lease Products & Services Co., Ltd. The financed containers are leased by JPC No. 14 to Al-Mutanabbi Limited (“**Al-Mutanabbi**”) pursuant to a lease agreement dated August 26, 2015 (the “**Al-Mutanabbi JOLCO Lease**”) and sub-leased to UASC (S.A.G.) which guarantees the obligations of Al-Mutanabbi. Rent under the Al-Mutanabbi JOLCO Lease is then used to service the debt and to provide a return to JPC No. 14 on the equity investment.

The Al-Mutanabbi JOLCO Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

## II. Repayment / Maturity / Rental Payments

Principal and interest under the Al-Mutanabbi JOLCO Loan Agreement are payable quarterly in arrear over an approximately seven year period ending on the final repayment date of June 30, 2021, with a final balloon installment due on the final repayment date. The Al-Mutanabbi JOLCO Lease term also ends on June 30, 2021 and rent under the Al-Mutanabbi JOLCO Lease is paid quarterly in arrear. Al-Mutanabbi JOLCO Lease rent consists of a Rent A portion which is used by JPC No. 14 to repay the loan and a Rent B portion which provides JPC No. 14 a return on its equity investment.

As of September 30, 2016, the principal amount of the loan outstanding under the Al-Mutanabbi JOLCO Loan Agreement was US\$17,062,500 and the equity investment remaining to be repaid to JPC No.14 was US\$7,647,500.

## III. Undertakings and Financial Covenants

The Al-Mutanabbi JOLCO Lease contains certain information undertakings and other general undertakings, at the Al-Mutanabbi level, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral and semi-annual financial reporting requirements.

The financial covenants applicable to UASC (S.A.G.) under the UASC (S.A.G.) guarantee are in all respects substantially as described under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”.

## IV. Interest Rate

Interest on the loan principal is payable at a rate per annum equal to a fixed rate that is customary and market standard for this type of transaction. The equity investment of JPC No.14 is repaid under the Al-Mutanabbi JOLCO Lease in consecutive payment dates at three monthly intervals, with an effective rate of interest that is customary and market standard for this type of transaction.

## V. Security and Guarantees

All payment obligations of Al-Mutanabbi under the Al-Mutanabbi JOLCO Lease and other transaction documents are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by JPC No. 14 in favor of the lenders, and a general assignment by each of UASC (S.A.G.), Al-Mutanabbi and JPC No. 14 in favor of the lenders of their respective rights in the insurances and transaction documents.

## VI. Events of Default

### a. Events of Default under the Al-Mutanabbi JOLCO Lease

The primary events of default are those contained in the Al-Mutanabbi JOLCO Lease and which are triggered by conduct of Al-Mutanabbi. The events of default under the Al-Mutanabbi JOLCO Lease are customary for this type of asset financing transaction. Among other things, an event of default is triggered by the occurrence, in relation to Al-Mutanabbi or UASC (S.A.G.), of a material adverse change that would, in the opinion of JPC No.14 (acting reasonably) be likely to materially and adversely affect Al-Mutanabbi’s or UASC (S.A.G.)’s ability to perform its material obligations or its financial condition.

Upon an event of default under the Al-Mutanabbi JOLCO Lease, JPC No. 14 can terminate the leasing and require Al-Mutanabbi to pay the “Stipulated Loss Value” (as specified therein) to JPC No. 14. Upon payment of such Stipulated Loss Value and other amounts due and payable under the Al-Mutanabbi JOLCO Lease, JPC No. 14 is obliged to transfer title of the containers to Al-Mutanabbi in accordance with the terms of the Al-Mutanabbi JOLCO Lease.

#### b. Events of Default under the Al-Mutanabbi JOLCO Loan Agreement

The Al-Mutanabbi JOLCO Loan Agreement separately contains loan event of defaults which are triggered by the conduct of JPC No. 14 (a special purpose company formed solely to own and lease the financed containers), however, these are somewhat limited in comparison to the events of default under the Al-Mutanabbi JOLCO Lease. The events of default under the Al-Mutanabbi JOLCO Loan Agreement are customary for this type of asset financing transaction.

The loan can be accelerated by the lenders following a breach by JPC No. 14 of its obligations under the Al-Mutanabbi JOLCO Loan Agreement or following the occurrence of an event of default under the Al-Mutanabbi JOLCO Lease. In addition, the Al-Mutanabbi JOLCO Loan Agreement provides for mandatory repayment following certain total loss events with respect to the financed containers, breaches of sanctions provisions, and situations where Al-Mutanabbi has terminated the Al-Mutanabbi JOLCO Lease due to a lessor default.

#### VII. Purchase Option

Under the Al-Mutanabbi JOLCO Lease, Al-Mutanabbi may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$13,880,500).

#### *Wakrah JOLCO Financing*

##### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$30,000,000 in financing (as amended and/or restated from time to time, the “**Wakrah JOLCO Financing**”) provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC (S.A.G.). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by DVB Transport Finance Limited, Tokyo Branch, as initial lender, to JPC No. 15 Limited as borrower (“**JPC No. 15**”) pursuant to a loan agreement dated April 22, 2015 (the “**Wakrah JOLCO Loan Agreement**”). The remainder of the container purchase price paid to UASC (S.A.G.) at closing is provided by JPC No. 15, which is a special purpose company managed by JP Lease Products & Services Co., Ltd. The financed containers are leased by JPC No. 15 to Wakrah Limited (“**Wakrah**”) pursuant to a lease agreement dated April 22, 2015 (the “**Wakrah JOLCO Lease**”) and sub-leased to UASC (S.A.G.) which guarantees the obligations of Wakrah. Rent under the Wakrah JOLCO Lease is then used to service the debt and to provide a return to JPC No. 15 on the equity investment.

The Wakrah JOLCO Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

##### II. Repayment / Maturity / Rental Payments

Principal and interest under the Wakrah JOLCO Loan Agreement are payable quarterly in arrear over an approximately seven year period ending on the final repayment date of June 30, 2022, with a final balloon installment due on the final repayment date. The Wakrah JOLCO Lease term also ends on March 27, 2022 and rent under the Wakrah JOLCO Lease is paid quarterly in arrear. Wakrah JOLCO Lease rent consists of a Rent A portion which is used by JPC No. 15 to repay the loan and a Rent B portion which provides JPC No. 15 a return on its equity investment.

As of September 30, 2016, the principal amount of the loan outstanding under the Wakrah JOLCO Financing was US\$18,375,000 and the equity investment remaining to be repaid to JPC No.15 was US\$7,757,500.

##### III. Undertakings and Financial Covenants

The documents for the Wakrah JOLCO Financing contain customary undertakings for a transaction of this type, substantially as described under “—Al-Mutanabbi JOLCO Financing—Undertakings and Financial Covenants”.

##### IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is customary and market standard for this type of transaction. The equity investment of JPC No.15 is repaid under the Wakrah JOLCO Lease

in consecutive payment dates at three monthly intervals, with an effective fixed rate of interest that is customary and market standard for this type of transaction.

#### V. Security and guarantees

All payment obligations of Wakrah under the Wakrah JOLCO Lease and other transaction documents are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by JPC No. 15 in favor of the lenders, and a general assignment by each of UASC (S.A.G.), Wakrah and JPC No. 15 in favor of the lenders of their respective rights in the insurances and transaction documents.

#### VI. Events of Default

##### a. Events of Default under the Wakrah JOLCO Lease

The events of default and the possible consequences thereof under the Wakrah JOLCO Lease are substantially as described under “—Al-Mutanabbi JOLCO Financing—Events of Default—Events of Default” under the Al-Mutanabbi JOLCO Lease.

##### b. Events of Default under the Wakrah JOLCO Loan Agreement

The events of default and the possible consequences thereof under the Wakrah JOLCO Loan Agreement are substantially as described under “—Al-Mutanabbi JOLCO Financing—Events of Default—Events of Default” under the Al-Mutanabbi JOLCO Loan Agreement.

#### VII. Purchase Option

Under the Wakrah JOLCO Lease, Wakrah may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$13,867,500).

#### *Busaiteen JOLCO Financing*

##### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$45,000,000 in financing (as amended and/or restated from time to time, the “**Busaiteen JOLCO Financing**”) provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC (S.A.G.). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by DVB Transport Finance Limited, Tokyo Branch and Mega International Commercial Bank Co., Ltd., as initial lenders, to JPC No. 12 Limited as borrower (“**JPC No. 12**”) pursuant to a loan agreement dated July 22, 2015 (the “**Busaiteen JOLCO Loan Agreement**”). The remainder of the container purchase price paid to UASC (S.A.G.) at closing is provided by JPC No. 12, which is a special purpose company managed by JP Lease Products & Services Co., Ltd. The financed containers are leased by JPC No. 12 to Busaiteen (“**Busaiteen**”) pursuant to a lease agreement dated July 22, 2015 (the “**Busaiteen JOLCO Lease**”) and sub-leased to UASC (S.A.G.) which guarantees the obligations of Busaiteen. Rent under the Busaiteen JOLCO Lease is then used to service the debt and to provide a return to JPC No. 12 on the equity investment.

The Busaiteen JOLCO Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

##### II. Repayment / Maturity / Rental Payments

Principal and interest under the Busaiteen JOLCO Loan Agreement are payable quarterly in arrear over an approximately seven year period ending on the final repayment date of June 30, 2022, with a final balloon installment due on the final repayment date. The Busaiteen JOLCO Lease term also ends on June 30, 2022 and rent under the Busaiteen JOLCO Lease is paid quarterly in arrear. Busaiteen JOLCO Lease rent consists of a Rent A portion which is used by JPC No. 12 to repay the loan and a Rent B portion which provides JPC No. 12 a return on its equity investment.

As of September 30, 2016, the principal amount of the loan outstanding under the Busaiteen JOLCO Financing was US\$28,392,750 and the equity investment remaining to be repaid to JPC No.12 was US\$12,064,250.



### III. Undertakings and Covenants

The documents for the Busaiteen JOLCO Financing contain customary undertakings for a transaction of this type, substantially as described under “—Al-Mutanabbi JOLCO Financing—Undertakings and Financial Covenants”.

### IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is customary and market standard for this type of transaction (on the Tranche A loan principal) and a floating rate equal to LIBOR plus a margin that is customary and market standard for this type of transaction (on the Tranche B loan principal).

### V. Security and Guarantees

All payment obligations of Busaiteen under the Busaiteen JOLCO Lease and other transaction documents are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by JPC No. 12 in favor of the lenders, and a general assignment by each of UASC (S.A.G.), Busaiteen and JPC No.12 in favor of the lenders of their respective rights in the insurances and transaction documents.

### VI. Events of Default

#### a. Events of Default under the Busaiteen JOLCO Lease

The events of default and the consequences thereof under the Busaiteen JOLCO Lease are substantially as described under “—Al-Mutanabbi JOLCO Financing—Events of Default—Events of Default under the Al-Mutanabbi JOLCO Lease”.

#### b. Events of Default under the Busaiteen JOLCO Loan Agreement

The events of default and the possible consequences thereof under the Busaiteen JOLCO Loan Agreement are substantially as described under “—Al-Mutanabbi JOLC Financing—Events of Default—Events of Default under the Al-Mutanabbi JOLCO Loan Agreement”.

### VII. Purchase Option

Under the Busaiteen JOLCO Lease, Busaiteen may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$16,210,750.00).

### *Hira JOLCO Financing*

#### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$50,002,360 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC (S.A.G.) (as amended and/or restated from time to time, the “**Hira JOLCO Financing**”). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by ING Bank N.V., Tokyo Branch, as initial lender, to CLIP No. 76 Co., Ltd. and CLIP No. 77 Co., Ltd., respectively, as borrowers (together “**CLIP 76/77**”) pursuant to two loan agreements each dated June 26, 2014 (together, the “**Hira JOLCO Loans**”). The remainder of the container purchase price paid to UASC (S.A.G.) at closing is provided by CLIP 76/77, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased by CLIP 76/77 to Hira Limited (“Hira”) pursuant to two lease agreements each dated June 26, 2014 (together, the “**Hira JOLCO Leases**”) and sub-leased to UASC (S.A.G.) which guarantees the obligations of Hira. Rent under the Hira JOLCO Leases is then used to service the debt and to provide a return to CLIP 76/77 on the equity investment.

The Hira JOLCO Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity / Rental Payments

Principal and interest under the Hira JOLCO Financing are payable quarterly in arrear over an approximately six year period ending on the final repayment date of June 30, 2021. Each Hira JOLCO Lease term also ends on June 30, 2021 and rent under each Hira JOLCO Lease is paid quarterly in

arrear. Rent under each Hira JOLCO Lease consists of a Rent A portion which is used by CLIP 76/77 to repay the loans and a Rent B portion which provides CLIP 76/77 a return on its equity investment.

As of September 30, 2016, the aggregate principal amount of the loans outstanding under the Hira JOLCO Loans was US\$24,838,488 and the equity investment remaining to be repaid to Clip 76/77 was US\$15,000,708.

### III. Undertakings and Financial Covenants

The Hira JOLCO Leases contain certain information undertakings and other general undertakings, at the Hira level, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral and semi-annual financial reporting requirements.

The UASC (S.A.G.) guarantee contains additional covenants, at the UASC (S.A.G.) level, including financial covenants requiring UASC (S.A.G.) to ensure at all times that it complies with the equivalent financial covenants referred to under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants”.

### IV. Interest Rate

Interest on the loan principal is payable at the rate per annum equal to a fixed rate that is customary and market standard for this type of transaction .

### V. Security and Guarantees

All payment obligations of Hira under the Hira JOLCO Leases and other transaction documents are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by CLIP 76/77 in favor of the lenders, and a general assignment by each of UASC (S.A.G.), Hira and CLIP 76/77 in favor of the lenders of their respective rights in the insurances and transaction documents.

### VI. Events of Default

#### (a) Events of Default under the Hira JOLCO Leases

The primary events of default are those contained in the Hira JOLCO Leases and which are triggered by conduct of Hira. The events of default under the Hira JOLCO Leases are customary for this type of asset financing transaction. Among other things, an event of default is triggered by the occurrence of an event in relation to Hira or UASC (S.A.G.) which has a material adverse change affecting Hira's or UASC (S.A.G.)'s financial condition or ability to perform its obligations under the transaction documents.

Upon an event of default under the Hira JOLCO Leases, CLIP 76/77 can terminate the leasing and require Hira to pay the “Stipulated Loss Value” (as specified therein) to CLIP 76/77. Upon payment of such Stipulated Loss Value and other amounts due and payable under the Hira JOLCO Leases, CLIP 76/77 is obliged to transfer title to the containers to Hira in accordance with the terms of the Hira JOLCO Leases.

#### (b) Events of Default under the Hira JOLCO Loans

The Hira JOLCO Loans separately contain loan event of defaults which are triggered by the conduct of CLIP 76/77, however, these are somewhat limited in comparison to the events of default under the Hira JOLCO Leases. The events of default under the Hira JOLCO Loans are customary for this type of asset financing transaction.

The loan can be accelerated by the lenders following a breach by CLIP 76/77 of their obligations under the Hira JOLCO Loans or following the occurrence of an event of default under the Hira JOLCO Leases. In addition, the Hira JOLCO Loans provide for mandatory repayment following certain total loss events with respect to the financed containers, breaches of sanctions provisions, and situations where Hira has terminated the Hira JOLCO Leases due to a lessor default.

## VII. Purchase Option

Under the Hira JOLCO Leases, Hira may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$12,504,000 under the lease with CLIP No. 76 Co., Ltd. and US\$7,496,000 under the lease with CLIP No. 77 Co., Ltd.).

### *Al Madinah JOLCO Financing*

#### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$75,001,414 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC (S.A.G.) (as amended and/or restated from time to time, the “**Al Madinah JOLCO Financing**”). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by ING Bank N.V., Tokyo Branch, as initial lender, to CLIP No. 109 Co., Ltd., CLIP No. 110 Co., Ltd. and CLIP No. 111 Co., Ltd., respectively, as borrowers (together “**CLIP 109/110/111**”) pursuant to three loan agreements each dated May 25, 2015 (together, the “**Al Madinah JOLCO Loans**”). The remainder of the container purchase price paid to UASC (S.A.G.) at closing is provided by CLIP 109/110/111, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased by CLIP 109/110/111 to Al Madinah Limited (“**Al Madinah**”) pursuant to three lease agreements each dated May 25, 2015 (together, the “**Al Madinah JOLCO Leases**”) and sub-leased to UASC (S.A.G.) which guarantees the obligations of Al Madinah. Rent under the Al Madinah JOLCO Leases is then used to service the debt and to provide a return to CLIP 109/110/111 on the equity investment.

The Al Madinah JOLCO Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity / Rental Payments

Principal and interest under the Al Madinah JOLCO Loans are payable quarterly in arrear over an approximately seven year period ending on the final repayment date of June 30, 2022. Each Al Madinah JOLCO Lease term also ends on June 30, 2022 and rent under each Al Madinah JOLCO Lease is paid quarterly in arrear. Lease rent consists of a Rent A portion which is used by CLIP 109/110/111 to repay the loan and a Rent B portion which provides CLIP 109/110/111 a return on its equity investment.

As of September 30, 2016, the aggregate principal amount of the loans outstanding under the Al Madinah JOLCO Loans was US\$43,561,226 and the equity investment remaining to be repaid to Clip 109/110/111 was US\$22,500,424.

#### III. Undertakings and Financial Covenants

The Al Madinah JOLCO Leases contain certain undertakings customary for an asset financing facility of this nature and substantially as described under “—Hira JOLCO Financing—Undertakings and Financial Covenants” above.

The UASC (S.A.G.) guarantee contains financial covenants, at the UASC (S.A.G.) level, substantially as described under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants” above.

#### IV. Interest Rate

Interest on the loan principal is payable at the rate per annum equal to a fixed rate that is customary and market standard for this type of transaction.

#### V. Security and Guarantees

All payment obligations of Al Madinah under the Al Madinah JOLCO Leases and other transaction documents are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by Clip 109/110/111 in favor of the lenders, and a general assignment by each of UASC (S.A.G.), Al Madinah and Clip 109/110/111 in favor of the lenders of their respective rights in the insurances and transaction documents.

## VI. Events of Default

The events of default under the Al Madinah JOLCO Loans and Al Madinah JOLCO leases, and the possible consequences thereof, are substantially as described under “—Hira JOLCO Financing—Events of Default”.

## VII. Purchase Option

Under the Al Madinah JOLCO Leases, Al Madinah may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$9,833,000 under the lease with CLIP No. 109 Co., Ltd., US\$10,151,000 under the lease with CLIP No. 110 Co., Ltd. and US\$10,017,000 under the lease with CLIP No. 111 Co., Ltd.).

### *Al Oyun JOLCO Financing*

#### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$125,000,000 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC (S.A.G.) (as amended and/or restated from time to time, the “**Al Oyun JOLCO Financing**”). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by ING Bank N.V., Tokyo Branch, as initial lender, to CLIP No. 49 Co., Ltd., CLIP No. 119 Co., Ltd. and CLIP No. 120 Co., Ltd., respectively, as borrowers (together “**CLIP 49/119/120**”) pursuant to three loan agreements each dated December 14, 2015 (together, the “**Al Oyun JOLCO Loans**”). The remainder of the container purchase price paid to UASC (S.A.G.) at closing is provided by CLIP 49/119/120, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased by CLIP 49/119/120 to Al Oyun Limited (“**Al Oyun**”) pursuant to three lease agreements each dated December 14, 2015 (together, the “**Al Oyun JOLCO Leases**”) and sub-leased to UASC (S.A.G.) which guarantees the obligations of Al Oyun. Rent under the Al Oyun JOLCO Leases is then used to service the debt and to provide a return to CLIP 49/119/120 on the equity investment.

The Al Oyun JOLCO Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

#### II. Repayment / Maturity / Rental Payments

Principal and interest under the Al Oyun JOLCO Loans are payable quarterly in arrear over an approximately seven year period ending on the final repayment date of June 30, 2022. Each Al Oyun JOLCO Lease term also ends on June 30, 2022 and rent under each Al Oyun JOLCO Lease is paid quarterly in arrear. Lease rent consists of a Rent A portion which is used by CLIP 49/119/120 to repay the loans and a Rent B portion which provides CLIP 49/119/120 a return on its equity investment.

As of September 30, 2016, the aggregate principal amount of the loans outstanding under the Al Oyun JOLCO Loans was US\$79,201,403 and the equity investment remaining to be repaid to CLIP 49/119/120 was US\$37,500,000.

#### III. Undertakings and Financial Covenants

The Al Oyun JOLCO Leases contain certain undertakings customary for an asset financing facility of this nature and substantially as described under “—Hira JOLCO Financing—Undertakings and Financial Covenants” above.

The UASC (S.A.G.) guarantee contains financial covenants, at the UASC (S.A.G.) level, substantially as described under “—Unsecured Facilities—ABC Credit Financing—Undertakings and Financial Covenants” above.

#### IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is customary and market standard for this type of transaction.

#### V. Security and Guarantees

All payment obligations of Al Oyun under the Al Oyun JOLCO Leases and other transaction documents are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary

for this type of asset financing transaction including a mortgage over the financed containers by CLIP 49/119/120 in favor of the lenders, and a general assignment by each of UASC (S.A.G.), Al Oyun and CLIP 49/119/120 in favor of the lenders of their respective rights in the insurances and transaction documents.

## VI. Events of Default

The events of default under the Al Oyun JOLCO Loans and Al Oyun JOLCO leases, and the possible consequences thereof, are substantially as described under “—Hira JOLCO Financing—Events of Default”.

## VII. Purchase Option

Under the Al Oyun JOLCO Leases, Al Oyun may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$16,572,000 under the lease with CLIP No. 49 Co., Ltd., US\$17,935,000 under the lease with CLIP No. 119 Co., Ltd. and US\$18,618,000 under the lease with CLIP No. 120 Co., Ltd.).

### *Manamah JOLCO Financing*

#### I. General

UASC (S.A.G.), as sub-lessee, has received the benefit of US\$71,429,135 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC (S.A.G.) (as amended and/or restated from time to time, the “**Manamah JOLCO Financing**”). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by Bank of America, N.A., Tokyo Branch, as initial lender, to CLIP No. 99 Co., Ltd. and CLIP No. 100 Co., Ltd., respectively, as borrowers pursuant to two loan agreements each dated December 20, 2014 (together, the “**Manamah 2014 JOLCO Loans**”) and to CLIP No. 105 Co., Ltd. (together with CLIP No. 99 Co., Ltd. and CLIP No. 100 Co., Ltd., “CLIP 99/100/105”) as borrower pursuant to a loan agreement dated February 17, 2015 (the “**Manamah 2015 JOLCO Loan**”, and together, with the Manamah 2014 JOLCO Loans, the “**Manamah JOLCO Loans**”). The remainder of the container purchase price paid to UASC (S.A.G.) at closing is provided by CLIP 99/100/105, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased to Manamah Limited (“**Manamah**”) by CLIP No. 99 Co., Ltd. and CLIP No. 100 Co., Ltd., respectively, pursuant to two lease agreements each dated December 20, 2014 (together, the “**Manamah 2014 JOLCO Leases**”) and by CLIP No. 105 Co., Ltd. pursuant to a lease agreement dated February 17, 2015 (the “**Manamah 2015 JOLCO Lease**”, and together, with the Manamah 2014 JOLCO Leases, the “**Manamah JOLCO Leases**”). The containers are sub-leased to UASC (S.A.G.) which guarantees the obligations of Manamah. Rent under the Manamah JOLCO Leases is then used to service the debt and to provide a return to CLIP 99/100/105 on the equity investment.

The Clip 99/100/105 Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination.

As of September 30, 2016, the aggregate principal amount of the loans outstanding under the Manamah JOLCO Loans was US\$60,596,675 and the aggregate equity investment remaining to be repaid to Clip 99/100/105 was US\$21,428,741.

#### II. Repayment / Maturity / Rental Payments

Principal and interest under the Manamah JOLCO Loans are payable quarterly in arrear over an approximately six year period ending on the final repayment date of December 29, 2021 in the case of the Manamah 2014 JOLCO Loans and February 25, 2022 in the case of the Manamah 2015 JOLCO Loan. Each Manamah 2014 JOLCO Lease term ends on December 29, 2021 and the Manamah 2015 JOLCO Lease term ends on February 25, 2022. Rent under each Manamah JOLCO Lease is paid quarterly in arrear. The lease rent consists of a Rent A portion which is used by CLIP 99/100/105 to repay the loan and a Rent B portion which provides CLIP 99/100/105 a return on its equity investment.

In the event that Manamah does not exercise its purchase option for the containers (see further “—Purchase Option” below), each Manamah JOLCO Lease provides that such leases shall automatically be extended for a twelve month extension term following the end of the scheduled lease



period. In the event of such an extension, the final repayment date under the corresponding loan is also extended by twelve months.

### III. Undertakings and Financial Covenants

The Manamah JOLCO Leases contain certain undertakings customary for an asset financing facility of this nature and substantially as described under “—Hira JOLCO Financing—Undertakings and Financial Covenants” above.

The UASC (S.A.G.) guarantee contains financial covenants, at the UASC (S.A.G.) level, substantially as described under “—Hira JOLCO Financing—Undertakings and Financial Covenants” above.

### IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is customary and market standard for this type of transaction on the Manamah 2014 JOLCO Loans and on the Manamah 2015 JOLCO Loans.

### V. Security and Guarantees

All obligations of Manamah under the Manamah JOLCO Leases and other transaction documents are guaranteed by UASC (S.A.G.). All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by CLIP 99/100/105 in favor of the lenders, and a general assignment by each of UASC (S.A.G.), Manamah and CLIP 99/100/105 in favor of the lenders of their respective rights in the insurances and transaction documents.

### VI. Events of Default

The events of default under the Manamah JOLCO Loans and Manamah JOLCO leases, and the possible consequences thereof, are substantially as described under “—Hira JOLCO Financing—Events of Default”.

### VII. Purchase Option

Under the Manamah JOLCO Leases, Manamah may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$9,500,000 under the lease with CLIP No. 99 Co., Ltd., US\$10,500,000 under the lease with CLIP No. 100 Co., Ltd. and US\$8,505,000 under the lease with CLIP No. 105 Co., Ltd.).

## *EMTC Transaction*

### *General*

To partially finance the purchase of a vessel (the “**Al Jowf Vessel**”), on August 27, 2015, Al Jowf Limited (the “**Al Jowf Issuer**”) issued US\$81,000,000 aggregate principal amount of its 5.17% Series A Equipment Notes due June 30, 2027 (the “**Al Jowf Equipment Notes**”) under the Trust Indenture (2015-1 Al Malik Al Ashtar), dated as of August 27, 2015 (the “**Al Jowf Indenture**”) between Al Jowf Limited and Wells Fargo Bank Northwest, N.A. as, among others, loan trustee (the “**Loan Trustee**”).

To partially finance the purchase of a vessel (the “**Al Qibla Vessel**”), and together with the Al Jowf Vessel, the “**EMTC Vessels**”), on September 10, 2015, Al Qibla Limited (the “**Al Qibla Issuer**”, and together with the Al Jowf Issuer, the “**Issuers**”) issued US\$81,000,000 aggregate principal amount of its Series A Equipment Notes due June 30, 2027 (the “**Al Qibla Equipment Notes**”, and together with the Al Jowf Equipment Notes, the “**Equipment Notes**”) under the Trust Indenture (2015-1 Al Qibla), dated September 10, 2015 (the “**Al Qibla Indenture**”, and together with the Al Jowf Indenture, the “**Indentures**”) between Al Qibla Limited and the Loan Trustee.

The Equipment Notes were purchased by Wells Fargo Bank Northwest, N.A., as subordination agent (the “**EMTC Subordination Agent**”) with the proceeds of the offering of pass through trust certificates (the “**Certificates**”) pursuant to a certificate purchase agreement dated June 15, 2015 (the “**Certificate Purchase Agreement**”) between, amongst others, UASC (S.A.G.), Wells Fargo Bank Northwest, N.A., as pass through trustee (the “**Pass Through Trustee**”) and loan trustee, the Issuers and the certificate purchasers.

In addition, the Al Jowf Issuer entered into a bareboat charter agreement (2015-1 Al Jowf), dated as of August 27, 2015 (the “**Al Jowf Bareboat Charter**”) with UASC (S.A.G.) as bareboat charter party (the “**EMTC Bareboat Charter Party**”) and the Al Qibla Issuer entered into the Bareboat Charter Agreement (2015-1 Al Qibla) dated September 10, 2015 (the “**Al Qibla Bareboat Charter**”, together with the Al Jowf Bareboat Charter, the “**EMTC Bareboat Charters**”) with the EMTC Bareboat Charter Party.

Payments made by the EMTC Bareboat Charter Party under the EMTC Bareboat Charters have been assigned to the Loan Trustee to make payments on the Equipment Notes held by a pass through trust (the “**Pass Through Trust**”), which payments are passed through to the Certificate holders subject to an intercreditor agreement dated June 15, 2015 between the trustee under the Pass Through Trust, Al Ahli Bank of Kuwait K.S.C.P as liquidity provider (the “**EMTC Liquidity Provider**”), and the EMTC Subordination Agent.

As of September 30, 2016, an aggregate principal amount of US\$75,980,501 of the Al Jowf Equipment Notes was outstanding and an aggregate principal amount of US\$75,980,501 of the Al Qibla Equipment Notes was outstanding.

The transaction described herein is collectively referred to as the “**EMTC Transaction**”.

Set forth below is a description of certain principal terms of the Equipment Notes, the Certificate Purchase Agreement and the EMTC Bareboat Charters.

The EMTC Transaction will be amended subject to the suspensive condition of completion of the UASC (S.A.G.) Business Combination (the date of amendment, the “**EMTC Amendment Effective Date**”).

#### *Certificates*

##### I. General:

Each Certificate represents a fractional undivided interest in the Pass Through Trust and all payments or distributions made to the Certificate holders are repayable from the property of the Pass Through Trust (the “**Trust Property**”) (which includes the applicable Equipment Notes, monies receivable under a revolving credit agreement (EMTC, Class 2015-1A) dated June 15, 2015 (the “**EMTC Liquidity Facility**”) and funds deposited into the accounts relating to the Pass Through Trust).

##### II. Initial Aggregate Face Amount.

The initial aggregate face amount of the Certificates is \$162,000,000, which is equal to the initial principal amount of the Equipment Notes (see below under “**Equipment Notes**”), and such Certificates were issued on July 10, 2015 (the “**EMTC Funding Date**”).

##### III. Distribution Dates

The regular distribution dates for scheduled payments are June 30 and December 30 and the final legal distribution date is December 30, 2028 (the “**EMTC Final Legal Distribution Date**”). The interest rate is customary and market standard for this type of transaction (the “**EMTC Interest Rate**”).

Where Equipment Notes are subject to early repayment as described below under “Equipment Notes—Optional Redemption” and “—Mandatory Prepayment”, a related “Special Distribution Date” has been established for the Certificates. Any payments received in respect of any such early repayment of the Equipment Notes, including any “make-whole” amounts paid in respect thereof, are paid to the Certificate holders, subject to the applicable distribution and subordination provisions.

##### IV. Distributions & Subordination.

The Pass Through Trustee distributes all payments of principal, premium (if any) and interest received on the Equipment Notes held by the EMTC Subordination Agent on behalf of the Pass Through Trust to the holders of the Certificates of the Pass Through Trust, subject to the applicable distribution and subordination provisions for the Certificates.

Distributions in respect of the Certificates are made (i) first, with respect to accrued interest at the EMTC Interest Rate on the Pool Balance (as defined below) of the Certificates to Certificate holders

and (ii) second, to the expected distributions in respect of the Pool Balance (as defined below) of the Certificates to the Certificate holders.

Distributions to all Certificate holders are subordinated to, among others, (i) the right of the Pass Through Trustee to receive payment of its fees and expenses and (ii) the right of the EMTC Liquidity Provider to receive reimbursement of amounts drawn under the EMTC Liquidity Facility and all interest, fees and other amounts owing to the EMTC Liquidity Provider under the EMTC Liquidity Facility and certain other agreements.

The “Pool Balance” of the Certificates issued by the Pass Through Trust indicates, as of any date, (i) the initial aggregate face amount of the Certificates, less (ii) the aggregate amount of all distributions made as of such date in respect of the Certificates, other than distributions made in respect of interest or “make-whole” amounts or reimbursement of any costs and expenses incurred in connection therewith.

#### V. Control of Remedies in respect of Certain Trust Property.

Upon an Indenture Event of Default (as defined below), remedies in respect of the Trust Property represented by the Equipment Notes are controlled by the relevant “Controlling Party”, subject to certain conditions, including in exercising remedies such as accelerating the related Equipment Notes and/or causing foreclosure on the lien on the EMTC Vessel Mortgage (as defined below). Until payment in full of all amounts due in respect of the Certificates, the Controlling Party is the Pass Through Trustee; provided that, in certain circumstances where drawings have been made on the EMTC Liquidity Facility, the EMTC Liquidity Provider is the Controlling Party.

#### VI. Liquidity Facility

The EMTC Subordination Agent entered into the EMTC Liquidity Facility with the EMTC Liquidity Provider. On any distribution date, if, after giving effect to applicable subordination provisions, the EMTC Subordination Agent does not have sufficient funds for the payment of interest on the Certificates, the EMTC Liquidity Provider will make an advance in the amount needed to fund such interest shortfall up to a maximum cap, which is expected to provide an amount sufficient to pay interest on the Certificates on up to three consecutive semi-annual regular distribution dates, at the EMTC Interest Rate. The EMTC Liquidity Provider may be replaced by one or more other entities under certain circumstances.

Upon each drawing under the EMTC Liquidity Facility, the EMTC Subordination Agent is obligated to reimburse the EMTC Liquidity Provider for the amount of such drawing. If the EMTC Liquidity Provider has not been reimbursed 18 months after the EMTC Liquidity Facility has been drawn in full or all of the Equipment Notes have been accelerated (subject to certain conditions), the EMTC Liquidity Provider may direct the Loan Trustee regarding remedies and enforcement proceedings.

The EMTC Liquidity Facility is subject to downgrade drawings (if the EMTC Liquidity Provider is downgraded below a pre-agreed threshold) and non-extension drawings (if the EMTC Liquidity Facility is not renewed within an agreed timeframe prior to the expiry date of the EMTC Liquidity Facility).

#### VII. Directed Transfer

In certain circumstances where a sanctions related event has occurred, the holders of the Certificates are required to transfer their Certificates as directed by the Issuers for a purchase price equal to 100% of the Pool Balance attributable thereto, together with interest accrued thereon to the date of purchase and other amounts then due to the relevant holder under the EMTC Transaction Documents but without payment of any “make-whole” or other similar amount.

#### *Equipment Notes*

##### I. Maturity and Interest

The Equipment Notes of each Issuer will mature on June 30, 2027 and accrue interest at a rate that is customary and market standard for this type of transaction, payable semi-annually on June 30 and December 30 of each year.

## II. Optional Redemption

All (but not less than all) the Equipment Notes of each Issuer are subject to early optional redemption at any time after the first anniversary of the EMTC Funding Date. In the event of such redemption, the note holders are entitled to receive an amount equal to the principal amount thereof outstanding, together with accrued interest plus a “make-whole” amount, if any.

A portion of the Equipment Notes of each Issuer is subject to early redemption at any time in the event the relevant Issuer elects to prepay such portion for purposes of complying with the EMTC Minimum Value Requirement (as defined below). In the event of such redemption, the note holders are entitled to receive an amount equal to the principal amount thereof to be redeemed, together with accrued interest but without payment of a “make-whole” amount.

## III. Mandatory Prepayment

If a total loss occurs with respect to an EMTC Vessel (and no replacement of such EMTC Vessel is effected) or the EMTC Bareboat Charter Party elects to purchase such EMTC Vessel as a result of an illegality or similar event with respect to the EMTC Transaction, the relevant EMTC Bareboat Charter will terminate and all of the related Equipment Notes will be subject to mandatory redemption. The redemption price in such case will be the unpaid principal amount of such Equipment Notes, together with accrued interest, but without payment of any “make-whole” amounts.

Any termination events in respect of an EMTC Bareboat Charter (other than as a result of a total loss, an illegality or similar event or an EMTC Bareboat Charter Event of Default) gives rise to a mandatory redemption of all of the related Equipment Notes. The redemption price in any such case is the unpaid principal amount of such Equipment Notes, together with accrued interest and any “make-whole” amounts.

## IV. Indenture Events of Default

“Events of Default” under each Indenture (the “**Indenture Events of Default**”) include, “Events of Default” under the relevant EMTC Bareboat Charters, failure to pay scheduled amounts (including interest thereon or “make-whole” amounts (if any)) in respect of the relevant Equipment Notes by the relevant Issuer within 10 business days, failure to pay any other amount payable by the relevant Issuer within 20 business days, breaches of representations or covenants by the relevant Issuer (subject to certain cure rights and periods), customary bankruptcy, insolvency and similar events and an “Event of Default” under the other Indenture.

## V. Security and SPV guarantees

The following security has been granted by each Issuer as security for its obligations under the relevant Indenture and the guarantee provided by the Issuers in favor of the Loan Trustee (the “**EMTC Guarantee**”) guaranteeing the obligations of the other Issuer under that Issuer’s Indenture, subject to certain carve outs: (1) a first priority ship mortgage over the relevant EMTC Vessel, together with a collateral deed of covenants (the “**EMTC Vessel Mortgage**”); (2) a first priority assignment of all earnings and requisition compensation of and attributable to the relevant EMTC Vessel, including in respect of the relevant EMTC Bareboat Charter and any other charter or sub-charter relating to the relevant EMTC Vessel; (3) a pledge of certain bank accounts of the relevant Issuer; and (4) a first priority assignment of all insurances of and attributable to the relevant EMTC Vessel.

## VI. Cross Collateralization

The Equipment Notes of each Issuer (as long as all of the Equipment Notes issued by both Issuers are held by the Subordination Agent) have been guaranteed by each other Issuer and are cross collateralized. Among other things, this means that any proceeds from the exercise of remedies with respect to a particular EMTC Vessel are available to cover shortfalls then due under the Equipment Notes issued with respect to the other EMTC Vessel. In the absence of any such shortfall, excess proceeds are held by the Loan Trustee as additional collateral for such other Equipment Notes.

## VII. Collateral Value Coverage Ratio; Minimum Value Requirement

Each Issuer has agreed to maintain a minimum collateral value coverage ratio in respect of its EMTC Vessel as follows: if (i) the market value of the EMTC Vessel is less than (ii) the product of

(x) the outstanding principal amount of the relevant Equipment Notes, as reduced by the value of any additional security (including cash on deposit) previously provided to the Loan Trustee as contemplated below, and (y) 120% (the “**EMTC Minimum Value Requirement**”), the Loan Trustee has the right to require the Issuer to provide, within 60 business days, additional security of a kind acceptable to the Loan Trustee (cash being deemed acceptable) which would result in such EMTC Minimum Value Requirement being satisfied, subject to the right of the Issuer to prepay such portion of the Equipment Notes as would otherwise result in such EMTC Minimum Value Requirement being satisfied.

The above described EMTC Minimum Value Requirement is tested annually beginning with the first twelve month anniversary of the EMTC Funding Date and, for such period as the Equipment Notes are held by the Subordination Agent, the EMTC Minimum Value Requirement is tested against all EMTC Vessels then subject to the EMTC Transaction on an aggregated basis. The market value of an EMTC Vessel is established by averaging three valuations from experts selected by the relevant Issuer (to be drawn from an approved list as set forth in the relevant Indenture).

If and to the extent that, following the provision of any additional security, the market value of an EMTC Vessel is such that the EMTC Minimum Value Requirement is satisfied, any excess security is, upon the written request of and at the cost and expense of the relevant Issuer, required to be released by the Loan Trustee (immediately in the case of cash collateral and within 30 days in all other cases).

A breach of the EMTC Minimum Value Requirement covenant would, subject to various cure rights, result in an Indenture Event of Default but would not constitute an EMTC Bareboat Charter Event of Default (as defined below) or otherwise interfere with the EMTC Bareboat Charter Party’s right of quiet enjoyment under any EMTC Bareboat Charter.

#### *Bareboat Charters and Related Matters*

##### I. General

Each EMTC Bareboat Charter is for a term of 14 years from its respective delivery date.

##### II. Insurance Covenant

In addition to specific insurance requirements further set forth in the relevant EMTC Bareboat Charter, the EMTC Bareboat Charter Party will maintain, with financially sound and reputable insurers, insurance on such terms and in such amounts (including deductibles) as approved by the respective Issuers and Loan Trustees as at the EMTC Funding Date or from time to time thereafter, and which are customary in the case of entities of established reputations engaged in the same business and situation as the EMTC Bareboat Charter Party.

##### III. Other Covenants

Other covenants of the EMTC Bareboat Charter Party are included in the relevant EMTC Bareboat Charter and/or related agreements, including the following: (a) each EMTC Bareboat Charter (i) includes “hell and high water” terms, (ii) includes a hire rate intended to sufficiently cover at least the debt service in principal and interest due on the relevant Equipment Notes as well as an equity return for the Issuers, and (iii) provides for payment of other amounts, including amounts due and owing by the relevant Issuer in respect of any break funding costs, premia, “make-whole” amounts, liquidity funding, increased costs or withholding taxes, fees or other costs or indemnities payable in connection with the EMTC Transaction; (b) the technical and commercial management of the EMTC Vessels is to be performed by the EMTC Bareboat Charter Party or the vessel manager; (c) each EMTC Vessel is to be maintained in accordance with customary commercial ship ownership maintenance and management practice so as to keep it in as good an operating condition as it was in when delivered to the EMTC Bareboat Charter Party on the applicable delivery date (ordinary wear and tear excepted) and in a condition entitling it to the highest class applicable to vessels of its type with the relevant classification society; (d) each EMTC Vessel is to comply with all requirements from time to time of its classification society such that the EMTC Vessel is maintained free and clear of any overdue recommendations and qualifications affecting class; (e) there shall be no change in classification society for any EMTC Vessel without the prior approval of the Loan Trustee unless the proposed classification society is a member of the International Association of Classification Societies; (f) there shall be no change in the registration of the EMTC Vessel from its flag as at the applicable delivery date without the prior written consent of the Loan Trustee, not to be unreasonably withheld; (g) the



EMTC Bareboat Charter Party is to comply with ISM Code and ISPS Code; and (h) the EMTC Bareboat Charter Party and any other charterer shall comply with all laws applicable to the EMTC Vessel.

#### IV. Financial Covenants

The EMTC Bareboat Charter Party covenants that it shall at all times during the applicable charter period maintain: (i) a tangible net worth of US\$1,000,000,000; (ii) minimum cash and cash equivalents of US\$75,000,000; and (iii) a ratio of net debt to tangible net worth of not more than 2:1.

#### V. Bareboat Charter Events of Default

“Events of Default” under each of the EMTC Bareboat Charters (the “**EMTC Bareboat Charter Events of Default**”) include: (i) failure to pay amounts due within 10 days; (ii) breach of the EMTC Bareboat Charter Party’s financial covenants; (iii) failure to carry and maintain the required insurances; (iv) breaches of representations or covenants by the EMTC Bareboat Charter Party (subject to customary cure rights and periods); (v) customary bankruptcy, insolvency and similar events, certain illegality events; (vi) an “Event of Default” under the other EMTC Bareboat Charter; and (vii) any change in the ultimate beneficial ownership or ultimate control of the EMTC Bareboat Charter Party from that in effect as at the EMTC Funding Date (otherwise than in accordance with the EMTC Bareboat Charter Party’s Articles of Establishment and Articles of Association in force as at the EMTC Funding Date).

#### *BLME Lease Agreement*

##### I. General

Pursuant to a master lease agreement between Bank of London and the Middle East PLC (“**BLME**”), as lessor, and Aratrans Transport and Logistics Services LLC (“**Aratrans Transport**”), as lessee (as amended and/or restated from time to time, the “**BLME Master Lease Agreement**”), Aratrans Transport (a wholly owned subsidiary of UASC (S.A.G.) agreed to lease containers from BLME pursuant to individual lease schedules to be entered into pursuant thereto. There is one such lease schedule (“**BLME Lease Supplement No. 1**”) which covers 550 containers.

##### II. Rental Payments / Term

Rent under BLME Lease Supplement No. 1 is paid monthly in advance in the amount of US\$133,666 per month and such lease supplement has an 84 month term, ending on May 29, 2020.

##### III. Undertakings and Financial Covenants

The BLME Master Lease Agreement contains certain information undertakings and other general undertakings, at the Aratrans Transport level, customary for an asset financing facility of this nature, including no change in business covenants and covenants to preserve and protect the collateral.

The UASC (S.A.G.) guarantee contains additional covenants, at the UASC (S.A.G.) level, including an obligation to provide annual audited financial statements (prepared in accordance with IFRS) and restrictions of mergers which would have a material adverse effect.

##### IV. Interest Rate

The BLME Master Lease Agreement has a provision which provides that interest is repugnant to the Sharia’a and accordingly the parties waive any entitlement to receive interest.

##### V. Guarantee

All payment obligations of Aratrans Transport under the BLME Master Lease Agreement and other transaction documents are guaranteed by UASC (S.A.G.).

##### VI. Events of Default

The events of default under the BLME Master Lease Agreement are customary for this type of asset financing transaction. Among other things, an event of default is triggered by a change in the financial position or prospects of Aratrans Transport or UASC (S.A.G.) which has a material adverse effect on such parties’ ability to perform their respective obligations under the transaction documents, and also by a change in control at the UASC (S.A.G.) level.

## VII. Purchase Option

The transaction documents include a sale undertaking (the “**Sale Undertaking**”) by BLME in favor of Aratrans Transport as well as a purchase undertaking (the “**Purchase Undertaking**”) by Aratrans Transport in favor of BLME. The Sale Undertaking gives Aratrans Transport the right to purchase the containers following the termination of the lease period for nominal consideration (\$1 per container). The Purchase Undertaking gives BLME the right to require Aratrans Transport to purchase the containers following the occurrence of an event of default. The consideration for such purchase is set out in the Purchase Undertaking and reflects the sum of all remaining rent payments which would otherwise have been due over the course of the remaining lease period.

### *Finance Leases*

#### I. General

In addition to the BLME Master Lease Agreement, UASC (S.A.G.) and Aratrans Transport are party to seventeen finance lease agreements, in respect of 26,372 containers. The lessors are Intermodal Finance Ltd., CAI International Inc., Dong Fang International, Florence Container Services, Seaco Global Ltd, Seacube Container Leasing, TAL International Container and Textainer Equipment Management. The maturity dates range from September 30, 2016 to May 31, 2023. The combined original facility value was US\$129,042,159 and the outstanding amount as at September 30, 2016 was US\$53,986,146 .

### **Rationale of the UASC Business Combination**

#### *Strategic advantages*

Our strategic goal is to form a shipping company that ranks among the largest shipping companies globally and will operate one of the most modern fleets in the industry against the backdrop of a consolidating market. With a transport capacity of approximately 1.5 million TEU and an anticipated market share of approximately 7%, the combined undertaking will occupy a market position among the world’s five largest container shipping company, ranking behind the fourth largest, COSCO, which has a transport capacity of approximately 1.6 million. Our combined fleet has an average age of 6.4 years and an average vessel size of 6,800 TEU compared to 4,942 TEU for the top 20 carriers. We believe that this advantage in terms of average capacity will allow us to benefit from significant scale effects.

The addition of UASC’s young, fuel-efficient vessels, which includes seventeen ULCVs, reduces the need for new vessel investment in the coming years, enabling us to focus on maximizing free cash flow in order to further significantly deleverage. The UASC Business Combination provides us with an even more balanced position on all important trades and supports our leadership on the important Middle East trade. Together we have a transport volume of at least one million TEU on four of our seven reported trades (Atlantic, Transpacific, Far East and Latin America). As a result of the UASC Business Combination, we are a strong and attractive partner in the newly formed THE Alliance.

#### *Operational advantages*

The joint team of Hapag-Lloyd and UASC expects total synergies to amount to US\$435 million per year from 2019 onwards based on a synergy report prepared by Hapag-Lloyd, UASC and a third party (the “**Synergy Report**”). Implementation of the planned synergies will commence with the closing of the UASC Business Combination, with approximately one third of such synergies to be achieved in 2017. In addition, we are only considering cost synergies and have not included any topline potential (*e.g.*, through cross-selling or a more extensive network). The joint team from Hapag-Lloyd and UASC expects one-off costs of approximately US\$150 million related to both the implementation of the planned synergies (synergy-related one-offs) as well as related to the successful conclusion of the UASC Business Combination (transaction-related one-offs and integration support).

The combination of Hapag-Lloyd and UASC is anticipated to provide operational synergies, in particular in the areas of (i) network, (ii) personnel, (iii) administrative, (iv) terminals, (v) inland and (vi) equipment.

*Network.* As the Group has access to a larger pool of vessels, the deployment of vessels can be further improved resulting in lower slot costs on the basis of a larger fleet and through economies of scale by bundling volumes on fewer and more profitable services and vessels. We expect to achieve synergies by combining two stand-alone networks and optimizing the combined deployment of vessels for selected trades resulting in a fleet reduction of surplus vessels.

*Personnel and Administrative.* Hapag-Lloyd has its headquarters in Germany and UASC has their headquarters located in Dubai. Following the UASC Business Combination, the Group will have its headquarters in Germany and regional headquarters in each of Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso), Europe (Hamburg) and the Middle East (Dubai), leading to a general reduction in overhead. Furthermore, we expect to achieve overhead synergies by improving our productivity through a higher organizational efficiency, best practice sharing, a unified IT platform and a reduction of other overhead costs (*i.e.*, office rents, travel, communication, training, service providers, insurances).

*Terminals and Inland.* We have identified ports, in particular in Europe, where we expect to achieve terminal synergies through matching of more beneficial contracts and economies of scale effects with terminal operators. In addition, we plan to realize synergies within our inland business by applying the combined group's best rates as well as bundling transport volumes and optimizing logistics processes.

*Equipment.* By combining the partly complementary trade flows of Hapag-Lloyd and UASC, we also expect equipment synergies as a result of reduced imbalances thereby reducing empty container repositioning and further plan to improve our leasing conditions for containers. Furthermore, the addition of UASC's fleet to Hapag-Lloyd's existing fleet results in a modernization of the total fleet as well as a larger average vessel size, creating further cost efficiencies. See "Risk Factors—Risks Relating to the UASC Business Combination—The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale" and "Risk Factors—Risks Relating to the UASC Business Combination—We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination".

### **Financial advantages**

In addition to strategic and operational advantages, we also expect the UASC Business Combination to lead to financial benefits for the Group. The planned capital increase, supported by our controlling shareholders, of US\$400 million is expected to further enhance our equity base and liquidity. The addition of UASC's young, fuel-efficient vessels, which includes seventeen ULCVs, the last two of which are expected to be delivered during 2017, reduces the need for new vessel investment in the coming years, enabling us to focus on maximizing free cash flow and to significantly deleverage over time. See "Risk Factors—Risk related to the UASC Business Combination—Certain of our large shareholders may fail to honor their commitments under the Shareholder Support Agreement".

### **Shareholder and Corporate Structure**

With the addition of QH and PIF as new shareholders following the closing of the UASC Business Combination, we benefit from additional strong and stable key shareholders.

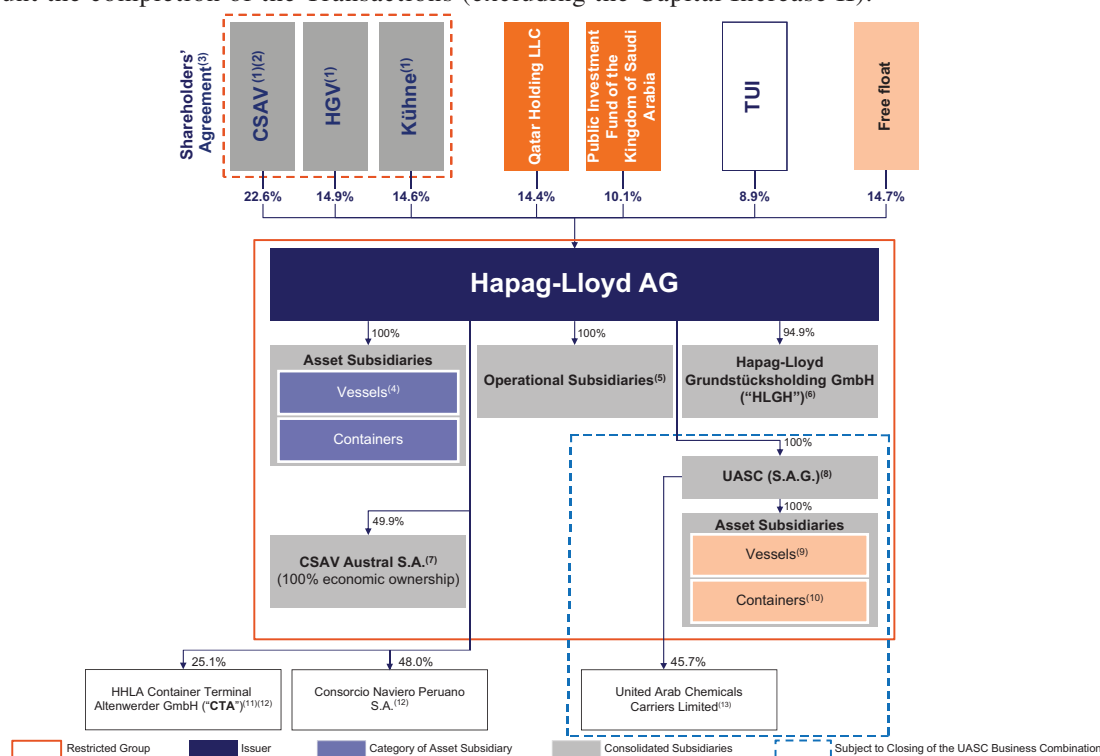
Following the closing of the UASC Business Combination and the Capital Increase I, our shareholder structure will change. The following table provides an overview of the current shareholder structure as well as the planned changes following the UASC Business Combination and the Capital Increase I:

Name	Shareholder structure as of September 30, 2016		Post-UASC Business Combination and Capital Increase I shareholder structure	
	shares	percentage	shares	percentage
CSAV Germany Container Holding GmbH ("CG Hold Co") <sup>(1)</sup>	37,032,743	31.4%	37,032,743	22.6%
HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH ("HGV") <sup>(1)</sup>	24,363,475	20.6%	24,363,475	14.9%
Kühne Maritime GmbH and Kühne Holding AG (together "Kühne") <sup>(1)</sup>	23,878,073	20.2%	23,878,073	14.6%
Qatar Holding LLC ("QH")	—	—	23,549,553	14.4%
The Public Investment Fund of the Kingdom of Saudi Arabia ("PIF")	—	—	16,561,123	10.1%
TUI-Hapag Beteiligungs GmbH	14,534,732	12.3%	14,534,732	8.9%
Freefloat	18,301,894	15.5%	24,123,241	14.7%
<b>Total</b>	<b>118,110,917</b>	<b>100%</b>	<b>164,042,940</b>	<b>100%</b>

(1) Pursuant to a shareholders' agreement, CG Hold Co, HGV and Kühne Maritime GmbH ("Kühne Maritime") have pooled voting rights in the Hamburg Container Lines Holding GmbH & Co KG. CG Hold Co, HGV and Kühne Maritime together hold 71.6% of the Issuer's shares as of the date of this Offering Memorandum (and prior to Capital Increase I) (see "Principal Shareholder—Shareholders' Agreement").

## Corporate Structure

The following chart shows a simplified summary of our corporate structure after taking into account the completion of the Transactions (excluding the Capital Increase II).



- (1) CG Hold Co, HGV, and Kühne Maritime have not transferred any shares to Hamburg Container Lines Holding GmbH & Co. KG, a limited partnership established by CG Hold Co, HGV and Kühne (the “**Consortium Company**”), the sole purpose of which is the controlling of shares in the Issuer and the exercise of rights arising from controlling such shares in accordance with the instructions of its limited partners. A certain number of shares held by them are subject to the control of the Consortium Company. Therefore, the Consortium Company does not actually hold 52.1% of the shares in Hapag-Lloyd AG, but only controls the voting rights attached to such number of shares that are subject to control of the Consortium Company. Kühne Holding AG has neither transferred any of its shares to the Consortium Company nor are they subject to control of the Consortium Company.
- (2) CSAV holds its 22.6% share indirectly through CG Hold Co.
- (3) The Shareholders’ Agreement has been entered into by CG Hold Co, HGV, Kühne Maritime, CSAV and Tollo. Kühne Holding AG is not a signatory to the Shareholder’s Agreement.
- (4) All vessels are owned by the Issuer, except vessels registered in Chile, Liberia, the Marshall Islands, the Isle of Man, the UK and the United States, which are legally owned by subsidiaries.
- (5) Nearly all operational subsidiaries are wholly-owned by Hapag-Lloyd AG. The group of consolidated companies includes 95 subsidiaries as of September 30, 2016 and four companies were consolidated under the equity method.
- (6) Owner of the property at Ballindamm, Hamburg.
- (7) CSAV Austral S.A. (the “**Cabotage Entity**”) performs (i) cabotage in Chile, (ii) container transport between Chile and Brazil under the *Convenio sobre transporte marítimo entre Chile y Brasil 1974* (the “**Chile-Brazil Convention**”) and (iii) container transport between the Conosur countries (Brazil, Uruguay, Argentina, Chile, Peru and Ecuador). CSAV Austral SpA provide services under (i), (ii) and (iii) for the CONOSUR service, but also provide such slots to Hapag Lloyd for other services.
- (8) UASC (S.A.G.) will be reorganized and renamed United Arab Shipping Company Limited prior to closing of the UASC Business Combination. See “The UASC Business Combination—Overview”.
- (9) All vessels are indirectly economically and legally owned by the Issuer through its 100% subsidiary UASC (S.A.G.), except for two vessels where legal ownership is with special purpose vehicles (*i.e.* SNC Carla and SNC Valeria) owned by Société Générale (lender) while economic ownership remains with special purpose vehicles (*i.e.* Al Riffa and Jebel Ali) owned by UASC (S.A.G.).
- (10) All containers are indirectly economically and legally owned by the Issuer through its 100% subsidiary UASC (S.A.G.), except for certain containers which are legally owned by the lessor under the respective container lease agreements.
- (11) Remaining stake owned by Hamburger Hafen und Logistik AG (“**HHLA**”).
- (12) CTA and Consorcio Naviero Peruano S.A. are considered associated companies of the Issuer. They will not form part of the restricted group unless and until they meet the requirements of a “subsidiary” as defined in the “Description of the Notes”.
- (13) UASC (S.A.G.) has initiated the sale and transfer of its minority participation in United Arab Chemicals Carriers Limited for proceeds of US\$182.4 million. According to the UASC BCA, should the sale and transfer occur prior to the closing of the UASC Business Combination, UASC may apply the sale proceeds towards prepayment of its indebtedness. Alternatively, the cash proceeds will remain on the balance sheet at closing of the UASC Business Combination. See “The UASC Business Combination”.

## USE OF PROCEEDS

We estimate that the net proceeds from the Offering will amount to approximately €245.9 million, after payment of the estimated commissions and other expenses related to the Offering that are to be borne by the Issuer.

We will use the gross proceeds from the Offering to fully redeem the Existing 2010 Dollar Notes and for general corporate purposes (including the further repayment of existing indebtedness).

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

<b>Sources of Funds</b>	<i>in € million</i>	<b>Uses of Funds</b>	<i>in € million</i>
Notes offered hereby .....	250.0	Full Repayment of the Existing 2010 Dollar Notes <sup>(1)</sup> .....	117.0
		General Corporate Purposes <sup>(2)</sup> .....	128.9
		Estimated fees and expenses <sup>(3)</sup> .....	4.1
<b>Total Sources</b> .....	<b>250.0</b>	<b>Total Uses</b> .....	<b>250.0</b>

- (1) Represents the redemption of an aggregate principal amount of US\$125.0 million of the Existing 2010 Dollar Notes at a price of 100.0%, plus accrued interest thereon on the assumed redemption date. Unless otherwise indicated, euro equivalents of U.S. dollar amounts are translated at an exchange rate of US\$1.1165= €1.00, which is the exchange rate used for our balance sheet as of September 30, 2016. This exchange rate differs from the exchange rate as reported by Bloomberg on September 30, 2016. The Bloomberg Composite Rate (New York) of the euro on September 30, 2016 was US\$1.1240 = €1.00. Due to exchange rate fluctuations, the euro-equivalent amount may change significantly on the redemption date.
- (2) Including the further repayment of existing indebtedness.
- (3) Represents our estimate of fees and expenses in connection with or otherwise related to the offering of the Notes, including underwriting fees, professional and legal fees, financial advisory and other transaction costs. Actual fees and expenses may differ.



## CAPITALIZATION

The following table sets forth our *pro forma* consolidated cash and cash equivalents and our *pro forma* capitalization as of November 30, 2016, adjusted to give effect to the Notes Transactions and the Transactions, respectively, as if the Notes Transactions and the Transactions had occurred on November 30, 2016. The *pro forma* financial information has been derived from the *Pro Forma* Nine Months 2016 Consolidated Statement of Financial Position included elsewhere in this Offering Memorandum and Hapag-Lloyd's and UASC's accounting records or management reporting.

This table should be read in conjunction with "Use of Proceeds", "Management's Discussion and Analysis of Financial Conditions and Results of Operations", "Description of Certain Hapag-Lloyd Financing Arrangements", "Description of the UASC Business Combination—Description of Certain UASC Financing Arrangements", the Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since November 30, 2016.

	As of November 30, 2016 <sup>(1)</sup>	Notes Transactions  Adjustments	As of November 30, 2016 <sup>(1)</sup>  As Adjusted for the Notes Transactions  (in € million) (unaudited)	UASC Transactions  Adjustments	As of November 30, 2016 <sup>(1)</sup>  As Adjusted for the Transactions
<b>Cash and cash equivalents</b> .....	<b>515.2</b>	<b>127.1</b>	<b>642.3</b>	<b>545.2</b>	<b>1,187.5</b>
Hapag-Lloyd/Financings .....	—	—	—	—	—
Notes offered hereby <sup>(2)</sup> .....	—	245.9	245.9	—	245.9
Existing Notes <sup>(3)</sup> .....	778.7	(118.8)	659.9	(257.3) <sup>(12)</sup>	402.6
Hapag-Lloyd Vessel Financings <sup>(4)</sup> .....	1,884.9	—	1,884.9	—	1,884.9
thereof fleet financings .....	347.3	—	347.3	—	347.3
thereof K-sure financing .....	857.5	—	857.5	—	857.5
thereof finance lease contracts (Vessels) .....	52.4	—	52.4	—	52.4
thereof financing arrangements .....	627.7	—	627.7	—	627.7
Hapag-Lloyd Container Financings <sup>(5)</sup> .....	676.4	—	676.4	—	676.4
thereof container financing .....	579.5	—	579.5	—	579.5
thereof finance lease contracts .....	96.9	—	96.9	—	96.9
ABS Program .....	286.5	—	286.5	—	286.5
Ballindamm Refinancing 2016 .....	84.4	—	84.4	—	84.4
Sundry financial liabilities <sup>(6)</sup> .....	385.2	—	385.2	—	385.2
UASC Financings .....	—	—	—	3,578.8	3,578.8
thereof UASC Vessel Financings <sup>(7)</sup> .....	—	—	—	2,130.2	2,130.2
thereof UASC Container Financings <sup>(8)</sup> .....	—	—	—	487.0	487.0
thereof UASC Corporate Debt <sup>(9)(10)</sup> .....	—	—	—	961.6	961.6
<b>Total financial debt</b> .....	<b>4,096.1</b>	<b>127.1</b>	<b>4,223.2</b>	<b>3,321.5</b>	<b>7,544.7</b>
Subscribed Capital <sup>(11)</sup> .....	118.1	—	118.1	66.7	184.8
Cumulative other equity .....	4,887.8	—	4,887.8	1,469.3	6,357.1
<b>Total equity</b> .....	<b>5,005.9</b>	<b>—</b>	<b>5,005.9</b>	<b>1,536.0</b>	<b>6,541.9</b>
Non-controlling interest .....	3.5	—	3.5	8.1	11.6
<b>Total Capitalization</b> .....	<b>9,105.5</b>	<b>127.1</b>	<b>9,232.6</b>	<b>4,865.6</b>	<b>14,098.2</b>

(1) Unless otherwise indicated, euro equivalents of U.S. dollar amounts are translated at an exchange rate of US\$1.0647 = €1.00, which is the exchange rate used for our balance sheet as of November 30, 2016. This exchange rate differs from the exchange rate as reported by Bloomberg on November 30, 2016. The Bloomberg Composite Rate (New York) of the euro on November 30, 2016 was US\$1.0588 = €1.00.

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

- (3) The amount shown reflects €650.0 million in aggregate principal amount of euro-denominated notes and US\$125.0 million in aggregate principal amount of dollar-denominated notes. For presentational purposes, the aggregate principal amount of dollar-denominated notes has been converted into euro at an exchange rate of US\$1.0647 to €1.00, which is the exchange rate used for our balance sheet as of November 30, 2016. This exchange rate differs from the exchange rate as reported by Bloomberg on November 30, 2016. The Bloomberg Composite Rate (New York) of the euro on November 30, 2016 was US\$1.0588 = €1.00.
- (4) Hapag-Lloyd Vessel Financings consist of (i) Hapag-Lloyd fleet financings comprising the Fleet Financing 2015, Fleet Financing 2016, Fleet Refinancing 2012, Quartet financing, the HSH Vessel Financing, the DVB Vessel Financing, the BNPP 1 Vessel Financing, the BNPP 2 Vessel Financing, the Montréal and Toronto Vessel Financing and the ABN Amro Fleet Financing, (ii) the K-Sure financing comprising the K-Sure I Financing, the K-Sure II Financing and the K-Sure III Financing and (iii) Hapag-Lloyd Vessel finance lease contracts comprising 3-Vessel Finance Lease Contracts (in each case as defined under “Description of Certain Hapag-Lloyd Financing Arrangements”) and accrued interest.
- (5) Hapag-Lloyd Container Financings consist of (i) Container Finance 2011, Container Finance 2012, Container Finance 2015, Japanese Operating Leases, TAL Container Finance Lease July 2013, TAL Container Finance Lease September 2013, SeaCube Container Finance Lease 2013, Dong Fang Container Finance Lease 2014 (ii) container finance lease contracts comprising Intermodal Container Lease IV, Intermodal Container Lease V, Seaco Container Finance Lease 114112/114113/104707, TAL Container Finance Lease December 2013, Textainer Finance Lease Agreement 2013 and Textainer Finance Leases 2015 (in each case as defined under “Description of Certain Hapag-Lloyd Financing Arrangements”).
- (6) Sundry financial liabilities consist of Hapag-Lloyd option premium-finance agreements (as described under “Certain Financing Arrangements”), other financial liabilities and accrued interest for certain outstanding loans and financings.
- (7) UASC Vessel Financings consist of (i) the 2008 Containership Financing, (ii) KEXIM Vessel Financing, (iii) the ABN Secured Vessel Financing, (iv) the Citibank Secured Vessel Financing, (v) the DB Secured Vessel Financing, (vi) the Burgan Vessel Financing, (vii) the QNB Vessel Financing, (viii) the Syndicated Vessel Financing, (ix) the ADNL Vessel Financing, (x) the Al Riffa Financing, (xi) the Jebel Ali Financing, (xii) the Al-Mutanabbi JOLCO Financing, and (xiii) the EMTC Transaction (in each case as defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”).
- (8) UASC Container Financings consist of (i) the Al Rayyan Container Financing, (ii) the SINOSURE-backed Container Financing, (iii) the SG Container Box Financing, (iv) the Wakrah JOLCO Financing, (v) the Busaiten JOLCO Financing, (vi) the Hira JOLCO Financing, (vii) the Al Madinah JOLCO Financing, (viii) the Al Oyun JOLCO Financing, (ix) the Manamah JOLCO Financing and (x) such other container financing arrangements as described under “The UASC Business Combination—Description of Certain UASC Financing Arrangements” (in each case as described and defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”).
- (9) UASC Corporate Debt consists of (i) the ABC Credit Financing, (ii) the Burgan Unsecured Facility, (iii) the CBD Unsecured Facility, (iv) the AUB Unsecured Facilities, (v) the Gulf Bank Facility Agreement, (vi) the QIB Facility, (vii) the AUB Secured Facility and (viii) the TD Bank Loan Note (in each case as defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”).
- (10) Including corporate financings and incurred transaction costs.
- (11) Total equity includes the issuance of 45,932,023 shares for the Capital Increase I and 20,871,815 shares for Capital Increase II at the stock price as of November 30, 2016 of 18.0 euro per share. See “Unaudited *Pro Forma* Financial Information—Notes to the *Pro Forma* Financial Information”.
- (12) Redemption of €250.0 million aggregate principal amount of the Existing 2013 Notes plus accrued interest with the proceeds from Capital Increase II. For the Hapag-Lloyd *Pro Forma* Financial Information as of September 30, 2016, we assumed that part of the Capital Increase II would be used to redeem the outstanding amount of US\$75.0 million (€70.4 million) of the Existing 2010 Dollar Notes at a price of 100.0% plus accrued interest thereon instead of a redemption from the proceeds of this Offering. See “Unaudited *Pro Forma* Financial Information”.

## UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

### Overview

The following *Pro Forma* Financial Information has been prepared in accordance with Annex I and Annex II of Commission Regulation (EC) No. 809/2004, as amended.

On July 15, 2016, Hapag-Lloyd AG and the United Arab Shipping Company (S.A.G.) (“**UASC (S.A.G.)**”) entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”). On July 18, 2016, CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne**”) (together, the “**HL Controlling Shareholders**”), along with Qatar Holding LLC (“**QH**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”), entered into a shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL Controlling Shareholders under the UASC BCA.

The UASC Business Combination will be effected by way of a contribution-in-kind of all existing UASC shares by (i) all entities and individuals holding UASC shares (“**Participating UASC Shareholders**”) as well as (ii) the company secretary of UASC, on behalf of certain minority shareholders that were dragged along pursuant to UASC’s articles of association (the “**Dragged UASC Shareholders**”), to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Dragged UASC Shareholders. The new shares will originate from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG and approved by the supervisory board of Hapag-Lloyd, utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, QH and PIF will receive a 14.4% stake and 10.1% stake in Hapag-Lloyd AG. See “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, UASC, Hapag-Lloyd AG, the HL Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million converted into EUR at the time the cash capital increase is implemented within a period of six months following the completion of the UASC Business Combination. The HL Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.

Capital Increase I and Capital Increase II comprise together the “**Transaction**” that is reflected in this unaudited *Pro Forma* Financial Information.

The acquisition of UASC by Hapag-Lloyd AG has not closed at the date of this Offering Memorandum and is going to be recognized as a business combination in accordance with IFRS 3 at the relevant acquisition date.

The purpose of this *Pro Forma* Financial Information is to present the *pro forma* consolidated income statement of Hapag-Lloyd AG for the financial year ended December 31, 2015 and for the nine months period ended September 30, 2016, in each case as if the Transaction had occurred as of January 1, 2015, and the *pro forma* consolidated interim statement of financial position of Hapag-Lloyd AG as if the Transaction had occurred as of September 30, 2016.

In the preparation of the *Pro Forma* Financial Information, the following assumptions were applied:

- For the preparation of the *pro forma* consolidated income statements for the financial year ended December 31, 2015, and for the nine months ended September 30, 2016, the Transaction occurred on January 1, 2015.
- The Capital Increase II of US\$400 million converted into EUR at the time the cash capital increase was conducted as a cash contribution by new and existing shareholders and had been invested in a partial early redemption of the €400 million bonds due 2018 thus reducing interest expense, the rest was retained as cash with no further impact on results.

- For the preparation of the *pro forma* consolidated interim statement of financial position as of September 30, 2016, the Transaction occurred on September 30, 2016.

The functional currency of Hapag-Lloyd and UASC is US dollars (US\$). For the conversion of the *Pro Forma* Financial Information into the presentation currency Euro, the following exchange rates were used:

Per EUR	Closing rate	Average rates	
	September 30, 2016	Nine months ended September 30, 2016	Year ended December 31, 2015
US dollars .....	1.1165	1.1138	1.1100

The presentation of the *Pro Forma* Financial Information is provided for illustrative purposes only. Because of its nature, the *Pro Forma* Financial Information describes only a hypothetical situation and, therefore, does not indicate the future development of Hapag-Lloyd's financial condition, results of operation and cash flows.

The *Pro Forma* Financial Information is only meaningful if read in conjunction with the consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2015 and the condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the nine months ended September 30, 2016.

Due to rounding, it is possible that individual amounts in this *Pro Forma* Financial Information do not add exactly to the totals shown and that the percentage figures presented do not reflect exactly the absolute figures.

#### ***Pro Forma* Consolidated Interim Statement of Financial Position as of September 30, 2016**

	Hapag-Lloyd	UASC	Subtotal	<i>Pro Forma</i> Adjustments	Note	<i>Pro Forma</i>
				(in € million) (unaudited)		
<b>Assets</b>						
Goodwill .....	1,571.5	16.1	1,587.6	(16.1)	(2)	1,571.5
Other intangible assets .....	1,285.8	—	1,285.8	630.6	(2)	1,916.4
Property, plant and equipment .....	5,932.6	4,689.0	10,621.6	(994.3)	(1) (2)	9,627.3
Investments in equity-accounted						
Investees .....	318.0	168.6	486.6	(163.0)	(1)	323.6
Other assets .....	22.9	7.6	30.5	—		30.5
Derivative financial instruments .....	19.2	—	19.2	(7.8)	(3)	11.4
Deferred tax assets .....	22.4	0.6	23.0	—		23.0
<b>Non-current assets .....</b>	<b>9,172.4</b>	<b>4,882.0</b>	<b>14,054.4</b>	<b>(550.6)</b>		<b>13,503.8</b>
Inventories .....	108.2	44.3	152.5	—		152.5
Trade accounts receivable .....	612.0	309.4	921.4	—		921.4
Other assets .....	163.6	7.8	171.4	—		171.4
Derivative financial instruments .....	12.0	—	12.0	—		12.0
Income tax receivables .....	32.9	—	32.9	—		32.9
Cash and cash equivalents .....	492.0	411.6	903.6	226.8	(1) (3) (4)	1,130.4
<b>Current assets .....</b>	<b>1,420.7</b>	<b>773.0</b>	<b>2,193.7</b>	<b>226.8</b>		<b>2,420.5</b>
<b>Total assets .....</b>	<b>10,593.1</b>	<b>5,655.0</b>	<b>16,248.1</b>	<b>(323.8)</b>		<b>15,924.3</b>
		—	—	—		

	<u>Hapag-Lloyd</u>	<u>UASC</u>	<u>Subtotal</u>	<u>Pro Forma Adjustments</u>	<u>Note</u>	<u>Pro Forma</u>
				(in € million) (unaudited)		
<b>Equity</b> .....	<b>4,729.2</b>	<b>1,645.3</b>	<b>6,374.5</b>	<b>(125.9)</b>	(1) (2) (3) (5)	<b>6,248.6</b>
Provisions for pensions and similar obligations .....	256.0	53.6	309.6	—		309.6
Other provisions .....	110.1	—	110.1	25.6	(2)	135.7
Financial debt .....	3,089.9	3,230.3	6,320.2	(318.7)	(2) (3) (4)	6,001.5
Other liabilities .....	11.9	6.0	17.9	—		17.9
Derivative financial instruments .....	1.8	22.4	24.2	—		24.2
Deferred tax liabilities .....	1.7	—	1.7	—		1.7
<b>Non-current liabilities</b> .....	<b>3,471.4</b>	<b>3,312.2</b>	<b>6,783.6</b>	<b>(293.1)</b>		<b>6,490.5</b>
Provisions for pensions and similar obligations .....	5.9	—	5.9	—		5.9
Other provisions .....	222.3	—	222.3	65.6	(2)	287.9
Income tax liabilities .....	18.1	—	18.1	19.5	(2)	37.6
Financial debt .....	816.0	272.0	1,088.0	(7.4)	(2) (3) (4)	1,080.6
Trade accounts payable .....	1,150.9	425.3	1,576.2	—		1,576.2
Other liabilities .....	167.8	—	167.8	17.5	(2) (5)	185.3
Derivative financial instruments .....	11.5	0.1	11.6	—		11.6
<b>Current liabilities</b> .....	<b>2,392.5</b>	<b>697.4</b>	<b>3,089.9</b>	<b>95.2</b>		<b>3,185.1</b>
<b>Total equity and liabilities</b> .....	<b>10,593.1</b>	<b>5,655.0</b>	<b>16,248.1</b>	<b>(323.8)</b>		<b>15,924.3</b>



**Pro Forma Consolidated Income Statement for the Financial Year ended December 31, 2015**

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
	<i>(in € million)</i> <i>(unaudited)</i>					
Revenue	8,841.8	2,141.2	10,983.0	—		10,983.0
Other operating Income	193.7	4.3	198.0	—		198.0
Transport expenses	(7,258.5)	(2,026.5)	(9,285.0)	65.9	(12)	(9,219.1)
Personnel expenses	(484.4)	(61.1)	(545.5)	—		(545.5)
Depreciation, amortization and impairment <sup>1</sup>	(464.6)	(213.4)	(678.0)	23.4	(7) (8) (9)	(654.6)
Other operating expenses	(517.7)	(107.3)	(625.0)	(4.6)	(7)	(629.6)
<b>Operating result</b>	<b>310.3</b>	<b>(262.8)</b>	<b>47.5</b>	<b>84.7</b>		<b>132.2</b>
Share of profit of equity-accounted investees	28.5	25.9	54.4	(18.1)	(6)	36.3
Other financial results	27.6	1.0	28.6	—		28.6
<b>Earnings before interest and tax (EBIT)<sup>1</sup></b>	<b>366.4</b>	<b>(235.9)</b>	<b>130.5</b>	<b>66.6</b>		<b>197.1</b>
Interest result <sup>1</sup>	(227.3)	(88.9)	(316.2)	13.2	(10) (13)	(303.0)
<b>Earnings before income tax (EBT)</b>	<b>139.1</b>	<b>(324.8)</b>	<b>(185.7)</b>	<b>79.8</b>		<b>(105.9)</b>
Income taxes <sup>1</sup>	(25.2)	(15.0)	(40.2)	—		(40.2)
<b>Group profit/loss<sup>1</sup></b>	<b>113.9</b>	<b>(339.8)</b>	<b>(225.9)</b>	<b>79.8</b>		<b>(146.1)</b>
Thereof attributable to shareholders of Hapag-Lloyd AG	111.6	(353.9)	(242.3)	79.8		(162.5)
Thereof attributable to non-controlling interests	2.3	14.1	16.4	—		16.4
<b>Basic/Diluted earnings per share (EPS) in €</b>	<b>1.04</b>				(15)	<b>(0.94)</b>

1 Thereof for the three month-period ended December 31, 2015:

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
	<i>(in € million)</i> <i>(unaudited)</i>					
Depreciation, amortization and impairment	(122.6)	(58.5)	(181.1)	6.0	(7) (8) (9)	(175.1)
<b>Earnings before interest and tax (EBIT)</b>	<b>17.8</b>	<b>(93.4)</b>	<b>(75.6)</b>	<b>21.5</b>		<b>(54.1)</b>
Interest result	(58.2)	(24.3)	(82.5)	(4.9)	(10) (13)	(87.4)
Income taxes	(6.1)	(3.6)	(9.7)	—		(9.7)
<b>Group profit/loss</b>	<b>(46.5)</b>	<b>(121.3)</b>	<b>(167.8)</b>	<b>16.6</b>		<b>(151.2)</b>

**Pro Forma Consolidated Income Statement for the Nine Months Ended September 30, 2016**

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
	<i>(in € million)</i> <i>(unaudited)</i>					
Revenue	5,713.8	1,615.6	7,329.4	—		7,329.4
Other operating Income	90.4	11.7	102.1	—		102.1
Transport expenses	(4,772.0)	(1,407.5)	(6,179.5)	18.9	(11)	(6,160.6)
Personnel expenses	(377.6)	(46.0)	(423.6)	—		(423.6)
Depreciation, amortization and impairment	(355.4)	(197.4)	(552.8)	21.8	(7) (8) (9)	(531.0)
Other operating expenses	(291.5)	(88.9)	(380.4)	10.5	(7) (15)	(369.9)
<b>Operating result</b>	<b>7.7</b>	<b>(112.5)</b>	<b>(104.8)</b>	<b>51.2</b>		<b>(53.6)</b>
Share of profit of equity-accounted investees	19.6	8.3	27.9	(3.9)	(6)	24.0
Other financial results	(1.4)	1.4	—	—		—
<b>Earnings before interest and tax (EBIT)</b>	<b>25.9</b>	<b>(102.8)</b>	<b>(76.9)</b>	<b>47.3</b>		<b>(29.6)</b>
Interest result	(145.0)	(91.7)	(236.7)	9.7	(10) (14)	(227.0)
<b>Earnings before income tax (EBT)</b>	<b>(119.1)</b>	<b>(194.5)</b>	<b>(313.6)</b>	<b>57.0</b>		<b>(256.6)</b>
Income taxes	(14.8)	(14.6)	(29.4)	—		(29.4)
<b>Group profit/loss</b>	<b>(133.9)</b>	<b>(209.1)</b>	<b>(343.0)</b>	<b>57.0</b>		<b>(286.0)</b>
Thereof attributable to shareholders of Hapag-Lloyd AG	(136.4)	(216.3)	(352.7)	57.0		(295.7)
Thereof attributable to non-controlling interests	2.5	7.2	9.7	—		9.7
<b>Basic/Diluted earnings per share (EPS) in €</b>	<b>(1.15)</b>				(15)	<b>(1.61)</b>

## Notes to the *Pro Forma* Financial Information

### Introduction

On July 15, 2016, Hapag-Lloyd AG and the United Arab Shipping Company (S.A.G.) (“**UASC (S.A.G.)**”) entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”). On July 18, 2016, CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne**”) (together, the “**HL Controlling Shareholders**”), along with Qatar Holding LLC (“**QH**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”), entered into a shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL Controlling Shareholders under the UASC BCA.

The UASC Business Combination will be effected by way of a contribution-in-kind of all existing UASC shares by (i) all entities and individuals holding UASC shares (“**Participating UASC Shareholders**”) as well as (ii) the company secretary of UASC, on behalf of certain minority shareholders that were dragged along pursuant to UASC’s articles of association (the “**Dragged UASC Shareholders**”), to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Dragged UASC Shareholders. The new shares will originate from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG and approved by the supervisory board of Hapag-Lloyd, utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, QH and PIF will receive a 14.4% stake and 10.1% stake in Hapag-Lloyd AG. See “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, UASC, Hapag-Lloyd AG, the HL Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million converted into EUR at the time the cash capital increase is implemented within a period of six months following the completion of the UASC Business Combination. The HL Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.

Capital Increase I and Capital Increase II comprise together the “**Transaction**” that is reflected in this unaudited *Pro Forma* Financial Information.

The *Pro Forma* Financial Information comprises the *pro forma* consolidated income statements of Hapag-Lloyd AG for the financial year ended December 31, 2015 and for the nine months ended September 30, 2016 and the *pro forma* consolidated interim statement of financial position of Hapag-Lloyd AG as of September 30, 2016 as well as the notes thereon (“**Pro Forma Financial Information**”). The *Pro Forma* Financial Information is prepared in connection with the Offering Memorandum of Hapag-Lloyd AG in accordance with the requirements in Appendix I No. 20.2 in connection with Appendix II of the Commission Regulation (EC) No. 809/2004.

Under consideration of the *pro forma* assumptions described below the *Pro Forma* Financial Information was prepared based on the International Financial Reporting Standards (IFRS) as adopted by the European Union. For the accounting policies relevant for the *Pro Forma* Financial Information of Hapag-Lloyd AG please refer in particular to the note “Notes on the principles and methods underlying the consolidated financial statements” in the notes to the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2015. The *Pro Forma* Financial Information should be read in conjunction with the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2015 and the unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the nine months ended September 30, 2016.

### *Alignment of Accounting Policies*

The *Pro Forma* Financial Information is based on the following historical financial information of Hapag-Lloyd AG and the following financial information of UASC:

- The audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2015
- The unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the nine months ended September 30, 2016
- The unaudited special purpose condensed financial information of UASC as of and for the year ended December 31, 2015
- The unaudited special purpose condensed interim financial information of UASC as of and for the nine months ended September 30, 2016.

The historical financial information of Hapag-Lloyd AG is published whereas that of UASC was not.

The financial information of UASC as provided under the column “UASC” in the *pro forma* consolidated income statements for the financial year ended December 31, 2015 and for the nine months ended September 30, 2016 as well as in the *pro forma* consolidated interim statement of financial position as of September 30, 2016, respectively, which is derived from financial information of UASC that was audited and reviewed by Ernst & Young, were adjusted and reclassified to align the accounting policies used in the preparation of financial information of UASC to the accounting policies that were used by Hapag-Lloyd AG in the preparation of the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2015 and the unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the nine months ended September 30, 2016.

These alignments had the following impact on the financial information of UASC:

	<u>Equity as presented in the statement of financial position as of September 30, 2016</u>	<u>Net result as presented in the income statement for the nine months ended September 30, 2016</u>	<u>Net result as presented in the income statement for the year ended December 31, 2015</u>
		<i>in € million</i>	
<b>Equity/Net result in the financial information of UASC</b> .....	1,641.8	(237.1)	(346.2)
Freight revenue .....	(66.0)	9.0	4.4
Other liner revenue .....	61.7	26.0	12.8
Bunker inventory .....	0.0	2.2	(2.2)
Provision for bad debts .....	3.6	0.2	3.4
Hull and machinery insurance .....	(3.1)	0.0	0.0
Container Depreciation .....	(50.9)	(6.8)	(9.4)
Vessel Depreciation .....	58.3	(2.5)	(2.7)
<i>Total Adjustments</i> .....	3.6	28.0	6.4
<b>Equity/Net result under the column “UASC”</b> .....	<b>1,645.3</b>	<b>(209.1)</b>	<b>(339.8)</b>

### *Presentation of Pro Forma Financial Information*

#### *Pro forma assumptions*

In the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2015 and in the unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the nine months ended September 30, 2016 the Transaction was not reflected.

The Transaction has not been closed at the date of this Offering Memorandum and is going to be recognized as a business combination in accordance with IFRS 3 at the relevant acquisition date.

The Transaction represents a significant gross change as defined in Appendix I No. 20.2 of the Commission Regulation (EC) No. 809/2004, triggering the presentation of the *Pro Forma* Financial Information.

The *Pro Forma* Financial Information is based on the following *pro forma* assumptions:

- For the preparation of the *pro forma* consolidated income statements for the financial year ended December 31, 2015 and for the nine months ended September 30, 2016 the Transaction occurred on January 1, 2015.
- The Capital Increase II US\$400 million converted into EUR at the time the cash capital increase was conducted as a cash contribution by new and existing shareholders and had been invested in a partial early redemption of the €400 million bonds due 2018 thus reducing interest expense, the rest was retained as cash with no further impact on results.
- For the preparation of the *pro forma* consolidated interim statement of financial position as of September 30, 2016 the Transaction occurred on September 30, 2016.

The accounting for the Transaction as reflected in this *Pro Forma* Financial Information has been based upon preliminary estimates of the total consideration transferred for the acquisition and preliminary estimates of the fair value of the assets acquired and liabilities assumed of UASC. The UASC Business Combination will be effected by way of a contribution-in-kind of all existing UASC shares to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Draggled UASC Shareholders. In this case the consideration transferred is determined by the valuation of the Hapag-Lloyd shares and needs to be measured following the regulation of IFRS 13 which includes a fair value hierarchy ranging from observable market prices (level 1) to unobservable input parameters (level 3). For purposes of this *Pro Forma* Financial Information, the consideration transferred is assumed at the total amount of new shares issued in the Capital Increase I and the respective share price of Hapag-Lloyd AG as of September 30, 2016. A final determination of the consideration transferred is dependent on the fair value of the shares issued by Hapag-Lloyd AG at the time of closing the transaction as well as prevailing information at that time.

The respective preliminary estimates of the fair value of the assets acquired and liabilities assumed of UASC are based on the information that was available in the course of the Transaction, especially the financial due diligence. The fair value of the assets acquired and liabilities assumed is dependent upon certain estimates, assumptions and assessments including, but not limited to, estimating future cash flows and developing appropriate discount rates. The fair value estimates for the assets acquired and liabilities assumed are preliminary and have been made solely for the purpose of developing such *Pro Forma* Financial Information.

A final determination of the fair value of assets acquired and liabilities assumed of UASC will be based on the actual assets and liabilities of UASC that are going to exist at the date of the acquisition. Such valuations could change significantly upon the completion of further analyses and asset valuations from those used in the *Pro Forma* Financial Information. The final valuation will be completed in succession of the acquisition date. Consequently, the accounting for the Transaction for the purpose of the *Pro Forma* Financial Information is incomplete and the uncertainty associated with the valuation of the assets acquired and liabilities assumed is significant.

### **Effects of *pro forma* presentation**

The preparation of the *Pro Forma* Financial Information, comprising the *pro forma* consolidated income statement for the financial year ended December 31, 2015, the *pro forma* consolidated income statement for the nine months ended September 30, 2016 and the *pro forma* consolidated interim statement of financial position as of September 30, 2016, as well as the notes thereon, is exclusively performed to demonstrate the effects of the Transaction under the UASC BCA on the results of operations and financial position of Hapag-Lloyd in the financial year 2015 and the nine months ended September 30, 2016 under the aforementioned *pro forma* assumptions.

Therefore, the *Pro Forma* Financial Information for the financial year 2015 and the nine months ended September 30, 2016 represents the results of operations and financial position of Hapag-Lloyd with the assets, liabilities and results of operations of the acquired UASC under the aforementioned *pro forma* assumptions.

The *Pro Forma* Financial Information is based on a hypothetical situation and accordingly allows only limited conclusions with respect to the results of operations and financial position that would have resulted if the *pro forma* assumptions used for the *Pro Forma* Financial Information had existed in the periods presented in the *Pro Forma* Financial Information.

## Notes to the Pro Forma Financial Information

The Pro Forma Financial Information is subject to change based on timing of the closing of the Transaction and the determination of the acquisition date.

### Notes to the pro forma consolidated interim statement of financial position as of September 30, 2016

#### (1) Pre-closing covenants as agreed in the UASC BCA

Due to an equity shortfall from covenants as of June 30, 2016 a compensating capital increase of €29.5 million contributed in cash by the UASC shareholders was assumed as of September 30, 2016 as agreed in the UASC BCA.

A further effect on net assets from pre-closing covenants as of September 30, 2016 in the amount of €16.0 million reflects an assumed sale of ownership restricted real estate (€15.7 million) and of an investment in an associate (€0.3 million) as agreed in the UASC BCA. In this regard it is assumed that the ownership restricted real estate (carrying amount as of September 30, 2016 €14.3 million) was sold for a consideration of €30.0 million in cash and the investment in an associate (carrying amount as of September 30, 2016 €163.0 million) was sold for a consideration of €163.3 million in cash. In case the investment in an associate could not be sold before closing the combined entity shall hold the investment in trust without being the beneficial owner. In return the combined entity shall receive US\$182.4 million in cash by December 31, 2018 at the latest.

#### (2) Capital Increase I (Acquisition of UASC)

The UASC Business Combination is going to be executed by a contribution in-kind with Hapag-Lloyd AG issuing common shares as consideration to former shareholders of UASC, corresponding to 28% of the subscribed capital of the combined entity. It is assumed that the current number of shares (118,110,917) will remain unchanged until closing. Under this assumption Hapag-Lloyd AG is going to issue 45,932,023 new shares as consideration to former shareholders of UASC.

For the preparation of the Pro Forma Financial Information the amount of the consideration transferred was set at €840.1 million (based on the fair value of the 45,932,023 newly issued shares measured by the stock price of Hapag-Lloyd AG of €18.29 at September 30, 2016).

The estimate of the consideration transferred in accordance with IFRS 3 is subject to change based on timing of the closing of the UASC Business Combination and the determination of the acquisition date fair value of shares of Hapag-Lloyd AG. As at January 12, 2017, the stock price of shares of Hapag-Lloyd AG was €25.30 and would have resulted in an increase of the consideration transferred of €322.0 million with the respective effect on the transaction accounting.

The consideration transferred has been allocated to the assets acquired and liabilities assumed of UASC as follows:

September 30, 2016	€ million	€ million
<b>Consideration transferred</b> .....		<b>840.1</b>
<b>J. Net assets of the UASC at their carrying amount</b>		
Net assets of the UASC attributable to shareholders of the parent company as of		
September 30, 2016 .....	1,637.2	
Effect on net assets from pre-closing covenants as of September 30, 2016 .....	45.5	
Derecognition of goodwill recognized in the net assets of the UASC as of September 30, 2016 .....	(16.1)	
<b>Net assets of the UASC at September 30, 2016 excluding goodwill</b> .....		<b>1,666.6</b>
<b>J. Adjustments to recognize assets acquired and liabilities assumed at fair value</b>		
Other intangible assets .....	630.6	
Property, plant and equipment .....	(980.0)	
Non-current financial debt .....	(17.8)	
Current financial debt .....	(5.6)	
Non-current other provisions .....	(25.6)	
Current other provisions, income tax and other liabilities .....	(94.2)	
<b>Total adjustments</b> .....		<b>(492.6)</b>
<b>= Gain from a bargain purchase</b> .....		<b>(333.9)</b>



The valuation of the assets acquired and liabilities assumed in accordance with IFRS 3 is subject to change based on timing of the closing of the UASC Business Combination and the determination of the acquisition-date fair values.

The €630.6 million adjustment to other intangible assets reflects the fair value adjustments on customer relationship in the amount of €551.3 million, on favorable vessel charter contracts in the amount of €40.0 million and UASC's trademark in the amount of €39.3 million. Due to its competition sensitive nature the information that is necessary to exactly determine the value of the customer relationship could not be fully analyzed and determined before closing. In the course of the accounting for the UASC Business Combination after closing the exact amount will be determined.

The adjustment to property, plant and equipment in the amount of €(980.0) million is derived from the fair value valuation of UASC's vessels (€(975.4) million), from the fair value valuation of UASC's containers (€(3.4) million) and from the fair value valuation of UASC's properties (€(1.3) million). The fair values of the vessels are based on charter free market values for the relevant vessel classes on the basis of a prompt delivery between a willing buyer and willing seller and are derived from currently observable market transactions, if available. Due to the sensitivity and volatility of the second hand vessel market the valuation of the vessels acquired upon closing could lead to substantial deviations compared to the fair values above.

The fair value step-up for financial debt in the amount of €(23.5) million reflects an adjustment of capitalized transaction fees in order to present the fair value of financial debt. Thereof, non-current in the amount of €(17.8) million and current in the amount of €(5.6) million. Apart from that, the fair value of financial debt cannot be measured before the process of prolonging UASC's financial debt due the change of control is finished upon closing and no further adjustments are recognized in the *Pro Forma* Financial Information.

The adjustment to non-current other provisions is related to onerous vessel charter contracts in the amount of €(25.6) million. *Pro forma* adjustments relating to current other provisions in the amount of €(65.6) million are recognized for onerous vessel charter contracts. Further current liabilities in the amount of €(19.5) million are recognized for income tax liabilities, in the amount of €(4.6) million for other tax liabilities and in the amount of €(4.5) million for an vessel delivery postponement fee.

The UASC Business Combination is going to be executed by a contribution in-kind with Hapag-Lloyd AG issuing common shares as consideration to former shareholders of UASC, corresponding to 28% of the subscribed capital of the combined entity. The valuation and determination of the number of Hapag-Lloyd shares to be issued for the contribution of all UASC shares of the consideration was, for the purpose of preparation of the *Pro Forma* Financial Information, based on the book value of the respective equity according to the consolidated financial statements prepared by Hapag-Lloyd AG and UASC in compliance with IFRS as of December 31, 2015. Due to the current stock market valuation where container shipping companies are traded at prices below their respective book values of equity the measurement of the consideration transferred using the quoted stock price of Hapag-Lloyd does not reflect the book value of its equity. Therefore, the accounting for the UASC Business Combination results in a gain from a bargain purchase which is a one-time increase in other operating income of €333.9 million according to IFRS 3.

For the purpose of the *Pro Forma* Financial Information, this gain is recognized directly to retained earnings and not through profit and loss. This amount is subject to the final valuation of the assets acquired and liabilities assumed and the final valuation of the consideration transferred at the acquisition date. Due to the fact that the UASC Business Combination has not been closed at the date of this Offering Memorandum the fair values of the assets acquired and liabilities assumed cannot be reliably measured. Furthermore, a final determination of the consideration transferred is subject to the final amount of shares issued in the Capital Increase I and the prevailing fair value of the shares issued by Hapag-Lloyd AG at the time of closing the UASC Business Combination. If the final amount of the customer base deviates significantly from €551.3 million in the final purchase price allocation, if the valuation of vessels or other assets acquired or liabilities assumed deviates at closing or if the fair value of the shares issued by Hapag-Lloyd AG deviates significantly from €840.1 million, even a significant change in the expected gain from a bargain purchase could result from the final purchase price allocation.

(3) *Capital Increase II (Rights issue)*

Capital Increase II in the amount of €358.3 million (US\$400 million) is mainly recognized as reducing financial debt by redeeming €68.7 million of the remaining US\$250 million bonds due 2017 and an amount of €250.0 million from the €400 million bonds due 2018. Additionally, payments of accrued interests in the amount of €7.4 million and payments of redemption costs in the amount of €4.8 million are recognized. The remaining amount (€27.4 million) is retained as cash. As a result of the partial early repayment of the €400 million bonds due 2018, the corresponding carrying amounts of embedded derivatives are derecognized in an amount of €7.8 million against equity.

(4) *New capitalized transaction fees*

It is assumed that the current waiver process will cause transaction costs in the same amount as adjusted in the valuation of the financial debt assumed. Therefore, the effect on the carrying amount of financial debt as well as the resulting effect on interest expense is fully reversed.

Apart from that, the fair value of financial debt cannot be measured before the waiver process is finished upon closing and no further adjustments are recognized in the *Pro Forma* Financial Information.

(5) *Expected transaction costs*

In the period from September 30, 2016 further transaction costs in the amount of €8.4 million are expected. These transaction costs are recognized as non-current other liabilities in the *pro forma* consolidated interim statement of financial position as of September 30, 2016.

**Notes to the *pro forma* consolidated income statements for the financial year ended December 31, 2015 and for the nine months ended September 30, 2016**

(6) *Effects of pre-closing covenants adjustments on investments in at-equity-accounted investees*

This adjustment has a continuous effect and reflects the elimination of UASC's share in the result in the sold equity-accounted investees in the amount of €18.1 million and €3.9 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively.

(7) *Effects of pre-closing covenants adjustments on ownership restricted real estate*

This adjustment has a continuous effect and reflects the decrease in the depreciation expense of €1.2 million and €0.9 million due to the reduction of the carrying amounts of buildings due to the sale for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively.

Additionally, there are additional rent expenses and ceased rent income from subleases assumed, which have a continuous effect and increase other operating expenses in the amount of €4.6 million and €3.4 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively.

(8) *Effects of fair value adjustments on intangible assets*

This adjustment has a continuous effect and reflects the additional amortization expense of €42.1 million and €27.1 million on the intangible assets with a definite useful life acquired as part of the acquisition for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively.

The amount of intangible assets, estimated useful lives and amortization method are subject to the valuation of the assets acquired at the acquisition date.

For the customer relationship an estimated useful life of 30 years was assumed, resulting in an additional amortization expense of €18.5 million and €13.8 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively. For the favorable vessel charter contracts an average term of the contracts of two years was assumed, resulting in an additional amortization expense of €21.6 million and €11.8 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively. For UASC's trademark an estimated useful life of 20 years was assumed, resulting in an additional amortization expense of €2.0 million and €1.5 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively.

*(9) Effects of fair value adjustments on property, plant and equipment*

This adjustment has a continuous effect and reflects the decrease in the depreciation expense of €64.2 million and €48.0 million due to the reduction of the carrying amounts of the vessels to their fair value as part of the acquisition for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively.

The amount of property, plant and equipment useful life's and amortization method are subject to the valuation of the assets acquired at the acquisition date.

A vessel-based calculation resulted in a reduction of the depreciation expenses of €63.8 million and €47.7 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively. For the containers an estimated average remaining useful life of nine years was assumed at the date of acquisition resulting in a reduction of the depreciation expenses of €0.4 million and €0.3 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively. For the buildings an estimated average remaining useful life of 14 years was assumed at the date of acquisition resulting in a reduction of the depreciation expenses of €0.1 million and €0.1 million for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016, respectively.

*(10) Effects of fair value adjustments on current and non-current financial debt*

It is assumed that the current waiver process will cause waiver fees in the same amount. Therefore, effects of fair value adjustments on current and non-current financial debt are nil. However, once the waiver process is completed, the actual effects may differ from this assumption resulting in changes to the fair value of financial debt and the interest expenses.

*(11) Effects of fair value adjustments on non-current other provisions*

This adjustment has a continuous effect and reflects the decrease in transportation expenses of €25.6 million for the nine-month period ended September 30, 2016 as a result of the recognition of the onerous vessel charter contracts with an average remaining useful life of two years at the date of acquisition.

The amount and maturities of liabilities from onerous vessel charter contracts are subject to the valuation of the liabilities assumed at the acquisition date.

*(12) Effects of fair value adjustments on current other provisions*

This adjustment has a continuous effect and reflects the decrease in transportation expenses of €65.6 million for the year ended December 31, 2015 as a result of the recognition of the onerous vessel charter with residual terms of two years at the date of acquisition.

The amount and maturities of liabilities from onerous vessel charter contracts are subject to the valuation of the liabilities assumed at the acquisition date.

*(13) Reduction of interest expense due to decreased debt as a result of the Capital Increase II*

As a result of the assumed Capital Increase II at January 1, 2015 interest expenses were reduced. As the cash amount was used for the early redemption of the remaining US\$250 million bonds due 2017 (€68.7 million) and a partial early redemption (€250.0 million) of the €400 million bonds due 2018, the respective interest expenses incurred for these bonds were eliminated. Accordingly, this adjustment has a continuous effect on interest expenses. Interest expenses were reduced in the financial year 2015 by an amount of €26.1 million and in the nine-month period ended September 30, 2016 by an amount of €19.6 million, respectively. The one-time savings in the financial year 2015 are offset by valuation effects of the embedded derivatives in an amount of €7.8 million, the early redemption costs in an amount of €4.8 million and interest expenses resulting from the use of the effective interest method in an amount of €0.3 million.

Interest income on the assumed investment of the remaining proceeds from the cash capital contribution, *i.e.* short-term deposits and call money at January 1, 2015 were not recognized due to the insignificance resulting from the very low interest level on deposits.

*(14) Elimination of transaction costs*

The UASC Business Combination resulted in one-time transaction costs incurred in the nine-month period ended September 30, 2016 in the amount of €13.9 million. These costs were eliminated in the *pro forma* consolidated income statement for the nine-month period ended September 30, 2016. No acquisition related costs were incurred in 2015.

No further expected transaction-related one-offs were included in the *pro forma* consolidated income statements, as they are assumed to already have been incurred at the opening balance sheet date.

*(15) Earnings per share*

Capital Increase I is—under the assumption that the current number of Hapag-Lloyd AG remains the same until closing of the UASC Business Combination—going to increase the number of shares by 45,932,023. Additionally, based on the stock price and exchange rate on September 30, 2016, Capital Increase II is assumed to generate 19,587,886 new shares. Capital Increase I and Capital Increase II will result in a dilution of the earnings per share.

## SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables presents our selected financial information and should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013 and our unaudited interim condensed consolidated financial statements as of and for the nine months ended September 30, 2016 (including comparative figures for the nine months ended September 30, 2015), which are reproduced elsewhere in this Offering Memorandum and the section entitled “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”. The summary financial information provided below was primarily derived from the Consolidated Financial Statements. These financial statements were prepared in accordance with IFRS. Our consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013 were audited by KPMG which issued an unqualified audit opinion for each financial year. The unaudited interim condensed consolidated financial statements as of the nine months ended September 30, 2016 (including comparative figures for the nine months ended September 30, 2015), which were prepared in accordance with IFRS, have not been audited. The information below is not necessarily indicative of the results of future operations.

Hapag-Lloyd AG has published consolidated financial statements for the Group for the last three financial years and for the first nine months of 2016 (the “Reporting Period”).

### Our Consolidated Income Statement Information

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014(*)	2015	2015	2016
	(in € million)				
	(audited)			(unaudited)	
Revenue	6,567.4	6,807.5	8,841.8	6,806.0	5,713.8
Other operating income	156.3	116.8	193.7	145.9	90.4
Transport expenses <sup>(1)</sup>	5,773.1	6,060.1	7,258.5	5,559.7	4,772.0
Personnel expenses	365.2	403.3	484.4	360.2	377.6
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	325.4	481.7	464.6	342.0	355.4
Other operating expenses	251.7	393.3	517.7	359.6	291.5
<b>Operating result</b>	<b>8.3</b>	<b>(414.1)</b>	<b>310.3</b>	<b>330.4</b>	<b>7.7</b>
Share of profit of equity accounted investees	36.8	34.2	28.5	22.5	19.6
Other financial results	18.6	(2.9)	27.6	(4.3)	(1.4)
<b>Earnings before interest and income taxes (EBIT)</b>	<b>63.7</b>	<b>(382.8)</b>	<b>366.4</b>	<b>348.6</b>	<b>25.9</b>
Interest result	(153.6)	(209.7)	(227.3)	(169.1)	(145.0)
<b>Earnings before income taxes</b>	<b>(89.9)</b>	<b>(592.5)</b>	<b>139.1</b>	<b>179.5</b>	<b>(119.1)</b>
Income taxes	7.5	11.2	25.2	19.1	14.8
<b>Profit/loss</b>	<b>(97.4)</b>	<b>(603.7)</b>	<b>113.9</b>	<b>160.4</b>	<b>(133.9)</b>

### Our Consolidated Balance Sheet Information

	As of December 31,			As of September 30,
	2013	2014(**)	2015	2016
	(in € million)			
	(audited)			(unaudited)
Property, plant and equipment	4,067.6	5,176.0	6,143.6	5,932.6
<b>Non-current assets</b>	<b>5,689.7</b>	<b>8,302.2</b>	<b>9,514.1</b>	<b>9,172.4</b>
Cash and cash equivalents	464.8	711.4	573.7	492.0
<b>Current assets</b>	<b>1,260.1</b>	<b>1,793.2</b>	<b>1,565.0</b>	<b>1,420.7</b>
<b>Total assets</b>	<b>6,949.8</b>	<b>10,095.4</b>	<b>11,079.1</b>	<b>10,593.1</b>
Equity	2,915.1	4,169.6	5,046.2	4,729.2
Non-current liabilities	2,657.1	3,733.2	3,633.8	3,471.4
Current liabilities	1,377.6	2,192.6	2,399.1	2,392.5
<b>Total equity and liabilities</b>	<b>6,949.8</b>	<b>10,095.4</b>	<b>11,079.1</b>	<b>10,593.1</b>
Working capital <sup>(2)</sup>	(58.1)	(369.5)	(483.6)	(430.7)
Total financial debt	2,935.0	3,717.1	3,907.3	3,905.9

(\*\*) Amounts adjusted to reflect the purchase price allocation in connection with the acquisition of the CCS Activities. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Factors Affecting the Comparability of Financial Information—The CCS Activities Business Combination”.



## Our Consolidated Cash Flow Statement Information

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014(*)	2015	2015	2016
	<i>(in € million)</i>				
	(audited)			(unaudited)	
<b>Cash and cash equivalents at the beginning of period</b> . . . . .	<b>560.8</b>	<b>464.8</b>	<b>711.4</b>	<b>711.4</b>	<b>573.7</b>
Cash inflow/(outflow) from operating activities . . . . .	66.5	377.2	572.1	484.5	228.3
Cash (outflow) from investing activities . . . . .	(544.7)	(257.6)	(606.5)	(483.8)	(205.1)
Cash inflow/(outflow) from financing activities . . . . .	403.2	81.6	(177.1)	(289.1)	(91.2)
<b>Net change in cash and cash equivalents</b> . . . . .	<b>(75.0)</b>	<b>201.2</b>	<b>(211.5)</b>	<b>(288.4)</b>	<b>(68.0)</b>
<b>Cash and cash equivalents at the end of period</b> <sup>(2)</sup> . . . .	<b>464.8</b>	<b>711.4</b>	<b>573.7</b>	<b>484.0</b>	<b>492.0</b>

(\*) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

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

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	<i>(in € million)</i>				
	(audited)			(unaudited)	
Cost of raw materials, supplies, and purchased goods . . . . .	1,436.6	1,362.3	1,067.9	850.3	477.1
Cost of Purchased services(***) . . . . .	4,336.5	4,697.8	6,190.6	4,709.4	4,294.9
<i>Thereof:</i>					
<i>Port, canal and terminal costs</i> . . . . .	1,831.1	1,989.9	2,717.2	2,060.5	1,984.0
<i>Container transport costs</i> . . . . .	1,691.4	1,841.4	2,148.4	1,661.3	1,408.1
<i>Chartering, leases and container rentals</i> . . . . .	653.3	734.0	1,168.6	868.8	739.6
<i>Maintenance and repair and other costs</i> . . . . .	160.7	132.5	156.4	118.8	163.2
<i>Transport expenses</i> . . . . .	5,773.1	6,060.1	7,258.5	5,559.7	4,772.0

(\*\*\*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for the periods covered. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Cash Flow”.

(2) Cash and cash equivalents at the end of the period include exchange rate differences as shown in the detailed cash flow statement in “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Cash Flow”.

(3) Working capital is unaudited and we calculate it as inventories plus trade accounts receivable less trade accounts payable (which are presented as negative values to illustrate the calculation in the table below). Working capital is not a measurement of performance under IFRS.

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

	As of December 31,			As of September 30,	
	2013	2014(**)	2015	2015	2016
	<i>(in € million)</i>				
	(audited, except as noted)			(unaudited)	
Inventories . . . . .	168.9	152.1	94.1	124.2	108.2
Trade accounts receivable . . . . .	473.3	703.8	716.1	665.0	612.0
Trade accounts payable . . . . .	(700.3)	(1,225.4)	(1,293.8)	(1,345.2)	(1,150.9)
<b>Working Capital (unaudited)</b> . . . . .	<b>(58.1)</b>	<b>(369.5)</b>	<b>(483.6)</b>	<b>(556.0)</b>	<b>(430.7)</b>

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

*Investors should read the following discussion in conjunction with the sections entitled "Presentation of Financial and Other Information", "Selected Consolidated Financial and Other Information" as well as with the Consolidated Financial Statements including the notes thereto in "Index to Financial Information" of this Offering Memorandum. Hapag-Lloyd AG has published consolidated financial statements for the Group for the last three financial years and for the first nine months of 2016 (the "Reporting Period"). The financial statements of Hapag-Lloyd AG have been published for the financial years 2015, 2014 and 2013. The CCS Activities (as defined below) are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December. UASC is not included in the figures for the financial years ended December 31, 2015, 2014 and 2013 and the nine months ended September 30, 2016 and 2015. UASC will be consolidated as of the date of acquisition.*

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

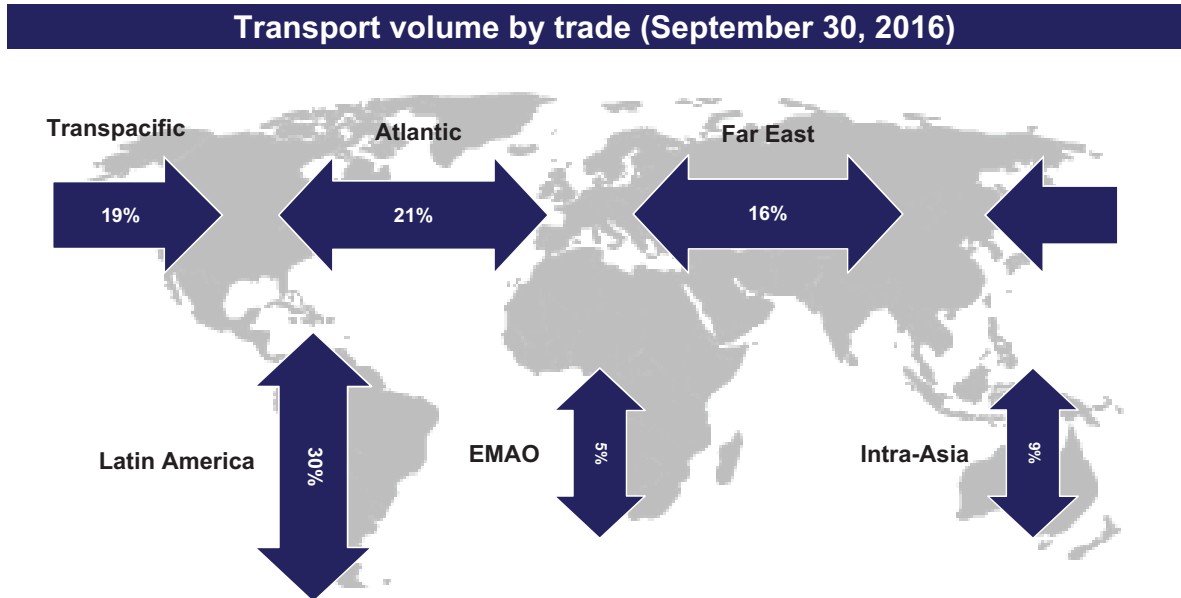
### Overview

We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the largest container shipping line based in Germany and one of the largest in the world (source: MDS Transmodal, October 2016). We offer our customers a comprehensive range of services through an extensive network with 125 liner services worldwide, combined with the support of strong local presences with around 366 sales offices (including agents) in 121 countries as of September 30, 2016. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers' transport service requirements.

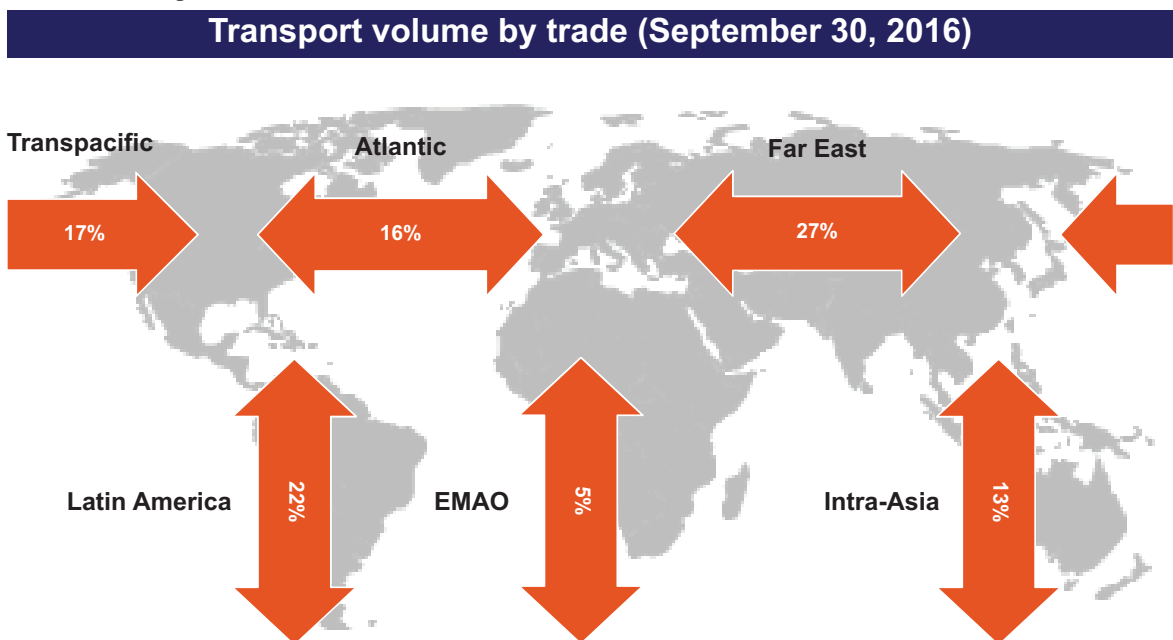
We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence in the high-volume Far East trade (Europe-Asia), the Atlantic (Europe-North America) and Transpacific (Asia-North America) trades as well as in the Latin American trade. In addition, the EMAO (Europe-Mediterranean-African-Oceania) trade as well as the Intra-Asia trade contribute to our overall transport volume.

Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 56% of our total transport volume in the nine months ended September 30, 2016, as well as in the North-South trades, which accounted for 44% of our total transport volume in the nine months ended September 30, 2016. In the financial year ended December 31, 2015 and in the nine months ended September 30, 2016, these trades contributed to our total transport volumes as follows: Latin America (30% and 30%, respectively), Atlantic (21% and 21%, respectively), Far East (17% and 16%, respectively), Transpacific (19% and 19%, respectively), Intra-Asia (8% and 9%, respectively) and EMAO (5% and 5%, respectively). For the percentages reflecting the changes in our total transport volume, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations".

The chart below shows Hapag-Lloyd’s transport volumes by trade for the nine months ended September 30, 2016.



Following the satisfaction of all conditions precedent to the closing of the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company (S.A.G.) (“UASC (S.A.G.)”) and its subsidiaries (together, “UASC”) with Hapag-Lloyd AG (the “UASC Business Combination”), we expect that the combination with one of the largest container shipping companies by capacity based in the Middle East will strengthen our market position as one of the top five shipping companies by capacity and enhance our market position in the attractive Middle East trade where we intend to seize opportunities for further profitable growth. See “Risk Factors—Risks Relating to the UASC Business Combination—The UASC Business Combination could fail”. We believe that the UASC Business Combination will not only significantly enhance our global reach and the network we are able to offer to our customers, but also allows us to increase our competitiveness through UASC’s young and fuel-efficient fleet with a large share of ultra-large container vessels (“ULCVs”) without having to spend additional capital expenditure on such vessels of our own and to harness further synergies. As a result of the UASC Business Combination, we expect our portfolio of trades to become even more balanced, with four of our seven reported trades having a transport volume of at least one million TEU (Atlantic, Transpacific, Far East, Latin America). The chart below shows Hapag-Lloyd’s and UASC’s combined transport volumes by trade for the nine months ended September 30, 2016.



Our fleet is one of the largest container ship fleets globally (source: MDS Transmodal, October 2016). As of September 30, 2016, we had a fleet of 166 container ships with a total transport capacity of 952,802 TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 70, chartered 93 and finance leased three container ships. Of the 166 container vessels, we have chartered out three ships. Through the UASC Business Combination, we will acquire an additional 61 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. As of September 30, 2016, we managed a fleet of 938,399 containers with a total transport capacity of 1,531,074 TEU, approximately 43% of which we owned with the remainder being rented. As a result of the UASC Business Combination, we will acquire an additional 426,953 containers with a capacity of 683,097 TEU. As of September 30, 2016, we invested in 5,650 containers. As of September 30, 2016, our order book comprised five new vessels each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. As a result of these investments, our ownership ratio in vessels is expected to increase.

In May 2016, we announced the founding of THE Alliance, which will become our new main shipping alliance as of April 2017 (subject to certain regulatory approvals) and replace our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations as of April 2017. Besides us, THE Alliance will consist of Mitsui O.S.K. Lines (“**MOL**”), Nippon Yusen Kaisha Lines (“**NYK**”), Kawasaki Kisen K.K. (“**K-Line**”) and Yang Ming Marine Transport Corp. (“**Yang Ming**”) and is expected to become operational in April 2017. UASC, as part of Hapag-Lloyd, will become part of THE Alliance. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. Hapag-Lloyd AG is one of the founding members of the G6 Alliance (whose other members are, besides us, American President Lines Ltd. (“**APL**”), Hyundai Merchant Marine Co., Ltd. (“**HMM**”), MOL, NYK and Orient Overseas Container Line Limited (“**OOCL**”), currently one of the world's largest operating container shipping alliances with a total combined capacity of approximately 3.5 million TEU, representing a 17% share of the global transport capacity (source: MDS Transmodal, February 2016). In addition, we maintain cooperation arrangements with other carriers. We are one of the founding members of the Grand Alliance, which also includes OOCL and NYK, of which the majority of services were merged with those of the New World Alliance to form the G6 Alliance.

Such arrangements allow us to optimize fleet utilization by sharing capacity and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. For the nine months ended September 30, 2016, approximately 40% of our total transport volume was carried on either our owned or chartered vessels contributed to the G6 Alliance and the Grand Alliance, or vessels made available to us through the G6 Alliance and Grand Alliance. In addition, we have entered into a cooperation arrangement with CMA CGM S.A. (“**CMA CGM**”) and Hamburg Süd Group (“**Hamburg Süd**”), offering new products between Asia and the Western and Eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (e.g., reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in HHLA Container Terminal Altenwerder GmbH (“**CTA**”) in the Port of Hamburg, one of the most modern container terminal facilities in the world (source: HHLA Hamburger Hafen und Logistik AG, November 2016).

The Group is headquartered in Hamburg, Germany. As of September 30, 2016, we had 9,397 total employees worldwide. In the financial year ended December 31, 2015 and in the nine months ended

September 30, 2016, we generated revenue of €8,841.8 million and €5,713.8 million (2014: €6,807.5 million, 2013: €6,567.4 million), respectively, and EBITDA of €831.0 million and €381.3 million (2014: €98.9 million, 2013: €389.1 million), respectively.

For a more detailed breakdown of our total revenue by geography, see “—Comparison of the nine months ended September 30, 2016 and 2015”, “—Comparison of The Financial Years Ended December 31, 2015 and 2014” and “—Comparison of the Financial Years Ended December 31, 2014 and 2013”.

## **Factors Affecting Our Results of Operations**

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

### ***Transport Volume and Freight Rates***

#### *Cyclical Nature of Freight Rates*

The container shipping industry is cyclical in nature as freight rates are highly dependent on the balance between demand for container shipping services and the supply of vessel and container capacity. To the extent that the supply-demand balance shifts, freight rates are subject to volatility. The demand for container shipping services is primarily driven by global and regional economic growth, geopolitical events, and the shift in manufacturing from high-cost developed countries in North America, Europe and Japan to low-cost countries predominantly in Asia, including China and India, and changes in the regulatory regimes affecting shipping. Changes in the demand for container shipping services (including in our main markets in the Americas, Asia and Europe) are difficult to predict and are generally beyond our control. The global supply of vessel and container capacity is determined by the number and size of container ships in the world (including the charter market), their deployment into trades, the delivery of new ships, which typically involves considerable lead time, the conversion of container ships to other uses and the scrapping of older ships as well as the availability of containers, all of which are also generally beyond our control.

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

#### *Impact of global economic and financial crisis.*

Transport volume has largely recovered since the lower levels of 2009. We experienced an increase of our transport volume of 25.3% to 7,401,206 TEU in 2015 as compared to 5,906,686 TEU in the financial year ended December 31, 2014 and an increase of 7.5% to 5,906,945 TEU in transport volume in the financial year ended December 31, 2014 as compared to 5,495,778 TEU in the financial year ended December 31, 2013. In the nine months ended September 30, 2016, we experienced an increase in transport volume by 1.2% to 5,649,775 TEU from 5,579,438 TEU in the nine months ended September 30, 2015. The main reason for these increases is the inclusion of the container shipping business from the Chilean shipping company Compañía Sud Americana de Vapores S.A. (“**CSAV**”) (together, the “**CCS Activities**”). The combined transport volume of Hapag-Lloyd and the CCS Activities for the financial year 2014, calculated by adding Hapag-Lloyd’s transport volume for the financial year ended December 31, 2014 and the volume transported by the CCS Activities from January 1, 2014 to November 30, 2014, amounted to 7,680,838 TEU.

Global container shipping transport volume increased compared to the previous years by 5.4% in 2014 compared to 2013 and 2.2% in 2015 compared to 2014 (source: Clarksons Research, Container Intelligence Monthly, October 2016). See “Industry and Market Data—Container Shipping Market” for a more detailed discussion of the development in transport volumes and freight rates. Our average freight rate for the financial year ended December 31, 2015 decreased by US\$202 or 14.2% to US\$1,225 per TEU, as compared to our average freight rate of US\$1,427 per TEU for the financial year ended December 31, 2014. In the nine months ended September 30, 2016, our average freight rate



decreased by US\$223 or 17.7% to US\$1,037 per TEU compared to US\$1,260 per TEU for the nine months ended September 30, 2015. On a combined basis for the financial year 2014, the freight rate, calculated as a weighted average of Hapag-Lloyd's freight rates in the financial year ended December 31, 2014 and the CCS Activities' freight rates from January 1, 2014 to November 30, 2014 (total freight revenue divided by total volumes transported) amounted to US\$1,369 per TEU. Besides the initial inclusion of the CCS Activities, which had a lower freight rate level overall, the main reason for the decline was the ongoing difficult market environment, with pressure on freight rates persisting throughout the period.

#### *Seasonality*

Historically, we experience seasonal fluctuations in transport volume and freight rates. These fluctuations are largely due to the increased demand for container shipping services in the second and, in particular, third quarters of the year (so-called "peak season") in advance of the festive season in Western countries. In general, the first and fourth quarters generally show lower transport volumes due to a decrease in consumer spending in Western countries after the holidays and reduced manufacturing activities in China and Southeast Asia due to the Chinese New Year celebrations. As a result of these seasonal fluctuations, our revenue and cash flows from operations are not evenly generated throughout the year. However, with the acquisition of the CCS Activities, we have increased our exposure to the food transport business out of Latin America, which is predominantly taking place in the first quarter of the calendar year. As a result, the revenue and earnings profile we report on a quarterly basis may become less volatile.

#### *Pricing Structure*

The price that we are willing to offer to a potential customer depends on the customer's transport volumes, the type of cargo, the service needed (e.g., port-to-port or door-to-door) and our available capacity on the applicable services. Our contracts or agreements with customers are generally valid for up to one year. During the term of a contract, the freight rates are usually fixed.

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

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

In addition to the five-part tariff, surcharges and adjustment factors are negotiated with our customers. They account for fluctuations in bunker fuel rates and currency exchange rates as well as for peak season shipments, shipments through heavily congested ports, and other extraordinary factors. Separately, some customers are charged on the basis of a fixed all-in rate that is not split into components.

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

### ***Foreign Exchange Rate Exposure***

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

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

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

Key risks arising from exchange rate fluctuations are monitored on an ongoing basis. The major foreign currency risk exposure of the Group relates to its euro cost exposure. To limit the risks of changes in exchange rates, hedging transactions can be carried out. As of September 30, 2016, this related to hedging the EUR/US\$ risks of Hapag-Lloyd's financial debt denominated in euro.

Besides the euro, other relevant currencies used in our operations are the Canadian Dollar, British Pound, Swiss Francs, Hong Kong Dollar, Singapore Dollar, Japanese Yen, Chilean Peso, Brazilian Real, Chinese Renminbi, Mexican Peso, Indian Rupee as well as Australian Dollar.

To the extent the proportion of revenue denominated in US dollars, or euro, differs from the proportion of operating expenses denominated in US dollars, or euro, our operating results are subject to foreign exchange risk. At present, we incur a greater proportion of our operating expenses denominated in euro compared to the proportion of our revenue denominated in euro and, as such, we are particularly sensitive to increases in the value of the euro. Depending on the forecasted euro cash-flows, Hapag-Lloyd's hedging policy allows hedging of up to 80% of its exposure to euro denominated expenses. In 2016 no hedging for transaction risk from operations was performed.

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

At each reporting date, monetary items (such as cash, financial debt, trade accounts receivable, trade accounts payable and provisions for pensions and similar obligations) denominated in currencies other than the U.S. dollar are translated at the closing rate, while non-monetary items are translated at their historical rate for purposes of Hapag-Lloyd AG's financial statements. With regard to monetary items we are therefore exposed to risks related to the translation of assets and liabilities denominated in currencies other than the U.S. dollar, which are economically hedged with derivative instruments and recorded as other operating income or expense in the profit and loss statement, except that differences from the translation of the provisions for pensions and similar obligations are recorded in the personnel expenses.

Hapag-Lloyd AG reports its consolidated financial statements in euro, while the US dollar is the main invoicing currency for our operations, and most of Hapag-Lloyd's subsidiaries' financial statements, including the acquired CCS entities, are prepared in US dollars. For reporting purposes, our assets and liabilities are translated into euro at the exchange rate applicable as of the balance sheet data (closing rate). Expenses, income and earnings are translated at the average exchange rate for the reporting period. Any resulting exchange differences are directly recognized in equity as other comprehensive income and do not affect our profit or loss. The foreign exchange rate risk arising from this translation is not hedged.

### ***Fluctuations in Bunker Fuel Rates***

The cost of marine or bunker fuel (fuel used aboard ships) is one of our significant operating costs, equaled to approximately 7.6% of our revenue in the nine months ended September 30, 2016 (and 11.9% of our revenue in the nine months ended September 30, 2015). The price of marine or bunker fuel fluctuates largely in line with crude oil prices, which are subject to a number of economic and political factors.

In the financial year ended December 31, 2013, the cost of marine or bunker fuel comprised 21.2% of our revenue and the average bunker consumption price was US\$613 per tonne. In the financial year ended December 31, 2014, the cost of marine or bunker fuel comprised 19.4% of our revenue, a 1.8 percentage points decline, whereas the average bunker consumption price declined by US\$38 per tonne to US\$575 per tonne. In the financial year ended December 31, 2015, the cost of marine or bunker fuel comprised 11.4% of our revenue, an 8.0 percentage points decline, whereas the average bunker consumption price declined by US\$263 per tonne to US\$312 per tonne. In the nine months ended September 30, 2016, the average bunker consumption price declined by US\$138 from US\$306 in the nine months ended September 30, 2015 to US\$195.

The bunker fuel price (US\$/mt) is strongly correlated to the Crude Oil Brent price (US\$/bbl). As of September 30, 2016 Crude Oil Brent sold for 49.06 US\$/bbl. At the same time Fuel Oil (IFO 380 CST) in the Antwerp, Rotterdam and Amsterdam barge market sold for 246.5 US\$/mt. We seek to pass fluctuations in bunker fuel prices on to customers through bunker fuel price adjustment factors that are negotiated in our customer contracts. However, the degree to which these costs can be passed through and the related implementation depends on existing market conditions. In order to mitigate the risk of increased bunker fuel prices and if commercially reasonable, we may hedge up to approximately 80% of our anticipated bunker fuel consumption on a rolling twelve-month basis. As of September 30, 2016, approximately 39% of our anticipated bunker fuel consumption for the total year of 2016 was hedged compared to 33% at the end of the first quarter of 2016 and 37% at the end of the second quarter of 2016. For the financial year 2015, our bunker price amounted to US\$312 per tonne (total bunker cost divided by total consumption in tonnes).

### ***Management of Vessel and Container Capacity***

Our container shipping revenue is largely the product of market-determined base freight rates and transport volumes over which we have relatively limited control. Accordingly, our profitability depends largely on our ability to identify profitable business and services, maintain and further improve our productivity and effectively manage the cost of transportation and materials and other operating costs, in particular, in respect of the positioning and transport of containers and the coordination of third-party services, such as inland transportation services.

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

As is customary in the container shipping industry, to meet the demand for container shipping services from our customers, we rely on a combination of owned vessels and containers and chartered and leased vessels and leased containers. We seek to optimize the mix of owned, long-term chartered and leased and short- and mid-term chartered vessels and containers to maintain a stable base capacity and to be able to obtain additional capacity in response to demand peaks. As of September 30, 2016, our entire fleet consisted of 166 container vessels, of which we owned 70 (including three vessel which we have chartered out), chartered 12 on a long-term basis, chartered 23 on a mid-term basis and chartered 58 on a short-term basis as well as 3 finance leased. Our ratio of owned and long-term chartered vessels reduces our exposure to short-term charter rates and increases the stability of our costs. On the other hand, short-term charters provide us with flexibility to adjust our capacity rapidly in response to changes in demand. Since short-term charter rates, in particular, tend to fluctuate significantly in response to supply and demand in the market, we are generally only able to add additional short-term capacity in periods of peak demand at higher charter rates. The effect of changes in charter rates on our operating costs tends to lag behind the movements in charter rates as charter contracts are typically entered into fixed rates for specified periods of time with options for renewal at agreed prices.

As of September 30, 2016, we operated a stock of 938,399 individual containers, equivalent to a total of 1,531,074 TEU, of which we owned 43% and leased or rented the remaining part.

## *Cooperation Arrangements*

We operate most of our container shipping services in varying degrees of cooperation with other carriers pursuant to vessel sharing agreements, slot swap agreements or slot purchase agreements. We are a founding member of THE Alliance and the G6 Alliance, one of the world's largest operating container shipping alliances as of September 30, 2016 with a global capacity share of approximately 17% (source: MDS Transmodal, October 2016) and of the Grand Alliance. The G6 Alliance and the Grand Alliance are currently our largest vessel sharing agreements, covering 32 of our services. Subject to certain regulatory approvals, THE Alliance will replace the G6 Alliance as our largest vessel sharing alliance as of April 2017. The Grand Alliance no longer has any active services, although the Grand Alliance has not been terminated as of the date of this Offering Memorandum. The G6 Alliance (including the Grand Alliance) and other cooperation arrangements contributed 42.0% and 49.3%, respectively, to our total transport volume in the nine months ended September 30, 2016. In April 2017, we will become part of THE Alliance after which date the G6 Alliance will no longer be operational. See "Our Business—Alliances and Cooperation Arrangements—THE Alliance, G6 Alliance and Grand Alliance".

Each member of the Grand Alliance undertakes to provide vessels for the services covered by the current agreement and offers a part of the capacity to the Grand Alliance members. In return, we are allocated a proportionate number of slots (space required for one TEU on board a vessel) on the vessels contributed by other Grand Alliance members. The value of slots contributed, determined based on an agreed formula, is credited to the operator contributing the relevant capacity on our vessels and debited to other carriers who have been allotted slots on that service. Any imbalance between the net contribution and allocation of slots is settled by Grand Alliance members in cash on a monthly basis. The formula for establishing the value of slot contributions and allocations is adjusted periodically to reflect changed market or operating conditions. See "Our Business—Alliances and Cooperation Arrangements—THE Alliance, G6 Alliance and Grand Alliance".

Each member of the G6 Alliance and, as of April 2017, THE Alliance, provides ships for the services covered by the G6 Alliance/THE Alliance's operating agreement, and each member agrees to share capacity on their ships with G6 Alliance/THE Alliance members for such services. In return, each member of the G6 Alliance/THE Alliance is allocated slots on vessels contributed by other G6 Alliance/THE Alliance members covering the relevant service. In the event of over- or under-provision of slots, allocation can be reapportioned among G6 Alliance/THE Alliance members based upon their proportional allocation under the formula, and effected members can be entitled to financial compensation. See "Our Business—Alliances and Cooperation Arrangements—THE Alliance, G6 Alliance and Grand Alliance".

In addition, we maintain other cooperation arrangements and also coordinate with other carriers through vessel sharing or slot charter agreements on the majority of our services that are not offered through the G6 Alliance, the Grand Alliance and, starting April 2017, THE Alliance. These cooperation agreements take two basic forms:

- arrangements involving two or more carriers that provide vessels. This includes agreements under which the services are operated jointly by the parties involved (referred to as vessel sharing agreements), or where each carrier continues to operate its own services with certain agreements on rationalized scheduling and where space is exchanged between carriers (referred to as slot swap or slot exchange agreements); and
- arrangements under which one carrier operates the service but charters space to other shipping lines (referred to as slot charter agreements).

Under each of our current cooperation agreements, including the G6 Alliance, the Grand Alliance and, starting April 2017, THE Alliance, we remain competitors with our partner carriers with regard to cargo and retain the ability to set our own freight rates. We recognize revenue with respect to the cargo we carry in the slots on our own vessels and in slots allocated to us on other carriers' vessels, but not with respect to cargo carried on our own vessels on behalf of other carriers. We are responsible for the costs of operating our own vessels (for example, vessel charter and leases or purchase expenses, maintenance, personnel, provisioning, bunker fuel, insurance, port costs and canal expenses), regardless of the number of our slots on our own vessels, and the cargo costs associated with the shipping of our own containers (for example, stevedoring expenses), regardless of whether these containers are shipped on our own vessels or on those of other carriers. We are not responsible for

cargo costs associated with the shipment of other carriers' containers on our ships. Instead, these costs are billed by us or the supplier of the relevant services directly to such other carrier. See "Our Business—Alliances and Cooperation Arrangements—Other Cooperation Agreements".

### ***Efficiency Improvement and Cost Saving Initiatives***

#### ***Project CUATRO***

In May 2014, we initiated our new integration project called "CUATRO" to facilitate the post-merger integration of the CCS Activities following the completion of the acquisition of the CCS Activities (the "**CCS Activities Business Combination**"). A key focus of this project is the coordination and monitoring of the implementation of 34 CCS liner services into our services, the optimization of the global network of services and the combination of administration and business functions in the individual regions and areas of the combined container shipping operations. In the financial year ended December 31, 2014, we incurred one-off-costs in connection with the implementation of project CUATRO in the amount of €82.0 million.

#### ***Project OCTAVE***

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality across all areas of operations. In 2014, we introduced our cost and efficiency project called "OCTAVE" targeting short-term operational initiatives with immediate effects in the areas of: (i) inland cost and bunker procurement; (ii) our fleet and network; and (iii) our sales and product portfolio. Through these initiatives, we have reaped substantial revenue improvements and cost savings. In the first quarter of 2016, the OCTAVE efficiency programme was intensified, and additional measures (OCTAVE II) were added to it. These should lead to further cost savings and efficiency improvements with a high double-digit million dollar amount by the end of 2017, in addition to the improvements already achieved. The efficiency projects have contributed to the improvement in cost structures also in the first nine months of 2016.

The CUATRO and OCTAVE (excluding OCTAVE II) projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling US\$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 planned synergies and efficiency improvements out of the projects CUATRO and OCTAVE are expected to be realized by more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates.

### ***Strategic Participation in a Container Ship Terminal***

We have a strategic shareholding in one container shipping terminal. We currently own a 25.1% interest in CTA. CTA is included in the Consolidated Financial Statements of Hapag-Lloyd AG and is accounted for under the equity method from the date of acquisition. We received a dividend with respect of the financial year 2015 on the shareholdings in CTA in an amount of €21.6 million in the nine months ended September 30, 2016.

### **Factors Affecting the Comparability of Financial Information**

#### ***The CCS Activities Business Combination***

The corporate merger of the CCS Activities with those of Hapag-Lloyd was completed on December 2, 2014. In the course of the implementation of the CCS Activities Business Combination, CSAV and Tollo, a wholly owned subsidiary of CSAV, incorporated the CCS Activities into CSAV Germany Container GmbH, Hamburg, ("**CC Co**"). The shares in CC Co were transferred to Hapag-Lloyd AG as a contribution-in-kind (the "**Capital Contribution I**"). Subsequent to closing, a further capital increase with a mixed contribution (cash capital increase and contribution-in-kind) in the amount of €370 million was effected (the "**Capital Contribution II**"). As of December 31, 2014, Hapag-Lloyd AG held all the shares in CC Co, which was merged into Hapag-Lloyd AG on May 19, 2015 by way of an upstream merger with economic effect from January 1, 2015. In return, CSAV received a 30% stake in Hapag-Lloyd AG through the Capital Contribution I which was then increased to a 34% stake as a result of the Capital Contribution II. The Group's container shipping activities now encompass our container liner shipping and the container shipping activities acquired from CSAV. The inclusion of the CCS Activities as of December 2, 2014 had a material effect on our results of operations, financial position and cash flow.



Not including the newly acquired CCS Activities, our revenue increased by €39.4 million to €6,606.8 million in the financial year 2014 (previous year: €6,567.4 million). With the inclusion of the CCS Activities as of December 2, 2014, revenue increased by an additional €200.7 million. The average freight rate for the acquired CCS Activities in December 2014 was US\$1,154 per TEU. The CCS Activities transported 150 TTEU in December, representing 2.5% of the total transport volume of 5,907 TTEU as of December 31, 2014.

In the financial year ended December 31, 2014, equity increased by €1,254.5 million to €4,169.6 million, primarily as a result of the acquisition of the CCS Activities and the subsequent capital increase in the total amount of €1,600.6 million. Our liabilities rose by €1,891.1 million to €5,925.8 million in comparison to the financial year 2013, primarily as a result of the acquisition. There was a considerable change in our financial debt, which increased by €782.1 million year-on-year to €3,717.1 million. The initial inclusion of the CCS Activities contributed €535.9 million to this increase.

The CCS Activities were acquired by means of a non-cash investment involving the issuing of new shares. This led to cash inflows of €44.0 million from the liquidity reserves of the acquired companies. The following table presents the net cash inflow resulting from the company acquisition:

	<i>in € million</i> <b>(audited)</b>
Acquired net assets .....	623.4
Goodwill .....	604.0
Acquisition costs .....	1,227.4
./. Acquisition through issuance of shares .....	1,227.4
Cash-effective incidental acquisition costs .....	25.5
+ Acquired cash .....	69.5
<b>Net payments received from acquisitions .....</b>	<b>44.0</b>

In particular, the first-time inclusion of the CCS Activities with effect from December 2, 2014 led to an increase of €1,488.1 million in intangible assets to €2,682.4 million in the financial year 2014. The acquisition generated a preliminary goodwill of €606.9 million after the consideration was allocated to acquired assets and liabilities based on its fair value in accordance with the provisions of IFRS 3.

In the financial year ended September 30, 2014, the purchase price allocation for the acquisition of the CCS Activities was provisional, due to the date of acquisition being shortly before the balance sheet date. Overall, goodwill decreased by €2.9 million compared to the estimated value in 2014. The adjusted goodwill in 2015 amounts to €604.0 million and intangible assets increased to €2,682.4 million.

The purchase price allocation is no longer provisional.

Furthermore, in connection with the acquisition, expenses were incurred for transaction and restructuring costs totaling €107.3 million in the financial year 2014 (thereof €42.4 million for personnel expenses and €64.9 million for other operating expenses in particular severance termination payments for terminals, agencies, office closures, network, IT and consultants). Transaction costs were incurred in the course of the acquisition of the CCS Activities whereas the restructuring related in particular to the business in the course of the integration in the amount of €82.0 million.

### ***Restructuring of Trades***

Following the integration of the CCS Activities, the allocation of trades has been restructured in the financial year ended December 31, 2015 to align it with the main markets of Hapag-Lloyd post-CCS Business Combination. Six separate trades are now reported: Atlantic (trades between Europe and North America), Transpacific (trades between North America and Asia), Far East (trades between Europe and Asia), Latin America (trades related to Latin America), Intra-Asia (formerly part of the Australasia trade) and EMAO, which comprises the Intra-Europe trades and trades related to Africa and Oceania previously included in the Australasia and Far East trades. In the financial year ended December 31, 2014, transport volumes and average freight rates were retroactively adjusted to this new trade structure.

## **Explanation of Profit and Loss Statement Items**

### ***Revenue***

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

### ***Other Operating Income***

Other operating income consists primarily of income from the disposal of assets, exchange rate gains within Hapag-Lloyd (gains from the translation of financial assets and liabilities into U.S. dollar and income from the exercise of currency derivatives thereon), income from reversal of provisions, income from write-backs and other income (compensation from insurance claims, income from the settlement of other claims, office space rentals and various other items).

### ***Transport Expenses***

Transport expenses consist of the costs of raw materials, supplies and purchased goods (mainly bunker fuel expenses including effects from fuel hedging instruments) and the costs of purchased services. The costs of purchased services encompasses port, canal and terminal costs, container transport costs, chartering, leases and container rental expenses, maintenance and repair costs and other services.

Port, canal and terminal costs mainly include stevedoring expenses, port costs and canal charges for passages through the Suez and Panama Canals as well as terminal handling costs. Container transport costs include the cost for full container transportation (other than the sea leg), particularly the inland transport from departure to the port and from the port to the destination, the cost of repositioning empty containers and cleaning and storage costs. The costs for chartering, leases and container rental include the costs for chartering vessels, renting containers and slot charter expenses. Maintenance and repair costs are costs for the repair of owned and leased vessels and containers. Other services within the purchased services include various smaller transport related expenses, such as charges on transport and trade insurances as well as exchange gains and losses on transport related costs between transaction date and settlement date or closing date.

Variable components of transport costs mainly comprise inland transportation and terminal costs which are directly linked to the individual transport. Our repositioning costs of empty containers can also be considered variable, since they diminish to a certain extent if the container move does not take place. In contrast to this, most of our costs connected to the vessel and container fleet as well as to the employed network can be considered fixed at least on a short term basis. Some of the fixed costs, however, can be adjusted over the medium term, such as by a reduction in bunker consumption with slow steaming or the termination of charter vessel contracts. Maintenance and repair costs are mainly fixed costs, as maintenance is driven by vessel classification society regulations, our own strict maintenance guidelines and associated dry-docking schedules, which require vessel dry-docking once every five years. While classification related expenses for our own and finance leased ships are capitalized, other maintenance and repair costs, including those for leased and chartered ships, are expensed under this item.

### ***Personnel Expenses***

Personnel expenses consist of wages and salaries as well as social security, pension costs and other benefits. Pension costs include, among other things, expenses for defined benefit pension obligations, defined contribution payments as well as gains and losses from the translation of pension obligations denominated in currencies other than U.S. dollar. Overall, personnel expenses are not directly linked to the transported volume and are mainly considered as fixed costs.

### ***Amortization, Depreciation and Impairment***

Amortization, depreciation and impairment includes depreciation of property, plant and equipment, amortization of intangible assets and impairment for intangible assets and property, plant and equipment. Costs of property, plant and equipment in use are depreciated on a straight-line basis over the estimated useful life of the assets. We depreciate our container ships based on an estimated useful life of 25 years and our containers based on an estimated useful life of 13 years.

### Other Operating Expenses

Other operating expenses consist of exchange rate losses on financial assets and liabilities and bank charges, electronic data processing (“EDP”) costs, expenses for charges, fees, consultancy and other professional services, commissions, rental and leases expenses for assets other than ships and containers, other taxes (in particular freight taxes), expenses for premiums on expired currency options, personnel costs, administrative expenses and other expenses (in particular, travel costs, audit fees, insurance payments and maintenance and repair costs).

### Share of Profit and Loss of Companies Accounted for Under the Equity Method

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

### Other Financial Result

Other financial result mainly comprises changes in the time value of options, the recognition of ineffective hedges through profit and loss and minor effects resulting from the application of the spot-to-spot method.

### Interest Result

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

### Income Taxes

Taxes on income comprise corporate income tax including the solidarity surcharge and trade tax in Germany as well as comparable earnings related tax in other countries. In addition, deferred taxes are recognized and the applicable deferred tax income and expense is included in this item.

### Results of Operations

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

	Year ended December 31,						Nine months ended September 30,			
	2013		2014*		2015		2015		2016	
	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue
	<i>(in € million, except percentages)</i>									
	<b>(audited)</b>						<b>(unaudited)</b>			
Revenue .....	6,567.4	100.0	6,807.5	100.0	8,841.8	100.0	6,806.0	100.0	5,713.8	100.0
Other operating income .....	156.3	2.4	116.8	1.7	193.7	2.2	145.9	2.1	90.4	1.6
Transport expenses .....	5,773.1	87.9	6,060.1	89.0	7,258.5	82.1	5,559.7	81.7	4,772.0	83.5
Personnel expenses .....	365.2	5.6	403.3	5.9	484.4	5.5	360.2	5.3	377.6	6.6
Amortization, depreciation and impairment .....	325.4	5.0	481.7	7.1	464.6	5.3	342.0	5.0	355.4	6.2
Other operating expenses .....	251.7	3.8	393.3	5.8	517.7	5.9	359.6	5.3	291.5	5.1
<b>Operating result .....</b>	<b>8.3</b>	<b>0.1</b>	<b>(414.1)</b>	<b>(6.1)</b>	<b>310.3</b>	<b>3.5</b>	<b>330.4</b>	<b>4.9</b>	<b>7.7</b>	<b>0.1</b>
Investments accounted for under the equity method .....	36.8	0.6	34.2	0.5	28.5	0.3	22.5	0.3	19.6	0.3
Other financial result .....	18.6	0.3	(2.9)	(0.0)	27.6	0.3	(4.3)	(0.1)	(1.4)	0.0
<b>Earnings before interest and tax (EBIT) .....</b>	<b>63.7</b>	<b>1.0</b>	<b>(382.8)</b>	<b>(5.6)</b>	<b>366.4</b>	<b>4.1</b>	<b>348.6</b>	<b>5.1</b>	<b>25.9</b>	<b>0.5</b>
Interest result .....	(153.6)	(2.3)	(209.7)	(3.1)	(227.3)	(2.6)	(169.1)	(2.5)	(145.0)	(2.5)
Earnings before tax .....	(89.9)	(1.4)	(592.5)	(8.7)	139.1	1.6	179.5	2.6	(119.1)	(2.1)
Income taxes .....	7.5	0.1	11.2	0.2	25.2	0.3	19.1	0.3	14.8	0.3
<b>Profit/loss .....</b>	<b>(97.4)</b>	<b>(1.5)</b>	<b>(603.7)</b>	<b>(8.9)</b>	<b>113.9</b>	<b>1.3</b>	<b>160.4</b>	<b>2.4</b>	<b>(133.9)</b>	<b>(2.3)</b>

(\*) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

## Comparison of the nine months ended September 30, 2016 and 2015

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and the majority of its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rates for the periods were 1.1151 U.S. dollars/euro in the nine months ended September 30, 2015 and 1.1138 U.S. dollars/euro in the nine months ended September 30, 2016.

### Revenue

Revenue decreased by 16.0% to €5,713.8 million in the nine months ended September 30, 2016 from €6,806.0 million in the nine months ended September 30, 2015. This decrease in revenue was largely attributable to a further significant decline in freight rates. Transport volume increased by 1.3% to 5,649,775 TEU in the nine months ended September 30, 2016 from 5,579,438 in the nine months ended September 30, 2015. The increase in transport volumes mainly resulted from higher volumes in the trades Transpacific, Intra-Asia and EMAO. During the same period, our average freight rate decreased by 17.7% from US\$1,260 per TEU in the nine months ended September 30, 2015 to US\$1,037 per TEU in the nine months ended September 30, 2016. The main reason for the decline was slower growth, existing overcapacities and intense competition, with pressure on freight rates continuing, and the lower bunker price compared with the prior period. Freight rates could not be increased as announced as a result of the continued intensive competition caused by overcapacity as well as slow growth in demand felt in all trades.

The positive effect on revenues resulting from the increase in transport volumes was diminished by the decrease in freight rates. Expressed in US dollars, revenue decreased by 16.1% to US\$6,364.0 million in the nine months ended September 30, 2016 from US\$7,589.4 million in the corresponding period in 2015.

The following table sets forth a breakdown of our transport volumes and average freight rates by trade for the nine months ended September 30, 2016 and the corresponding period in 2015.

	Transport volumes			Average freight rates		
	For the nine months ended September 30,			For the nine months ended September 30,		
	2015	2016	% Change	2015	2016	% Change
	(TEU**)			(US\$/TEU*)		
	(unaudited)					
<b>Transport volume/average freight rate by trade route*</b>						
Atlantic	1,172,879	1,159,279	(1.2)	1,512	1,344	(11.1)
Transpacific	1,043,377	1,090,512	4.5	1,647	1,237	(24.9)
Far East	975,976	927,325	(5.0)	977	754	(22.9)
Latin America	1,698,342	1,672,766	(1.5)	1,157	992	(14.2)
Intra-Asia	419,924	491,861	17.1	684	538	(21.3)
EMAO (Europe-Mediterranean-Africa-Oceania)	268,940	308,032	14.5	1,238	1,067	(13.8)
<b>Total</b>	<b>5,579,438</b>	<b>5,649,775</b>	<b>1.3</b>	<b>1,260</b>	<b>1,037</b>	<b>(17.7)</b>

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

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

Transport volume in the Atlantic trade decreased by 1.2% to 1,159,279 TEU in the nine months ended September 30, 2016 from 1,172,879 TEU in the nine months ended September 30, 2015, due to lower transports on the North America to Europe sub trade. As a result of the ongoing difficult market environment, with pressure on freight rates persisting, our average freight rates dropped by 11.1% to US\$1,344 per TEU in the nine months ended September 30, 2016 from US\$1,512 per TEU in the nine months ended September 30, 2015.

Transport volume in the Transpacific trade increased by 4.5% to 1,090,512 TEU in the nine months ended September 30, 2016 from 1,043,377 TEU in the nine months ended September 30, 2015,

mainly due to higher volumes on the Asia to North America sub trade. As a result of intense competition, our average freight rates dropped by 24.9% to US\$1,237 per TEU in the nine months ended September 30, 2016 from US\$1,647 per TEU in the nine months ended September 30, 2015.

Transport volume in the Far East trade decreased by 5.0% to 927,325 TEU in the nine months ended September 30, 2016 from 975,946 TEU in the nine months ended September 30, 2015, due to a weak market environment and a slow economic growth in China. As a result of intense competition, our average freight rates dropped by 22.9% to US\$754 per TEU in the nine months ended September 30, 2016 from US\$977 per TEU in the nine months ended September 30, 2015.

Transport volume in the Latin America trade decreased by 1.5% to 1,672,766 TEU in the nine months ended September 30, 2016 from 1,698,342 TEU in the nine months ended September 30, 2015, due to lower volumes on the South America—Asia sub trade. As a result of intense competition, our average freight rates dropped by 14.2% to US\$992 per TEU in the nine months ended September 30, 2016 from US\$1,157 per TEU in the nine months ended September 30, 2015.

Transport volume in the Intra-Asia trade increased by 17.1% to 491,861 TEU in the nine months ended September 30, 2016 from 419,924 TEU in the nine months ended September 30, 2015, due to stronger bookings across the board. As a result of intense competition, our average freight rates dropped by 21.3% to US\$538 per TEU in the nine months ended September 30, 2016 from US\$684 per TEU in the nine months ended September 30, 2015.

Transport volume in the EMAO (Europe-Mediterranean-Africa-Oceania) trade increased by 14.5% to 308,032 TEU in the nine months ended September 30, 2016 from 268,940 TEU in the nine months ended September 30, 2015, mainly due to higher volumes on the Africa related sub trades. As a result of increased competitive pressure, our average freight rates dropped by 13.8% to US\$1,067 per TEU in the nine months ended September 30, 2016 from US\$1,238 per TEU in the nine months ended September 30, 2015.

#### **Other Operating Income**

Other operating income decreased by 38.0% to €90.4 million in the nine months ended September 30, 2016 from €145.9 million in the nine months ended September 30, 2015. The decrease in other operating income was primarily attributable to the disposal of 16 vessels and the release of the restructuring provision which led to an increase of other operating income in the nine months ended September 30, 2015.

#### **Transport Expenses**

The following table below sets forth our transport expenses for the nine months ended September 30, 2016 and the nine months ended September 30, 2015.

	For the nine months ended September 30,			
	2015		2016	
		% of total revenue		% of total revenue
<i>(in € million, except percentages)</i>				
<b>(unaudited)</b>				
<b>Transport expenses</b>				
Cost of raw materials, supplies and purchased goods . . . . .	850.3	12.5	477.1	8.3
Cost of purchased services* . . . . .	4,709.4	69.2	4,294.9	75.2
<i>Thereof:</i> . . . . .				
<i>Port, canal and terminal costs</i> . . . . .	2,060.5	30.3	1,984.0	34.7
<i>Container transport costs</i> . . . . .	1,661.3	24.4	1,408.1	24.6
<i>Chartering, leases and container rentals</i> . . . . .	868.8	12.8	739.6	12.9
<i>Maintenance/repair and other costs</i> . . . . .	118.8	1.7	163.2	2.9
<b>Total</b> . . . . .	<b>5,559.7</b>	<b>81.7</b>	<b>4,772.0</b>	<b>83.5</b>

(\*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals in the amount of €17.5 million for the nine months ended September 30, 2016. The nine months ended September 30, 2015 were adjusted accordingly by €66.2 million.

Transport expenses decreased by 14.2% to €4,772.0 million in the nine months ended September 30, 2016 from €5,559.7 million in the nine months ended September 30, 2015. These expenses constituted 83.5% and 81.7% as a percentage of total revenue for the nine months ended



September 30, 2016 and 2015, respectively. In general the decrease in transport expenses is attributable to the realization of synergy effects from the CCS Activities, as well as to savings resulting from cost-cutting measures initiated in the previous years as well as lower bunker prices.

Cost of raw materials, supplies and purchased goods decreased by 43.9% to €477.1 million in the nine months ended September 30, 2016 from €850.3 million in the nine months ended September 30, 2015. This decrease was primarily triggered by lower bunker consumption prices. The average bunker price (MFO) was US\$195 per tonne down US\$138 on the figure for the prior year period. Bunker efficiency improved further compared to the previous year.

Overall the costs of purchased services decreased by 8.8% to €4,294.9 million in the nine months ended September 30, 2016 from €4,709.4 million in the nine months ended September 30, 2015. This was due to the realization of synergy effects from the merger with CSAV's container shipping activities, as well as to savings resulting from cost-saving measures initiated in the previous years.

Port, canal and terminal cost decreased by 3.7% to €1,984.0 million in the nine months ended September 30, 2016 from €2,060.5 million in the nine months ended September 30, 2015, due to reduced terminal handling costs.

Container transport costs decreased by 15.2% to €1,408.1 million in the nine months ended September 30, 2016 from €1,661.3 million in the nine months ended September 30, 2015. This decrease was primarily attributable to the resulting from cost-saving measures implemented.

Chartering, leases and container rental expense decreased by 14.9% to €739.6 million in the nine months ended September 30, 2016 from €868.8 million in the nine months ended September 30, 2015. This decrease was caused by further cost reductions from operational efficiency, for example lower charter rates and the returning of charter ships.

Maintenance, repair and other costs increased by 37.4% to €163.2 million in the nine months ended September 30, 2016 from €118.8 million in the nine months ended September 30, 2015. The main reason for this increase is the exchange rate effects from creditor payments and payables valuation. In the nine months ended September 30, 2016 there was a loss compared to a gain in the nine months ended September 30, 2015.

### ***Personnel Expenses***

The following table sets forth our personnel expenses for the nine months ended September 30, 2016 and for the nine months ended September 30, 2015.

	Nine months ended September 30,			
	2015		2016	
	% of total revenue		% of total revenue	
	(in € million, except percentages) (unaudited)			
<b>Personnel expenses</b>				
Wages and salaries .....	297.6	4.4	302.6	5.3
Social security, pension costs and other benefits .....	62.6	0.9	75.0	1.3
<b>Total</b> .....	<b>360.2</b>	<b>5.3</b>	<b>377.6</b>	<b>6.6</b>

Personnel expenses increased by 4.8% to €377.6 million in the nine months ended September 30, 2016 from €360.2 million in the nine months ended September 30, 2015. Personnel expenses constituted 6.6% and 5.3% as a percentage of total revenue for in the nine months ended September 30, 2016 and the corresponding period in 2015, respectively. The increase in personnel expenses was primarily attributable to the partial release of the restructuring provision in the nine month period 2015 as well as a positive currency effect relating to the valuation of pension provisions.

### ***Amortization, Depreciation and Impairment***

Amortization, depreciation and impairment increased by 3.9% to €355.4 million in the nine months ended September 30, 2016 from €342.0 million in the nine months ended September 30, 2015. The increase in amortization, depreciation and impairment was primarily attributable to the scheduled depreciation of the new ships and containers acquired in the previous year.

### **Other Operating Expenses**

The following table below sets forth our other operating expenses for the nine months ended September 30, 2016 and the nine months ended September 30, 2015.

	Nine months ended September 30,			
	2015		2016	
		% of total revenue		% of total revenue
	<i>(in € million, except percentages)</i>			
	<i>(unaudited)</i>			
<b>Other operating expenses</b>				
Rental and lease expenses	25.9	0.4	21.8	0.4
Commissions	61.7	0.9	37.2	0.7
Exchange rate losses	76.4	1.1	39.2	0.7
Other personnel cost	17.9	0.3	17.5	0.3
Expenses for charges, fees, consultancy and other professional services	17.7	0.3	22.4	0.4
EDP costs including IT leasing	67.2	1.0	67.2	1.2
Administrative expenses	14.5	0.2	9.8	0.2
Travel expenses	11.5	0.2	11.3	0.2
Other taxes	25.3	0.4	16.1	0.3
Sundry operating expenses	41.5	0.6	49.0	0.9
<b>Total</b>	<b>359.6</b>	<b>5.3</b>	<b>291.5</b>	<b>5.1</b>

Other operating expenses decreased by 18.9% to €291.5 million in the nine months ended September 30, 2016 from €359.6 million in the nine months ended September 30, 2015. Other operating expenses constituted 5.1% and 5.3% as a percentage of total revenue for the nine months ended September 30, 2016 and in the nine months ended September 30, 2015, respectively. This decrease in other operating expenses was primarily attributable to lower exchange rate losses. Furthermore, lower commissions, reduced rental/lease and administrative expenses due to operational efficiency were also contributed to the decrease in other operating expenses in the nine month period ended September 30, 2016.

### **Operating Result**

Operating result declined by 97.7% to €7.7 million in the nine months ended September 30, 2016 from €330.4 million in the nine months ended September 30, 2015 mainly due to a challenging operating environment and subdued global economic growth. Sustained competitive pressure in the container shipping industry led to a further significant decline in freight rates in the nine months ended September 30, 2016. By contrast, synergy effects and cost savings as well as the lower bunker consumption prices compared with the same period in previous year could not compensate the decline of freight rates in the operating result.

### **Investments Accounted for Under the Equity Method**

Our profit or loss of investments accounted for under the equity method decreased by 12.9% to €19.6 million in the nine months ended September 30, 2016 from €22.5 million in the nine months ended September 30, 2015.

### **Other Financial Result**

Other financial result increased by €2.9 million to a loss of €1.4 million in the nine months ended September 30, 2016 from a loss of €4.3 million in the nine months ended September 30, 2015, mainly due to changes in the fair value of derivative financial instruments.

### **Interest Result**

The following table sets forth our interest results for the nine months ended September 30, 2016 and the nine months ended September 30, 2015.

	Nine months ended September 30,	
	2015	2016
	<i>(in € million)</i> <i>(unaudited)</i>	
<b>Interest income</b> .....	<b>4.0</b>	<b>3.8</b>
Interest income from fund assets for the financing of pensions and similar obligations .....	2.9	3.0
Other interest and similar income .....	1.1	0.8
<b>Interest expenses</b> .....	<b>(173.1)</b>	<b>(148.8)</b>
Interest expense from the valuation of pensions and similar obligations .....	(6.4)	(6.8)
Interest expenses from the change in fair value of embedded derivatives .....	(3.1)	8.7
Other interest and similar expenses .....	(163.6)	(150.7)
<b>Total</b> .....	<b>(169.1)</b>	<b>(145.0)</b>

Interest income decreased by 5.0% to €3.8 million in the nine months ended September 30, 2016 from €4.0 million in the nine months ended September 30, 2015.

Interest expense decreased by 14.0% to €148.8 million in the nine months ended September 30, 2016 from €173.1 million in the nine months ended September 30, 2015. This decrease in interest expense was primarily attributable to reduced interest expenses for outstanding indebtedness as well as the change in the valuation effect from embedded derivatives from €(3.1) million to €8.7 million.

Overall net interest expense decreased by 14.3% to €145.0 million in the nine months ended September 30, 2016 from €169.1 million in the nine months ended September 30, 2015 as a result of the optimization of interest rates.

### **Income Taxes**

Income taxes decreased by €4.3 million to tax expenses of €14.8 million in the nine months ended September 30, 2016 from a tax expense of €19.1 million in the nine months ended September 30, 2015. This decrease was mainly attributable to higher foreign income taxes.

### **Profit/Loss for the Period**

Profit for the period decreased by €294.3 million to a loss of €133.9 million in the nine months ended September 30, 2016 from a profit of €160.4 million in the nine months ended September 30, 2015, as a result of the factors described above.

### **Comparison of the Financial Years Ended December 31, 2015 and 2014**

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and the majority of its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rates for the periods were 1.1100 U.S. dollars/euro in the financial year ended December 31, 2015 and 1.3288 U.S. dollars/euro in the financial year ended December 31, 2014.

### **Revenue**

Revenue increased by 29.9% to €8,841.8 million in the financial year ended December 31, 2015 from €6,807.5 million in the financial year ended December 31, 2014. This increase in revenue was largely attributable to the inclusion of the revenue from the acquired CCS Activities as well as the considerably stronger average US\$ exchange rate compared to the prior year. Transport volume increased from 5,906,686 TEU in the financial year ended December 31, 2014 to 7,401,206 TEU in the financial year ended December 31, 2015, a 25.3% rise. During the same period, our average freight rate decreased by 14.2% from US\$1,427 per TEU in the financial year ended December 31, 2014 to US\$1,225 per TEU in the financial year ended December 31, 2015, mainly due to the initial inclusion of CCS Activities, which have a lower freight rate level overall. The ongoing difficulties in the market environment also had an impact on our freight rates.

Expressed in US dollars, revenue increased by 8.5% to US\$9,814.4 million in the financial year ended December 31, 2015 from US\$9,045.8 million in the financial year ended December 31, 2014.

The following table sets forth a breakdown of our transport volumes and average freight rates by trade for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	Transport volumes			Average freight rates		
	2014**	2015	% Change	2014**	2015	% Change
	(TEU***)			(US\$/TEU*)		
	(unaudited)					
<b>Transport volume/average freight rate by trade*</b>						
Atlantic	1,445,824	1,541,317	6.6	1,585	1,504	(5.1)
Transpacific	1,318,880	1,390,223	5.4	1,768	1,599	(9.6)
Far East	1,134,550	1,282,332	13.0	1,179	942	(20.1)
Latin America	1,157,879	2,247,134	94.1	1,357	1,111	(18.1)
Intra-Asia	491,505	573,171	16.6	796	655	(17.7)
EMAO (Europe-Mediterranean-Africa-Oceania)	358,048	367,029	2.5	1,407	1,210	(14.0)
<b>Total</b>	<b>5,906,686</b>	<b>7,401,206</b>	<b>25.3</b>	<b>1,427</b>	<b>1,225</b>	<b>(14.2)</b>

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

\*\* Including CCS Activities for December 2014.

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

Transport volume in the Atlantic trade increased by 6.6% to 1,541,317 TEU in the financial year ended December 31, 2015 from 1,445,824 TEU in the financial year ended December 31, 2014, due to a rise in transport volume on the Europe-North America trade arising from increased European exports to North America as a consequence of the current strength of the US dollar compared to the euro. As a result of intense competition our average freight rates dropped by 5.1% to US\$1,504 per TEU in the financial year ended December 31, 2015 from US\$1,585 per TEU in the financial year ended December 31, 2014.

Transport volume in the Transpacific trade increased by 5.4% to 1,390,223 TEU in the financial year ended December 31, 2015 from 1,318,880 TEU in the financial year ended December 31, 2014, due to increased North American exports to Asia. As a result of competitive pressure and a decline of the bunker prices, our average freight rates dropped by 9.6% to US\$1,599 per TEU in the financial year ended December 31, 2015 from US\$1,768 per TEU in the financial year ended December 31, 2014.

Transport volume in the Far East trade increased by 13.0% to 1,282,332 TEU in the financial year ended December 31, 2015 from 1,134,550 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities. The increase was less than expected due to a weakening economic environment. As a result of tremendous rate pressure arising from intense competition and a significantly decreased Shanghai Container Freight Index, our average freight rates dropped by 20.1% to US\$942 per TEU in the financial year ended December 31, 2015 from US\$1,179 per TEU in the financial year ended December 31, 2014.

Transport volume in the Latin America trade increased by 94.1% to 2,247,134 TEU in the financial year ended December 31, 2015 from 1,157,879 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities, partially offset by the weak economic development in Latin America and China, our average freight rates dropped by 18.1% to US\$1,111 per TEU in the financial year ended December 31, 2015 from US\$1,357 per TEU in the financial year ended December 31, 2014.

Transport volume in the Intra-Asia trade increased by 16.6% to 573,171 TEU in the financial year ended December 31, 2015 from 491,505 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities, partially offset by the weak economic growth in China. As a result of intense competition, our average freight rates dropped by 17.7% to US\$655 per TEU in the financial year ended December 31, 2015 from US\$796 per TEU in the financial year ended December 31, 2014.

Transport volume in the EMAO (Europe-Mediterranean-Africa-Oceania) trade increased by 2.5% to 367,029 TEU in the financial year ended December 31, 2015 from 358,048 TEU in the financial year ended December 31, 2014, mainly due to a higher transport volume on the Africa-related sub-trades. As a result of the strength of the

US dollar compared to the euro and strong competitive pressure, our average freight rates dropped by 14.0% to US\$1,210 per TEU in the financial year ended December 31, 2015 from US\$1,407 per TEU in the financial year ended December 31, 2014.

### **Other Operating Income**

Other operating income increased by 65.8% to €193.7 million in the financial year ended December 31, 2015 from €116.8 million in the financial year ended December 31, 2014. The increase in other operating income was primarily attributable to the rise in income from disposal of assets that were recognized in the previous year as non-current assets held for sale. In the financial year ended December 31, 2015, a total of 16 vessels were sold or disposed of to a certified ship breaking yard. In addition, exchange rate gains increased by 34.1% to €94.7 million in the financial year ended December 31, 2015 from €70.6 million in the financial year ended December 31, 2014. Furthermore, €26.6 million of the restructuring provision recognized in 2014 was also released through other operating income.

### **Transport Expenses**

The following table below sets forth our transport expenses for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	2014		2015	
		% of total revenue		% of total revenue
	<i>(in € million, except percentages)</i>			
	<b>(audited, except percentages)</b>			
<b>Transport expenses</b>				
Cost of raw materials, supplies and purchased goods . . . . .	1,362.3	20.0	1,067.9	12.1
Cost of purchased services(*) . . . . .	4,697.8	69.0	6,190.6	70.0
<i>Thereof:</i>				
<i>Port, canal and terminal costs</i> . . . . .	1,989.9	29.2	2,717.2	30.7
<i>Container transport costs</i> . . . . .	1,841.4	27.0	2,148.4	24.3
<i>Chartering, leases and container rentals</i> . . . . .	734.0	10.8	1,168.6	13.2
<i>Maintenance/repair/other</i> . . . . .	132.5	2.0	156.4	1.8
<b>Total</b> . . . . .	<b>6,060.1</b>	<b>89.0</b>	<b>7,258.5</b>	<b>82.1</b>

(\*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals in the amount of €49.0 million for the financial year ended December 31, 2015. The financial year ended December 31, 2014 was adjusted accordingly by €40.5 million.

Transport expenses increased by 19.8% to €7,258.5 million in the financial year ended December 31, 2015 from €6,060.1 million in the financial year ended December 31, 2014. These expenses constituted 82.1% and 89.0% as a percentage of total revenue for the financial year ended December 31, 2015 and 2014, respectively. In general the increase in transport expenses is attributable to the increase in transport volumes caused by the acquisition of CCS Activities.

Cost of raw materials, supplies and purchased goods decreased by 21.6% to €1,067.9 million in the financial year ended December 31, 2015 from €1,362.3 million in the financial year ended December 31, 2014. This decrease was primarily triggered by a 45.7% drop in bunker consumption prices and the cost savings achieved from higher bunker efficiency.

Overall the costs of purchased services increased by 31.8% to €6,190.6 million in the financial year ended December 31, 2015 from €4,697.8 million in the financial year ended December 31, 2014. The reason for this is the increase in volumes following the acquisition of the CCS Activities.

Port, canal and terminal cost increased by 36.5% to €2,717.2 million in the financial year ended December 31, 2015 from €1,989.9 million in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities.

Container transport costs increased by 16.7% to €2,148.4 million in the financial year ended December 31, 2015 from €1,841.4 million in the financial year ended December 31, 2014. This increase was primarily attributable to the increase in transport volumes caused by the acquisition of the CCS Activities. In addition, synergy effects achieved from the merger with CSAV's container shipping activities and the cost-cutting measures initiated in the previous year already made a substantial contribution to the continuous reduction of costs in the 2015 financial year.



Chartering, leases and container rental expense increased by 59.2% to €1,168.6 million in the financial year ended December 31, 2015 from €734.0 million in the financial year ended December 31, 2014. This increase was also caused by the acquisition of CSAV's container shipping activities and the higher number of ships and containers chartered or rented.

Maintenance, repair and other costs increase by 18.0% to €156.4 million in the financial year ended December 31, 2015 from €132.5 million in the year financial ended December 31, 2014, mainly due to the acquisition of CSAV's container shipping activities.

### **Personnel Expenses**

The following table sets forth our personnel expenses for the financial year ended December 31, 2015 and for the financial year ended December 31, 2014.

	2014		2015	
	% of total revenue		% of total revenue	
	<i>(in € million, except percentages)</i> <b>(audited, except percentages)</b>			
<b>Personnel expenses</b>				
Wages and salaries . . . . .	343.7	5.0	401.0	4.5
Social security, pension costs and other benefits . . . . .	59.6	0.9	83.4	0.9
<b>Total</b> . . . . .	<b>403.3</b>	<b>5.9</b>	<b>484.4</b>	<b>5.5</b>

Personnel expenses increased by 20.1% to €484.4 million in the financial year ended December 31, 2015 from €403.3 million in the financial year ended December 31, 2014. Personnel expenses constituted 5.5% and 5.9% as a percentage of total revenue for the financial year ended December 31, 2015 and the financial year ended December 31, 2014, respectively. The increase in personnel expenses was primarily attributable to the inclusion of the personnel expenses relating to the CCS Activities and expenses for defined benefit and defined contribution pension obligations. This increase was partly offset by the release of the restructuring provision in the amount of €22.5 million in 2015. The restructuring provision was created in 2014 with €41.2 million for personnel measures relating to the acquisition of CSAV's container shipping activities.

### **Amortization, Depreciation and Impairment**

Amortization, depreciation and impairment decreased by 3.5% to €464.6 million in the financial year ended December 31, 2015 from €481.7 million in the financial year ended December 31, 2014.

### **Other Operating Expenses**

The following table below sets forth our other operating expenses for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	2014		2015	
	% of total revenue		% of total revenue	
	<i>(in € million, except percentages)</i> <b>(audited, except percentages)</b>			
<b>Other operating expenses</b>				
Rental and lease expenses . . . . .	22.0	0.3	34.0	0.4
Commissions . . . . .	56.2	0.8	76.2	0.9
Exchange rate losses . . . . .	66.7	1.0	122.0	1.4
Other personnel cost . . . . .	14.7	0.2	25.7	0.3
Expenses for charges, fees, consultancy and other professional services . . . . .	33.5	0.5	24.5	0.3
EDP costs including IT leasing . . . . .	67.1	1.0	95.3	1.1
Administrative expenses . . . . .	11.2	0.2	18.6	0.2
Travel expenses . . . . .	9.6	0.1	15.3	0.2
Other taxes . . . . .	29.2	0.4	38.1	0.4
Sundry operating expenses . . . . .	83.1	1.2	68.0	0.8
<b>Total</b> . . . . .	<b>393.3</b>	<b>5.8</b>	<b>517.7</b>	<b>5.9</b>

Other operating expenses increased by 31.6% to €517.7 million in the financial year ended December 31, 2015 from €393.3 million in the financial year ended December 31, 2014. Other

operating expenses constituted 5.9% and 5.8% as a percentage of total revenue for the financial year ended December 31, 2015 and the financial year ended December 31, 2014, respectively. This increase in other operating expenses was primarily attributable to an increase of general administration expenses as well as periodic-specific exchange rate losses due to changes in the U.S. dollar/euro exchange rate.

### **Operating Result**

Operating result improved by €724.4 million to an income of €310.3 million in the financial year ended December 31, 2015 from a loss of €414.1 million in the financial year ended December 31, 2014, as a result of the factors described above.

### **Investments Accounted for Under the Equity Method**

Our profit or loss of investments accounted for under the equity method decreased by 16.7% to €28.5 million in the financial year ended December 31, 2015 from €34.2 million in the financial year ended December 31, 2014. This was primarily due to reduction of the CTA result because of lower transport volumes.

### **Other Financial Result**

Other financial result increased by €30.5 million to a gain of €27.6 million in the financial year ended December 31, 2015 from a loss of €2.9 million in the financial year ended December 31, 2014, mainly due to changes in the fair value of derivative financial instruments.

### **Interest Result**

The following table sets forth our interest results for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	<u>2014</u>	<u>2015</u>
	<i>(in € million)</i>	
	<b>(audited)</b>	
<b>Interest income</b> .....	<b>7.0</b>	<b>5.6</b>
Interest income from fund assets for the financing of pensions and similar obligations .....	4.5	3.9
Other interest and similar income .....	2.5	1.7
<b>Interest expenses</b> .....	<b>(216.7)</b>	<b>(232.9)</b>
Interest expense from the valuation of pensions and similar obligations .....	(9.6)	(8.5)
Interest expenses from the change in fair value of embedded derivatives .....	(17.0)	(5.3)
Other interest and similar expenses .....	(190.1)	(219.1)
<b>Total</b> .....	<b>(209.7)</b>	<b>(227.3)</b>

Interest income decreased by €1.4 million to €5.6 million in the financial year ended December 31, 2015 from €7.0 million in the financial year ended December 31, 2014.

Interest expense increased by 7.5% to €232.9 million in the financial year ended December 31, 2015 from €216.7 million in the financial year ended December 31, 2014. This increase in interest expense was primarily attributable to new vessel financings.

Overall net interest expense increased by 8.4% to a net interest expense of €227.3 million in the financial year ended December 31, 2015 from a net interest expense of €209.7 million in the financial year ended December 31, 2014 as a result of the factors described above.

### **Income Taxes**

Income taxes increased by €14.0 million, to tax expenses of €25.2 million in the financial year ended December 31, 2015 from a tax expense of €11.2 million the financial year ended December 31, 2014. This increase was mainly attributable to higher foreign income taxes.

### **Profit/Loss for the Period**

Profit for the period increased by €717.6 million to a profit of €113.9 million in the financial year ended December 31, 2015 from a loss of €603.7 million in the financial year ended December 31, 2014, as a result of the factors described above.

## Comparison of the Financial Years Ended December 31, 2014 and 2013

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rate for the periods were 1.3288 U.S. dollars/euro in the financial year ended December 31, 2014 and 1.3284 U.S. dollars/euro in the financial year ended December 31, 2013.

### Revenue

Revenue in the financial year ended December 31, 2014 increased by €240.1 million or 3.7% to a total of €6,807.5 million (previous year: €6,567.4 million). In addition to the inclusion of the revenue from the CCS Activities for the month of December, the development of revenue was affected by a 4.8% increase in transport volume to 5,756,945 TEU (including the CCS Activities by a further 2.7% to a 7.5% increase to 5,906,686 TEU), which was partly offset by a decline in the average freight rate to US\$1,434 per TEU (a decrease of 3.2% compared to US\$1,482 per TEU in 2013), due to strong competition in all trades. The average freight rate for the acquired CCS Activities in December 2014 was US\$1,154 per TEU. Including the CCS Activities, our average freight rate for the financial year ended December 31, 2014 was 1,427 US\$/TEU. The following table shows a breakdown of our transport volumes and average freight rates by trade for the financial years ended December 31, 2014 and 2013.

	Transport volumes			Average freight rates		
	2013	2014	% Change	2013	2014	% Change
		(TEU**)	(unaudited)		(US\$/TEU*)	
<b>Transport volume/average freight rate by trade*</b>						
Atlantic	1,204,541	1,272,000	5.6	1,679	1,634	(2.7)
Far East	1,246,466	1,353,825	8.6	1,237	1,162	(6.1)
Latin America	1,171,580	1,226,477	4.7	1,390	1,365	(1.8)
Transpacific	1,244,579	1,248,867	0.3	1,747	1,740	(0.4)
Australasia	628,612	655,776	4.3	1,236	1,153	(6.7)
<b>Total Hapag-Lloyd excl. CCS Activities</b>	<b>5,495,778</b>	<b>5,756,945</b>	<b>4.8</b>	<b>1,482</b>	<b>1,434</b>	<b>(3.2)</b>
<b>CCS Activities December 2014</b>	<b>n.a.</b>	<b>149,741</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,154</b>	<b>n.a.</b>
<b>Total</b>	<b>n.a.</b>	<b>5,906,686</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,427</b>	<b>n.a.</b>

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

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

Transport volume in the Atlantic trade increased by 5.6% to 1,272,000 TEU in the financial year ended December 31, 2014 from 1,204,541 TEU in the financial year ended December 31, 2013, due to increased volumes of machinery, plastic and beverage cargo. As a result of competitive pressure and a changed cargo mix, our average freight rate decreased by 2.7% to US\$1,634 per TEU in the financial year ended December 31, 2014 from US\$1,679 per TEU in the financial year ended December 31, 2013.

Transport volume in the Far East trade increased by 8.6% to 1,353,825 TEU in the financial year ended December 31, 2014 from 1,246,466 TEU in the financial year ended December 31, 2013, due to an increase in wood, plastic and furniture transports. As a result of high pricing pressure, our average freight rate decreased by 6.1% to US\$1,162 per TEU in the financial year ended December 31, 2014 from US\$1,237 per TEU in the financial year ended December 31, 2013.

Transport volume in the Latin America trade increased by 4.7% to 1,226,477 TEU in the financial year ended December 31, 2014 from 1,171,580 TEU in the financial year ended December 31, 2013, especially due to increased raw material, scrap metal and fruit transports on the Latin America outbound services. Our average freight rate decreased by 1.8% to US\$1,365 per TEU in the financial year ended December 31, 2014 from US\$1,390 per TEU in the financial year ended December 31, 2013.

Transport volume in the Transpacific trade increased slightly by 0.3% to 1,248,867 TEU in the financial year ended December 31, 2014 from 1,244,579 TEU in the financial year ended December 31, 2013, mainly due to higher volumes of machinery and vehicle parts on the routes from Asia to North America. Our average freight rate decreased slightly by 0.4% to US\$1,740 per TEU in the financial year ended December 31, 2014 from US\$1,747 per TEU in the financial year ended December 31, 2013.

Transport volume in the Australasia trade increased by 4.3% to 655,776 TEU in the financial year ended December 31, 2014 from 628,612 TEU in the financial year ended December 31, 2013, due to increased plastic, vehicle parts and metal goods transports. Our average freight rate decreased by 6.7% to US\$1,153 per TEU in the financial year ended December 31, 2014 from US\$1,236 per TEU in the financial year ended December 31, 2013 due to intense competition.

### **Other Operating Income**

Other operating income decreased by 25.3% to €116.8 million in the financial year ended December 31, 2014 from €156.3 million in the financial year ended December 31, 2013. This decrease in other operating income was primarily attributable to lower income from the disposal of assets, which amounted to €0.3 million in the financial year ended December 31, 2014 (no gain or loss from sale and leaseback transactions was realized) compared to €36.1 million in the financial year ended December 31, 2013 (including a gain from sale and leaseback transactions of €26.4 million) and lower income from the release of provisions, which amounted to €4.9 million in the financial year ended December 31, 2014 compared to €36.0 million in the financial year ended December 31, 2013. The volatility of the U.S. dollar/euro exchange rate in the course of the year resulted in period specific exchange rate gains, which are reflected in other operating income.

### **Transport Expenses**

The following table below sets forth our transport expenses for the financial years ended December 31, 2014 and 2013.

	2013		2014	
		% of total revenue		% of total revenue
	<i>(in € million, except percentages)</i> <b>(audited, except percentages)</b>			
<b>Transport expenses</b>				
Cost of raw materials, supplies and purchased goods . . . . .	1,436.6	21.9	1,362.3	20.0
Cost of purchased services <sup>(*)</sup> . . . . .	4,336.5	66.0	4,697.8	69.0
<i>Thereof:</i>				
<i>Port, canal and terminal costs</i> . . . . .	1,831.1	27.9	1,989.9	29.2
<i>Container transport costs</i> . . . . .	1,691.4	25.8	1,841.4	27.0
<i>Chartering, leases and container rentals</i> . . . . .	653.3	9.9	734.0	10.8
<i>Maintenance, repair/other costs</i> . . . . .	160.7	2.4	132.5	2.0
<b>Total</b> . . . . .	<b>5,773.1</b>	<b>87.9</b>	<b>6,060.1</b>	<b>89.0</b>

(\*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals in the amount of €40.5 million for the financial year ended December 31, 2014. The financial year ended December 31, 2013 was not adjusted as the amount was insignificant.

Transport expenses increased by 5.0% to €6,060.1 million in the financial year ended December 31, 2014 from €5,773.1 million in the financial year ended December 31, 2013. These expenses constituted 89.0% and 87.9% as a percentage of total revenue for the financial years ended December 31, 2014 and 2013, respectively. This development was primarily attributable to an increase of €361.3 million in the cost of purchased services, which increased by 8.3% to €4,697.8 million in the financial year ended December 31, 2014 from €4,336.5 million in the financial year ended December 31, 2013. This increase is a reflection of the significantly higher transport volumes and, in particular, the initial inclusion of the CCS Activities, partially offset by cost savings and especially lower charter rates for chartered ships.

Expenses of raw materials, supplies and purchased goods decreased by 5.2% to €1,362.3 million in the financial year ended December 31, 2014 from €1,436.6 million in the financial year ended December 31, 2013. This decrease was primarily driven by reductions of US\$38/t in bunker

consumption prices to US\$575/t in the financial year ended December 31, 2014 compared to US\$613/t in the financial year ended December 31, 2013, which were partially offset by minimal expenses from bunker hedges. Bunker efficiency improved further compared to the previous year.

Port, canal and terminal costs increased by 8.7% to €1,989.9 million in the financial year ended December 31, 2014 from €1.831.1 million in the financial year ended December 31, 2013. This increase was attributable to unusually high loading costs caused by delays in a number of terminals along the west coast of the United States as a result of industrial action as well as a higher transport volume.

In total, container transport costs increased by 8.9% to €1,841.4 million in the financial year ended December 31, 2014 from €1,691.4 million in the financial year ended December 31, 2013. In the financial year ended December 31, 2014, the significantly increased transport volume led to higher container transport costs. In addition the terminal delays along the west coast of the United States resulted in higher transshipment costs and considerable increase in container shipping costs.

Chartering, leases and container rental expense increased by 12.4% to €734.0 million in the financial year ended December 31, 2014 from €653.3 million in the financial year ended December 31, 2013. This increase is a reflection of the initial inclusion of the CCS Activities, partially offset by lower charter rates for ships in the financial year ended December 31, 2014 compared to charter rates in the financial year ended December 31, 2013.

Maintenance, repair and other costs decreased by 17.5% to €132.5 million in the financial year ended December 31, 2014 from €160.7 million in the financial year ended December 31, 2013, mainly due to ongoing cost savings, particularly to lower maintenance and repair costs, due to a more modern fleet of ships.

#### ***Personnel Expenses***

The following table sets forth our personnel expenses for the financial years ended December 31, 2014 and 2013.

	2013		2014	
		% of total revenue		% of total revenue
	<i>(in € million, except percentages)</i> <b>(audited, except percentages)</b>			
<b>Personnel expenses</b>				
Wages and salaries . . . . .	292.7	4.5	343.7	5.0
Social security, pension costs and other benefits . . . . .	72.5	1.1	59.6	0.9
<b>Total</b> . . . . .	<b>365.2</b>	<b>5.6</b>	<b>403.3</b>	<b>5.9</b>

Personnel expenses increased by 10.4% to €403.3 million in the financial year ended December 31, 2014 from €365.2 million in the financial year ended December 31, 2013. Personnel expenses constituted 5.9% and 5.6% as a percentage of total revenue for the financial year ended December 31, 2014 and December 31, 2013, respectively. The increase in personnel expenses was primarily attributable to one-off expenses of €46.7 million relating to the acquisition of the CCS Activities and to the inclusion of the personnel expenses relating to the CCS Activities in December 2014 totaling €10.3 million, partially offset by exchange rate effects.

#### ***Amortization, Depreciation and Impairment***

Amortization, depreciation and impairment increased by 48.0% to €481.7 million in the financial year ended December 31, 2014 from €325.4 million in the financial year ended December 31, 2013, mainly due to the planned sale of a portfolio of older vessels (“Old Ladies”) and the impairment charge of €127.4 million required in order to recognize these assets as held for sale. The year-on-year increase in scheduled depreciation is attributable to the addition of new build vessels and new containers in the financial year, as well as the initial inclusion of the CCS Activities.



### **Other Operating Expenses**

The following table sets forth our other operating expenses for the financial years ended December 31, 2014 and 2013.

	2013		2014	
		% of total revenue		% of total revenue
	<i>(in € million, except percentages)</i>			
	<b>(audited, except percentages)</b>			
<b>Other operating expenses</b>				
Rental and lease expenses	21.7	0.3	22.0	0.3
Commissions	36.4	0.6	56.2	0.8
Exchange rate losses	32.0	0.5	66.7	1.0
Other personnel cost	15.1	0.2	14.7	0.2
Expenses for charges, fees, consultancy and other professional services	9.9	0.1	33.5	0.5
EDP costs including IT leasing	60.9	0.9	67.1	1.0
Administrative expenses	12.3	0.2	11.2	0.2
Travel expenses	8.6	0.1	9.6	0.1
Other taxes	19.4	0.3	29.2	0.4
Sundry operating expenses	35.4	0.5	83.1	1.2
<b>Total</b>	<b>251.7</b>	<b>3.8</b>	<b>393.3</b>	<b>5.8</b>

Other operating expenses increased by 56.3% to €393.3 million in the financial year ended December 31, 2014 from €251.7 million in the financial year ended December 31, 2013, primarily due to one-off expenses amounting to €84.0 million relating mainly to the acquisition of the CCS Activities. These include not only legal and consultancy expenses, but also expenses for creating provisions for restructuring the container shipping activities acquired from CSAV totaling €39.5 million. Furthermore, higher exchange rate losses as well as other operating expenses comprising travel costs, insurance payments, audit fees, and maintenance and repair costs, also contributed to the increase in other operating expenses in the financial year ended December 31, 2014 compared to the financial year ended December 31, 2013. Other operating expenses constituted 5.8% and 3.8% as a percentage of total revenue for the financial years ended December 31, 2014 and 2013, respectively.

### **Operating Result**

Operating result decreased by €422.4 million to a loss of €414.1 million in the financial year ended December 31, 2014 from a profit of €8.3 million in the financial year ended December 31, 2013, as a result of the factors described above.

### **Investments Accounted for Under the Equity Method**

Our profit or loss of investments accounted for under the equity method decreased to €34.2 million, or by 7.1%, in the financial year ended December 31, 2014 from €36.8 million in the financial year ended December 31, 2013.

### **Other Financial Result**

Other financial result decreased to negative €2.9 million in the financial year ended December 31, 2014 from positive €18.6 million in the financial year ended December 31, 2013, mainly due to included profit from the sale of the Issuer's shares in Montreal Gateway Terminals Ltd. Partnership, Montreal, totaling €19.1 million in the financial year ended December 31, 2013. The other amounts refer to changes of fair values of currency options.

## **Interest Result**

The following table sets forth our interest results for the financial years ended December 31, 2014 and 2013.

	<b>2013</b>	<b>2014</b>
	<i>(in € million)</i>	
	<b>(audited)</b>	
Interest income . . . . .	5.6	7.0
Interest income from fund assets for the financing of pensions and similar obligations . . . . .	3.8	4.5
Other interest and similar income . . . . .	1.8	2.5
Interest expenses . . . . .	(159.2)	(216.7)
Interest expense from the valuation of pensions and similar obligations . . . . .	(8.9)	(9.6)
Interest expenses from the change in fair value of embedded derivatives . . . . .	(1.5)	(17.0)
Other interest and similar expenses . . . . .	(148.8)	(190.1)
<b>Total</b> . . . . .	<b>(153.6)</b>	<b>(209.7)</b>

Interest income increased by €1.4 million, or 25.0%, to €7.0 million in the financial year ended December 31, 2014 from €5.6 million in the financial year ended December 31, 2013. This increase in interest income was attributable to higher interest income from fund assets for the financing of pensions and similar obligations and higher interest rates for interest-bearing bank accounts. Interest expenses increased by €57.5 million, or 36.1%, to €216.7 million in the financial year ended December 31, 2014 from €159.2 million in the financial year ended December 31, 2013. This increase in interest expenses was primarily attributable to changes in the fair value of embedded derivatives for existing bonds accompanied by expenses related to the early redemption of a bond due in 2015.

Overall net interest expenses increased by €56.1 million, or 36.5%, to net interest expenses of €209.7 million in the financial year ended December 31, 2014 from a net interest expense of €153.6 million in the financial year ended December 31, 2013 as a result of the factors described above.

## **Income Taxes**

Income taxes increased by €3.7 million, or 49.3%, to tax expenses of €11.2 million in the financial year ended December 31, 2014 from a tax expense of €7.5 million in the financial year ended December 31, 2013. This increase was mainly attributable to higher foreign income taxes.

## **Profit/Loss for the Period**

Loss for the period significantly increased by €506.3 million, or 519.8%, to a loss of €603.7 million in the financial year ended December 31, 2014 from a loss of €97.4 million in the financial year ended December 31, 2013, as a result of the factors described above.

## **Liquidity and Capital Resources**

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

As of September 30, 2016, we had €492.0 million of cash and cash equivalents.

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

## Cash Flow

The following table sets forth our consolidated cash flow information for the financial years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016.

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	<i>(in € million)</i>				
	<b>(audited)</b>			<b>(unaudited)</b>	
Profit/loss	(97.4)	(603.7)	113.9	160.4	(133.9)
Income tax expenses	7.5	11.2	25.2	19.1	14.8
Interest result	153.6	209.7	227.3	169.1	145.0
Depreciation, amortization and impairments	324.8	481.7	464.6	342.0	355.4
Other items (including non-cash expenses/(income))	58.5	16.9	(87.8)	(50.4)	8.6
Loss from hedges for financial debt	—	—	47.9	15.9	0.3
Income/expenses from equity-accounted investees and dividends	(36.9)	(34.3)	(28.6)	(22.6)	(19.7)
Gains/losses upon disposal of non-current assets	(54.8)	—	(11.0)	(10.6)	0.1
(Increase)/decrease in inventories	2.9	70.9	74.2	41.0	(16.4)
(Increase)/decrease in receivables and other assets	(89.7)	58.5	69.0	124.3	57.4
Increase/(decrease) in provisions	(48.2)	91.0	(224.7)	(202.4)	(86.1)
Increase/(decrease) in liabilities (excluding financial debt)	(149.5)	77.6	(98.7)	(101.7)	(80.2)
Payments for income taxes	(5.9)	(4.6)	(0.8)	(0.6)	(17.8)
Payments received for interest	1.6	2.3	1.6	1.0	0.8
<b>Cash inflow/(outflow) from operating activities</b>	<b>66.5</b>	<b>377.2</b>	<b>572.1</b>	<b>484.5</b>	<b>228.3</b>
Proceeds from disposals of property, plant and equipment and intangible assets	66.0	4.8	4.0	2.4	4.6
Proceeds from disposals of other non-current assets	20.6	—	0.3	—	—
Dividends received	33.2	34.2	38.9	33.9	28.6
Payments received from the disposal of assets held for sale	—	—	74.9	74.5	—
Purchase of property, plant and equipment and intangible assets	(664.5)	(340.5)	(724.3)	(594.3)	(238.3)
Payments received from acquisitions	—	44.0	—	—	—
Payments made for investments in consolidated companies (excluding cash and cash equivalents; acquisitions)	—	(0.1)	(0.3)	(0.3)	—
<b>Cash (outflow) from investing activities</b>	<b>(544.7)</b>	<b>(257.6)</b>	<b>(606.5)</b>	<b>(483.8)</b>	<b>(205.1)</b>
Payments made from changes in ownership interests in subsidiaries	—	—	—	—	(0.3)
Contributions to and from shareholders	(0.6)	306.0	257.4	(2.1)	(5.4)
Payments received from the raising of financial debt	1,118.8	748.2	575.3	345.5	528.3
Payments made for redemption of financial debt	(531.8)	(790.6)	(748.6)	(456.5)	(476.5)
Interest paid	(176.1)	(182.0)	(213.3)	(160.1)	(137.1)
Payments received (+) and made (–) from hedges for financial liabilities	(7.1)	—	(47.9)	(15.9)	(0.2)
<b>Cash inflow/outflow from financing activities</b>	<b>403.2</b>	<b>81.6</b>	<b>(177.1)</b>	<b>(289.1)</b>	<b>(91.2)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>560.8</b>	<b>464.8</b>	<b>711.4</b>	<b>711.4</b>	<b>573.7</b>
Change in cash and cash equivalents due to changes in exchange rates	(21.0)	45.4	73.8	61.0	(13.7)
Net (decrease)/increase in cash and cash equivalents	(75.0)	201.2	(211.5)	(288.4)	(68.0)
<b>Cash and cash equivalents at end of the period</b>	<b>464.8</b>	<b>711.4</b>	<b>573.7</b>	<b>484.0</b>	<b>492.0</b>

### Cash Flow from Operating Activities

In the nine months ended September 30, 2016, we generated a cash inflow from operating activities of €228.3 million compared to a cash inflow of €484.5 million in the nine months ended September 30, 2015. This decrease of €256.2 million was primarily attributable to the lower result in the nine months ended September 30, 2016.

In the financial year ended December 31, 2015, we generated a cash inflow from operating activities of €572.1 million compared to a cash inflow of €377.2 million in the financial year ended December 31, 2014. This increase of €194.9 million compared to previous year was primarily attributable to a higher result in 2015.

In the financial year ended December 31, 2014, we generated a cash inflow from operating activities of €377.2 million compared to a cash inflow of €66.5 million in the financial year ended

December 31, 2013, primarily attributable to changes in working capital in inventories and liabilities, particularly in trade accounts payable compared to the financial year ended December 31, 2013.

#### ***Cash Outflow from Investing Activities***

In the nine months ended September 30, 2016 the cash outflow from investing activities amounted to €205.1 million (prior year period: €483.8 million). This mainly consisted of payments for investments in ocean-going vessels and containers totaling €229.1 million (prior year period: €582.2 million). In particular, proceeds from dividends in the amount of €28.6 million had an offsetting effect (prior year period: €33.9 million).

In the financial year ended December 31, 2015, we had a cash outflow from investing activities of €606.5 million compared to a cash outflow of €257.6 million in the financial year ended December 31, 2014, primarily attributable to the increase of investments in ships and containers.

In the financial year ended December 31, 2014, we had a cash outflow from investing activities of €257.6 million compared to a cash outflow of €544.7 million in the financial year ended December 31, 2013, due to lower investments in ships and containers. Cash payments for investments in property, plant and equipment and intangible assets totaling €340.5 million, mainly consisted of investments for ships and containers and final payments for new build vessels delivered in the financial year 2014. The addition of €44.0 million from the incorporation of CSAV's container shipping business had an offsetting effect. The CCS Activities were acquired by means of a non-cash investment involving the issuing of new shares. This led to cash inflows of €44.0 million from the liquidity reserves of the acquired companies. Furthermore, we received additional cash inflows, in particular from dividend payments received from associated companies in the amount of €34.2 million.

#### ***Cash Flow from Financing Activities***

In the nine months ended September 30, 2016, financing activities resulted in a net cash outflow of €91.2 million in the current reporting period (prior year period: €289.1 million). Cash inflows from new borrowing in the amount of €528.3 million (prior year period: €345.5 million) were essentially offset by interest and capital repayments of €613.5 million (€616.6 million).

In the financial year ended December 31, 2015, we had a cash outflow from financing activities of €177.1 million compared to a cash inflow of €81.6 million in the financial year ended December 31, 2014, primarily attributable to the lower amount of loans granted in 2015.

In the financial year ended December 31, 2014, we had a total cash inflow from financing activities of €81.6 million compared to a total cash inflow of €403.2 million in the financial year ended December 31, 2013. Borrowing amounting to €748.2 million (2013: €1,118.8 million) related primarily to cash inflows from the placement of a new bond, payments for new build vessels put into service, to loans for the financing of vessels and containers as well as payments from the existing ABS program. Furthermore, cash inflows of €306.9 million from the cash capital increase in the course of acquiring the CCS Activities contributed to the cash inflow in the financial year ended December 31, 2014. The financing cash inflow was offset by the repayment of a bond issued in 2010 by exercising a buy-back option and interest and capital repayments amounting to €972.6 million in total (2013: €707.9 million).

## Financial Debt and Financing Sources

The table below sets forth our financial debt and bank borrowings as of December 31, 2013, 2014 and 2015 and as of September 30, 2015 and 2016, as adjusted for the effect of the Transactions.

	As of December 31,			As of September 30,	
	2013	2014	2015	2015	2016
	<i>(in € million)</i> <b>(unaudited)</b>				
Notes offered hereby	—	—	—	—	245.9
Existing Notes	873.0	869.3	780.0	892.1	406.9 <sup>(1)</sup>
Hapag-Lloyd Vessel Financings	1,364.9	1,943.5	1,982.2	1,917.7	1,761.4
thereof fleet financings	467.9	403.0	356.6	299.5	344.8
thereof K-sure financing	729.6	864.3	863.5	859.1	769.1
thereof finance lease contracts	158.2	136.1	61.3	62.9	49.9
thereof financing arrangements	9.2	540.1	700.9	696.2	597.6
Hapag-Lloyd Container Financings	472.0	600.2	675.5	653.6	615.6
thereof container financing	421.0	556.9	575.9	553.3	521.1
thereof finance lease contracts	51.0	43.3	99.6	100.2	94.5
ABS Program	128.0	231.2	226.7	265.0	223.4
Ballindamm Refinancing 2016	58.3	56.9	55.3	55.7	84.8
Sundry financial liabilities	38.8	16.0	187.6	105.3	442.7
UASC Financings	—	—	—	—	3,502.3
thereof UASC Vessel Financings	—	—	—	—	2,102.2
thereof UASC Container Financings	—	—	—	—	475.7
thereof UASC Corporate Debt*	—	—	—	—	924.4
<b>Total financial debt</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,283.0</b>

(\*) Including corporate financings and incurred transaction costs.

(1) Reflects the redemption of €112.0 million aggregate principal amount of the Existing 2010 Dollar Notes and €250.0 million aggregate principal amount of the Existing 2013 Notes plus accrued interest with the proceeds from Capital Increase II.

The average borrowing cost on our financial indebtedness was 5.7%, 6.1% and 5.9% as of December 31, 2013, 2014 and 2015, respectively, and 5.8% and 4.8% as of September 30, 2015 and 2016, respectively. The average borrowing costs for the 9 months ended September 30, 2016 is significantly influenced by reduced interest expenses for outstanding indebtedness as well as the valuation effect from embedded derivatives.

As of September 30, 2016 25.8% of our debt had a fixed interest rate and 74.2% of our debt had a floating interest rate. We use a balanced combination of financial assets and liabilities with variable and fixed interest rates to mitigate the possible adverse effects of interest rate fluctuations on transactions. See “—Quantitative and Qualitative Disclosure about Market Risk” for a further discussion on our hedging policies. We may from time to time purchase or otherwise acquire our indebtedness, including the outstanding bonds individually negotiated transactions, open market repurchases or otherwise.

## Capital Expenditures

We have made significant investments in the past several years, primarily pursuant to payments for new vessels and containers. The following table is a summary of our historical capital expenditure for the financial years ended December 31, 2013, 2014 and 2015 and the nine months September 30, 2015 and 2016.

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	<i>(in € million)</i> <b>(unaudited)</b>				
Vessels and down payments	433.7	189.2	488.1	479.6	211.3
Containers	304.7	136.1	250.9	219.7	17.4
Other	4.6	12.7	16.9	12.4	8.0
<b>Total</b>	<b>743.0</b>	<b>338.0</b>	<b>755.9</b>	<b>711.5</b>	<b>236.7</b>



Capital expenditure amounted to €236.7 million in the nine months ended September 30, 2016 compared to €711.5 million in the nine months ended September 30, 2015 and related in particular to among others, maintenance and modernization of vessels, prepayments for new vessels, and containers.

Capital expenditure amounted to €755.9 million in the financial year ended December 31, 2015 (previous year: €338.0 million) and related in particular to investments in ships and containers. Five vessels, each with a capacity of 9,300 TEU, were delivered to Hapag-Lloyd in the financial year ended December 31, 2015. Further investments were also made in containers. The development of fixed assets is discussed in the “Group net asset position” section of the Group management report.

In the financial year ended December 31, 2014, with the acquisition of the CCS Activities and the additions to property, plant and equipment and intangible assets associated with the expansion of the group of consolidated companies, capital expenditure amounted to €338.0 million in the financial year ended December 31, 2014 (previous year: €743.0 million). Vessels and down payments mainly related to the following investments: Three ocean-going vessels with a capacity of 13,200 TEU for €124.6 million and vessels that were already ordered by CSAV with a capacity of 9,300 TEU (down payments and one delivery) for €57.5 million. Further investments related to containers for €136.1 million and other investments, mainly for EDP.

Capital expenditure in the financial year ended December 31, 2013 amounted to €743.0 million (prior year: €790.8 million) and related in particular to investments in vessels and containers. Four such vessels were delivered in the year under review and prepayments were made for three further vessels which were delivered in the financial year ended December 31, 2014. A number of other important investments were made in new build vessels. Capital expenditure also increased, due to the conversion of existing short-term operating lease contracts into finance lease contracts for containers.

For the method of financing of our capital expenditures, please see “Description of Certain Hapag-Lloyd Financing Arrangements”.

As of September 30, 2016, we had committed capital expenditures of €240.1 million (US\$268.1 million).

We also incur capital expenditure costs in relation to our ship maintenance needs. Dry-dock expenditures for our vessels are driven by vessel classification society regulations and our own strict maintenance guidelines and associated dry-docking schedules, which require vessel dry-docking once every five years. We expect 13 of our vessels to dry-dock in 2016 and 18 in 2017. Although actual costs cannot presently be estimated with certainty, we also expect that future overhauls of our vessels in the next three to five years may require significantly higher capital expenditures due to new and anticipated environmental regulations that will require upgrades to reduce air emissions upon the remanufacture of marine diesel engines and the installation of ballast water management systems. See “Regulatory Matters—Environmental Matters”.

Since September 30, 2016 we made payments of €0.8 million.

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

Following the closing of the UASC Business Combination, we do not intend to invest in new vessels and instead rely on the combined fleet to exploit medium-term expansion opportunities resulting from market growth and realize economies of scale within our ship operations. See “Risk Factor—Risks Relating to the UASC Business Combination—We may face much higher investment needs as a result of a failure to consummate the UASC Business Combination”.

## Contractual Obligations

The following table sets forth, as of September 30, 2016 as adjusted for the Transactions, our debt obligations and contractual obligations and commercial commitments, based upon the period in which payments are due.

	Less than 1 year	1-5 years	5-10 years <i>(in € million)</i> <i>(unaudited)</i>	10 years and more	Total
Notes offered hereby .....	—	245.9	—	—	245.9
Existing Notes .....	9.3	397.6	—	—	406.9 <sup>(1)</sup>
Hapag-Lloyd Vessel Financings .....	281.6	913.5	566.3	—	1,761.4
thereof fleet financings .....	78.1	212.5	54.2	—	344.8
thereof K-sure financing .....	94.8	389.9	284.4	—	769.1
thereof finance lease contracts (Vessels) .....	13.1	36.8	0.0	—	49.9
thereof financing arrangements .....	95.6	274.3	227.7	—	597.6
Hapag-Lloyd Container Financings .....	135.0	398.9	81.7	—	615.6
thereof container financing .....	109.7	341.1	70.3	—	521.1
thereof finance lease contracts .....	25.3	57.8	11.4	—	94.5
ABS Program .....	—	223.4	—	—	223.4
Ballindamm Refinancing 2016 .....	2.6	10.9	71.3	—	84.8
Sundry financial liabilities .....	378.7	64.0	—	—	442.7
UASC Financings .....	244.3	1,915.5	1,121.1	221.4	3,502.3
thereof UASC Vessel Financings .....	175.8	890.9	814.1	221.4	2,102.2
thereof UASC Container Financings .....	60.5	241.3	173.8	—	475.7
thereof UASC Corporate Debt .....	8.0	783.3	133.2	—	924.4
<b>Total financial debt .....</b>	<b>1,051.5</b>	<b>4,169.7</b>	<b>1,840.4</b>	<b>221.4</b>	<b>7,283.0</b>
Operating lease obligations .....	414.0	467.9	40.4	12.3	934.6
Purchase obligation for investments in container vessels ...	240.1	—	—	—	240.1
<b>Total commercial commitments .....</b>	<b>1,705.6</b>	<b>4,637.6</b>	<b>1,880.8</b>	<b>233.7</b>	<b>8,457.7</b>

(1) Reflects the redemption of €112.0 million aggregate principal amount of the Existing 2010 Dollar Notes and €250.0 million aggregate principal amount of the Existing 2013 Notes plus accrued interest with the proceeds from Capital Increase II.

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

These operating lease obligations are discounted to reflect the present value.

## Off-Balance Sheet Arrangements

We use various off-balance sheet arrangements, such as ship charters, leases on containers, rental agreements for business premises and operating leases to finance our business. See the table above in “—Contractual Obligations” for further information on our contractual obligations and commercial commitments.

## Equity, Pension Obligations and Provisions

### Equity

The following table below sets forth a breakdown of our equity as of December 31, 2013, 2014 and 2015 and as of September 30, 2016.

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	<i>(in € million)</i>			
	<i>(audited)</i>			<i>(unaudited)</i>
<b>Equity and liabilities</b>				
Subscribed capital .....	66.1	104.9	118.1	118.1
Capital reserves .....	935.3	1,651.9	1,263.2	1,263.2
Retained earnings .....	2,045.8	2,286.1	3,052.3	2,913.5
Cumulative other equity .....	(134.8)	121.4	604.8	430.8
<b>Equity attributable to the shareholders of Hapag-Lloyd AG .....</b>	<b>2,912.4</b>	<b>4,164.3</b>	<b>5,038.4</b>	<b>4,725.6</b>
Non-controlling interests .....	2.7	5.3	7.8	3.6
Equity .....	2,915.1	4,169.6	5,046.2	4,729.2

Equity decreased from €5,046.2 million in the financial year ended December 31, 2015 to €4,729.2 million in the nine months ended September 30, 2016. This decrease is primarily due to the group loss of €133.9 million and the change of unrealized gains and losses from currency translations recognized in other comprehensive income and amounting to €(110.6) million. The change in the reserve for the remeasurement of defined benefit pension plans €(64.8) million also led to a decline in equity..

Equity increased from €4,169.6 million in the financial year ended December 31, 2014 to €5,046.2 million in the financial year ended December 31, 2015, mainly due to the balance of unrealized gains and losses from currency translation recognized in other comprehensive income amounting to €452.6 million, our profit of €113.9 million, as well as the change in the reserve for the premeasurement of defined pension plans.

Equity increased from €2,915.1 million in the financial year ended December 31, 2013 to €4,169.6 million in the financial year ended December 31, 2014, mainly driven by an increase in capital reserves, which amounted to €1,651.9 million in the financial year ended December 31, 2014 compared to €935.3 million in the financial year ended December 31, 2013, primarily generated by means of a contribution-in-kind relating to the acquisition of the CCS Activities and a subsequent capital increase in the amount of €370.0 million on December 19, 2014.

### ***Pension Obligations***

We offer various types of retirement benefits to many of our employees worldwide, including both defined contribution pension plans and defined benefit pension plans, either directly or by contributing to independently administered funds. In particular, we have defined benefit pension plans in Germany, the United Kingdom, the Netherlands, Canada and Mexico. For the financial year 2016, we intend to make payments amounting to €4.1 million into pension plan assets and payments for unfunded pension plans are expected to be €3.5 million in the financial year ended December 31, 2016. Our expenses for defined contribution pension plans relate primarily to our contributions to statutory retirement pensions.

Payments required to be made under these pension plans are funded by cash flow from operating activities, and we expect to be able to fund our future pension contributions from cash flow from operating activities. Please also see note 23 to the 2015 Audited Consolidated Financial Statements.

### ***Provisions***

The following table below sets forth a breakdown of our provisions as of December 31, 2013, 2014 and 2015 and as of September 30, 2016.

	As of December 31,			As of
	2013	2014	2015	September 30,
	<i>(in € million)</i>			2016
		<i>(audited)</i>		<i>(unaudited)</i>
Guarantee, warranty and liability risks . . . . .	36.1	89.8	99.3	80.6
Risks from pending transactions . . . . .	33.6	291.7	169.5	118.6
Personnel costs . . . . .	38.1	41.5	74.1	61.3
Insurance premiums . . . . .	5.7	9.5	15.8	14.6
Provisions for other taxes . . . . .	1.9	6.3	2.4	1.5
Restructuring . . . . .	0.1	89.7	16.0	4.6
Other provisions . . . . .	17.5	63.9	53.0	51.2
<b>Other provisions . . . . .</b>	<b>133.0</b>	<b>592.4</b>	<b>430.1</b>	<b>332.4</b>

### ***Provisions for guarantee, warranty and liability risks***

Provisions for guarantee, warranty and liability risks primarily relate to maintenance obligations in connection with leased containers and obligations to compensate for uninsured damage to cargo. In the financial year ended December 31, 2013, provisions for liability losses were released in the amount of €25.7 million following the end of a legal dispute by means of settlement with the parties involved. As of December 31, 2014, following the acquisition of the CCS Activities, the provisions for maintenance obligations for lease containers increased by €53.9 million as a consequence of the first-time consolidation of the CCS Activities on December 2, 2014. As of December 31, 2015, the

provisions for guarantee, warranty and liability risks were €99.3 million mainly relating to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo.

#### *Provisions for risks from pending transactions*

Provisions for risks from pending transactions relate to contracts identified with regard to purchase price allocations pursuant to IFRS 3 that have a negative market value compared to the market conditions at the time of the purchase. During the financial year ended December 31, 2014, disadvantageous charter and lease agreements amounting to €256.6 million were reported in connection with the acquisition of the CCS Activities. Provisions for risks from pending transactions are utilized over the respective contractual terms of the underlying contracts. As of December 31, 2015, provisions for risks from pending transactions were €169.5 million and relate to contracts identified with regard to purchase price allocations pursuant to IFRS 3 that have a negative market value compared to the market conditions at the time of the purchase.

#### *Provisions for personnel costs*

Provisions for personnel costs comprise provisions for holidays not yet taken, bonuses not yet paid, severance compensation and anniversary payments. Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

#### *Provisions for restructuring*

Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and a justified expectation existed among the affected parties. In relation to the incorporation of the CCS Activities into the Hapag-Lloyd Group with effect from December 2, 2014, the Hapag-Lloyd Group's executive board approved a comprehensive restructuring plan to implement the Group's new organizational structure directly caused by this integration. Following the announcement of the plan, the Group recognized provisions for the expected restructuring costs, including estimated costs incurred for closing and merging offices, IT modifications, discontinuing and restructuring services, agent terminations, consultancy costs and employee termination benefits, amounting to €88.2 million as of December 31, 2014 and €14.8 million as of December 31, 2015, respectively. In 2015 restructuring provisions in the amount of €49.4 million were reversed due to individual measures being performed for a lower cost than originally planned. As of September 30, 2016, the remaining provisions for restructuring amounted to €4.6 million.

#### *Other provisions*

Other provisions in particular include provisions for country-specific risks amounting to €19.0 million in the financial year ended December 31, 2014 as compared to €6.0 million in the financial year ended December 31, 2013 as well as archiving provisions amounting to €3.9 million in the financial year ended December 31, 2014 as compared to €3.7 million in the financial year ended December 31, 2013. Other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes use empirical values as the basis for making assumptions regarding the likelihood of occurrence of the obligation or future developments, e.g. such as the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions. As of December 31, 2015, other provisions slightly decreased from €63.9 million to €53.0 million.

### **Quantitative and Qualitative Disclosure about Market Risk**

#### ***Bunker Fuel Price Fluctuation Risk***

As a result of our operating activities, we are exposed to a market price risk for the procurement of bunker fuel. Our risk management objective is a twelve-month rolling hedge of the forecast bunker consumption. We generally use relatively short term commodity options and swaps to hedge against price fluctuations.

#### ***Foreign Currency Risk***

We conduct our container shipping business in an international business environment in which transactions are invoiced mainly in U.S. dollars and payment procedures are handled in U.S. dollars.

The functional currency of Hapag-Lloyd AG and its subsidiaries is therefore the U.S. dollar. Currency risks result from operating activities (incoming or outgoing payments in currencies other than the U.S. dollar) and from financial liabilities taken on in euro. The risks from our euro financing liabilities are partially hedged by using derivative financial instruments to counter exchange rate fluctuations. Please also refer to “—Factors Affecting Our Results of Operations—Foreign Exchange Rate Exposure”.

### ***Interest Rate Risk***

We are exposed to interest rate risks affecting cash flow, particularly with financial liabilities based on variable interest rates. In order to minimize the interest rate risk, we strive to achieve a balanced combination of financial assets and liabilities with variable and fixed interest rates. We do not currently have any hedging arrangements or interest rate swaps to adjust interest-rate risk exposure, but may enter into such arrangements or swaps in the future in order to hedge our interest rate risk.

### ***Credit risk***

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

### **Critical Accounting Policies**

#### ***Estimates***

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, income and expenses during the relevant period. Although these estimates and assumptions are based on management’s best knowledge of current events and circumstances, the actual results ultimately may differ from those estimates and assumptions. We evaluate such estimates and assumptions on an ongoing basis based upon historical results and experience, in consultation with experts and using other methods we consider reasonable in the particular circumstances, as well as our forecasts regarding future changes.

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

#### ***Revenue Recognition***

We recognize freight revenue when service is rendered, typically upon the completion of the voyage. For voyages initiated during the period but not completed at the balance sheet date, we recognize revenue using the percentage of completion method.

The stage of completion (percentage) is determined using an input-oriented method based on the actual costs incurred compared to the total expected costs. Regarding the expected cost to complete and the total expected cost we use our estimates based on standard processes supported by our IT systems and past experience. However, the estimate of costs requires us to exercise significant judgment. If the profit margin is determined to be positive the expected profit is recognized proportionally based on the percentage of completion. If a profit margin is negative the full expected loss is recognized.

#### ***Impairment***

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



Goodwill is tested for impairment at least once a year. Goodwill is tested for impairment at the level of the single cash-generating unit container shipping. An impairment loss is recognized if the recoverable amount is lower than the cash-generating unit's carrying amount. If a need for impairment has been ascertained, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

### ***Leases***

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

We use charter, lease and rental agreements for ships and containers, and business premises, mainly the administrative building Rosenstraße 17, 20095 Hamburg, Germany. The agreements have terms of between under one year and up to approximately 14 years and some include prolongation and purchase options as well as price adjustment clauses.

### ***Hedge Accounting***

We are, in the normal course of business, exposed to a variety of market risk, especially bunker fuel price risk and foreign exchange rate risk. Our risk management strategy aims to minimize the adverse effects of these risks on our financial performance. We use derivative financial instruments to hedge existing or planned underlying transactions and serve to reduce foreign currency risks and fuel price risks. See “—Quantitative and Qualitative Disclosure about Market Risk—Foreign Currency Risk” and “—Quantitative and Qualitative Disclosure about Market Risk—Bunker Fuel Price Fluctuation Risk”. For accounting purposes we generally apply hedge accounting in accordance with IAS 39 to record the effective portion of a derivative hedging instrument in the profit and loss statement simultaneously with any impact from the hedged item. The fair value of the derivative hedging instrument is highly subject to fluctuations in the market. We have not entered into any transactions in derivative financial instruments for trading purposes. Judgment is required in the assessment of the effectiveness of hedges at the inception and over the period for which hedge accounting is applied. Also the occurrence of forecast transactions designated as hedged items are subject to a high degree of uncertainty.

### ***Taxes***

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

To the extent that loss carry forwards are realizable through future profits we recognize a deferred tax asset. The assessment of the future realization of losses carried forward is highly subject to estimates and judgment.

### **Recently Adopted Accounting Principles**

The following new standards, or amendments to existing standards, published by the IASB and already endorsed, had to be applied for the first time in the unaudited consolidated financial statements for the financial year ended December 31, 2015; their first-time application, however, had no significant impact on our net asset and earnings position.

- Amendment to IAS 19: Employee Contributions
- IFRIC 21: Levies
- Various: Annual Improvements to IFRS (2010–2012)
- Various: Annual Improvements to IFRS (2011–2013)

## INDUSTRY AND MARKET DATA

*The section below has been reviewed by: Institute of Shipping Economics and Logistics, Bremen, Germany (“ISL”). ISL has advised us that the data contained in the “Industry and Market Data” section adequately describes the container shipping market. Most of the projections and other information set forth in this section have been derived from external sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.*

*The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Risk Factors” and “Forward-Looking Statements”.*

*The description and nature of the markets in which we compete as presented in this section “Industry and Market Data” is applicable to all periods covered by the historical financial information presented in this Offering Memorandum.*

### **Globalization as a driver for containerization**

Container shipping was introduced internationally in the 1960s and has grown rapidly and continuously since then, becoming the dominant method of international transportation for a broad range of industrial and consumer goods, chemicals (such as medicines, paints, fertilizers) and foodstuff (such as sugar, grain, animal and vegetable oils and, more recently, refrigerated fruit, vegetables and meat). Containers are modular metal boxes of standardized dimensions, generally 20 or 40 feet long, eight and one-half-feet or nine and one-half-feet high and eight-feet wide. The standard measure is a 20-foot equivalent unit, or TEU. A container 20 feet in length equals one TEU and a container 40 feet in length equals two TEU. In addition to the standard 20-foot and 40-foot containers, there are a variety of types of specialized containers, including the refrigerated, or “reefer”, flat racks, open top or removable hard top containers. These specialized containers allow the transport of goods that traditionally have not been shipped in containers, such as fresh fruit and meat as well as turbines, trams, heavy-weight and out-of-gauge cargo. At port, containers are loaded onto container ships into a specific, pre-determined position (called a “slot”) and then transported to ports around the globe, either directly or through intermediary ports. Upon a ship’s arrival at its destination port, containers are off-loaded and typically transported onwards by rail, truck or barge to their final inland destination. Liner carriers operate regularly scheduled services to a series of ports, using a number of ships per week along each service, and transship cargo at their scheduled ports of call on smaller feeder ships, which carry the cargo on to the destination port.

The carrier is sometimes only responsible for the maritime leg of the delivery, with customers or intermediaries arranging the inland transport. Most carriers, including ourselves, offer both maritime and door-to-door services. Some other carriers emphasize maritime services, while others focus on offering door-to-door services. Container lines operate regularly scheduled services between a series of ports, generally operating on a fixed day each week or otherwise on a regular basis (e.g., every ten days). A service operating with a fixed number of ships on a continuous rotation is defined as a “loop”. A route may comprise a number of such loops, thus providing customers with a choice of several shipping days each week to ship between key ports. The main ports with large volumes of cargo are generally served by direct mainline services operating deep-sea vessels. Smaller ports, including those not served by a direct mainline service, are generally served by feeder ships as described above. Carriers generally select a number of strategically placed ports where cargo is transferred between these feeder vessels and the large deep-sea vessels that service the mainline routes.

The following factors had and still have a significant impact on the growth of the container shipping industry:

- **Globalization.** With an increasing share of industrial and consumer goods traded internationally due to globalization, further outsourcing and, in particular, increasing international separation of labor as manufacturing still continues to move away from high-labor cost locations in North America, Europe and Japan to lower-wage countries, predominantly in Asia, the demand for maritime cargo shipping continues to grow. Additionally, economic

growth, production as well as consumer demand in the newly industrialized countries in Asia as well as Latin America has picked up in recent years leading to additional increase in containerized transport volume.

- **Shift to container shipping.** The containerization of cargo reduces transit times, substantially reduces damage to and theft of goods, reduces handling costs, improves the turnaround time of ships in ports and facilitates intermodal transport in supply chains involving sea, rail, barge and road transport. In addition, transport costs have declined and operating efficiency has improved for carriers as a result of investments in larger ships, port, intermodal and inland transport infrastructure, containers and information systems, as well as more efficient use of assets. As a result, container shipping has steadily replaced other modes of maritime shipping, such as break-bulk, roll-on/roll-off and bulk cargo in the past decades. Container shipping offers a very efficient way of transportation.
- **Innovative transport solutions for temperature-sensitive cargo.** Additional growth for containerized transports derives from specialized transport solutions for special cargo such as temperature-sensitive products. This includes, for example, perishable cargoes, pharmaceuticals and healthcare products. Reefer containers offer a high-quality and efficient transport solution and, in particular, in the case of fresh or refrigerated food have become a substitute for specialized refrigerator ships.

### Container shipping remains a growth industry

Around 84% of worldwide transported goods were carried by ship in 2015 (source: Clarksons Research Seaborne Trade Monitor, October 2016). Container ships make a substantial contribution to the global transport volume. Therefore, the magnitude of the global growth and the increase of the global transport volume are of great importance for the development of the transport volume of the container shipping industry.

The following table shows growth in global container shipping industry transport volumes since 2010 compared to growth in global GDP during the same period. Except for 2012 and 2015, growth in transport volumes exceeded GDP growth in every year since 2010:

Subject	Unit	2010	2011	2012	2013	2014	2015	2016e <sup>(3)</sup>	2017e <sup>(3)</sup>
World Container Traffic <sup>(1)</sup> .....	Million TEU	139.2	150.0	154.6	162.5	171.3	175.0	180.6	187.9
World Container Traffic <sup>(1)</sup> .....	Growth in %	13.7	7.8	3.1	5.1	5.4	2.2	3.2	4.0
Global GDP (constant prices) <sup>(2)</sup> .....	Growth in %	5.4	4.2	3.5	3.3	3.4	3.2	3.1	3.4

(1) Source: Clarksons Research, December 2016, Container Intelligence Quarterly, Q3 2016, various issues.

(2) Source: IMF, World Economic Outlook, October 2016; IMF, World Economic Outlook Database.

(3) Expected.

Between 2010 and 2015, the container shipping industry measured in terms of world container traffic has grown at a CAGR of 4.7% driven by the industrialization of the developing countries in Asia and Latin America as well as the globalization of industrial production, while global GDP grew by 3.5% (source: Clarksons Research, Container Intelligence Quarterly, Q3 2016, various issues; IMF, World Economic Outlook, October 2016).

In 2015 in particular, transport volume growth has slowed to 2.2% compared to the previous years. The main reason for this moderate growth was the continued weakness in global GDP growth. For 2016, the International Monetary Fund (“IMF”) expects GDP growth to amount to 3.1% (source: IMF October 2016). For 2017, the IMF expects stronger global GDP growth at 3.4%, which should translate into stronger growth rate for world container transport volume at 4.0% (source: Clarksons Research, November 2016). For the period from 2016 to 2018, the expected average growth rate for world GDP is 3.4% (source: IMF, World Economic Outlook, October 2016). Based on estimates by Clarkson Research, demand for container transportation is expected to increase with an average growth rate of 3.6% in 2016 and 2017 (source: Clarksons Research, December 2016).

In 2015, the total volume of 175.0 million TEU was distributed as follows among the major trades: East-West trade: 74.3 million TEU, North-South trade: 30.6 million TEU and Intra—Regional: 70.1 million TEU (source: Clarksons Research, December 2016). These trades are expected to grow at different speeds with the following expected CAGR for the period from 2015 to 2017: Transpacific 3.6%, Atlantic: 2.4%, Far East-Europe: 2.1%, North-South: 0.9% (source: Clarksons Research, December 2016).

## Container Shipping Market

The global container shipping market is typically divided into the East-West trades, the North-South trades and several other trades, including the Intra-Asia trade. A trade refers to a route for shipping cargo between two land masses. Within the global container shipping market, the East-West and Intra-Asia trades have the highest transport volumes, while the North-South trades in general remain more fragmented and present more opportunities for higher growth. The main East-West trades are the Transpacific trade (between Asia and North America), the Far East trade (between Europe and Asia) and the Atlantic trade (between Europe and North America). The major North-South trades are between America and Latin America, Europe and Latin America, and Latin America and Asia. In addition to these intercontinental markets, there are a large number of smaller regional markets, which are typically served by regional carriers as well as global carriers, including ourselves, operating smaller ships than those used in the intercontinental markets.

Carriers are generally categorized as global, regional or niche carriers. Global carriers, including ourselves, generally deploy significant ship capacity and operate extensive networks that include most routes in the major markets, as well as certain routes in selected regional markets. Regional carriers generally focus on a number of smaller routes within the major markets, or within other markets, such as Australasia (between Australia and Asia) and Africa and tend to offer direct services to a wider range of ports within a particular market than global carriers. Niche carriers are similar to regional carriers but tend to be even smaller in their capacity and cover fewer and smaller markets.

In February 2016, the two Chinese shipping companies China Ocean Shipping Company (“**COSCO**”) and China Shipping Group (“**CSCL**”) merged to form China COSCO Shipping Group (“**China COSCO**”). China COSCO has a fleet of 273 container ships with a total capacity of around 1.5 million TEU, making it the fourth-largest container shipping company in the world (source: MDS Transmodal, December 2016). The French shipping company CMA CGM S.A. (“**CMA CGM**”) completed the merger with Neptune Orient Lines (“**NOL**”) in September 2016. CMA CGM is still ranked third among global container shipping companies according to carrier capacity. As a result of the recent consolidation in the industry, the largest five container shipping companies are A.P. Møller-Maersk A/S (“**Maersk**”), MSC Mediterranean Shipping Company S.A. (“**MSC**”), CMA CGM, China COSCO and Evergreen Marine (“**Evergreen**”) as of November 30, 2016. After the completion of the combination of the United Arab Shipping Company (S.A.G.) (“**UASC (S.A.G.)**”) and its subsidiaries (together, “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”), we expect to become one of the five largest container shipping companies measured by capacity globally (source: MDS Transmodal, December 2016). In September 2016, Maersk announced that it intends to split the company into separate transport and energy divisions. Recently, the Taiwanese Ministry of Transport has been reported to assess the feasibility of a potential merger of Evergreen and Yang Ming. On November 3, 2016, the two companies have denied such a possibility (source: joc.com).

On December 1, 2016, Maersk reached an agreement to acquire Hamburg Süd, subject to final agreement and regulatory approvals. Hamburg Süd has a global market share of 2.9%, compared to Maersk’s 14.4%, and has its stronghold on the North-South and Latin America trades.

As of September 30, 2016, the four largest alliances operating mainly on the East-West trade are: 2M (Maersk, MSC), the G6 Alliance (Hapag-Lloyd, American President Lines Ltd. (“**APL**”), Hyundai Merchant Marine Co., Ltd. (“**HMM**”), Mitsui O.S.K. Lines (“**MOL**”), Nippon Yusen Kaisha Lines (“**NYK**”) and Orient Overseas Container Line Limited (“**OOCL**”), Ocean 3 (CMA CGM, CSCL, UASC) and CKYHE (Kawasaki Kisen K.K. (“**K-Line**”), Hanjin Shipping Co., Ltd. (“**Hanjin**”), Yang Ming Marine Transport Corp. (“**Yang Ming**”), COSCO, Evergreen). The largest alliance measure by the transport capacity of the participating carriers is 2M. As of April 2017, three of the four alliances will undergo a reorganization that results in two new major alliances: the Ocean Alliance (OOCL, China COSCO, CMA CGM and Evergreen) and THE Alliance (consisting of Hapag-Lloyd (including UASC after completion of the UASC Business Combination), MOL, NYK, K-Line and Yang Ming). On October 24, 2016, Hanjin was terminated as a member of THE Alliance with immediate effect as a result of Hanjin’s ongoing bankruptcy proceedings. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. Subject to certain regulatory approvals, THE Alliance becomes operational in

April 2017 and replaces the G6 Alliance, see “—Inter-carrier Cooperation”. In December 2016, Korean shipping company Hyundai Merchant Marine (“HMM”) reached an agreement with Maersk and MSC to share surplus capacity and cargo slots effective April 2017, subject to certain regulatory approvals. The initial term of the cooperation is three years with an option to extend and covers key East-West trades. Maersk and MSC will take over a number of charters and operations of vessels currently chartered to HMM.

The following unaudited table shows the growth of container shipping transport volumes (measured in thousands of loaded TEU) on the East-West trades from 2013 to 2015:

	2013		2014		2015	
	Transport Volume	Annual growth	Transport Volume	Annual growth	Transport Volume	Annual growth
	<i>(in TEU'000)</i>					
Transpacific .....	21,686	4.0%	22,197	2.4%	22,872	3.0%
Far East-Europe .....	21,188	5.3%	22,239	5.0%	21,832	(1.8)%
North Atlantic .....	6,252	2.5%	6,647	6.3%	6,759	1.7%
<b>Total</b> .....	<b>49,125</b>	<b>4.4%</b>	<b>51,083</b>	<b>4.0%</b>	<b>51,463</b>	<b>0.7%</b>

Source: Clarksons Research, December 2016.

The main trades are serviced by different vessel sizes. The Transpacific and Far East-Europe trades are generally served by the global carriers operating the largest ships, with capacities of around 13,100 TEU per ship for Transpacific trades and capacities of up to approximately 20,000 TEU per ship for Far East-Europe trades. The North Atlantic trade is typically served by ships with capacities of up to 9,200 TEU, while on the North-South trades ships with capacities of up to 10,600 TEU are deployed. The Intra-Asia trade, which comprises a large number of distinct sea routes in the Asian market, is served by a mixture of long-haul (or “deep-sea”) services, carrying Intra-Asia cargo between two ports on a longer deep-sea route and shorter dedicated services, operated with smaller vessels, which often function as feeder services for the deep-sea trades. Consequently, although total transport volumes on the Intra-Asia trade as a whole tend to be relatively high, a significant part of this volume represents shipments over relatively short distances between Asian countries.

Profitability on the different trades can vary depending on a number of factors, including demand in different regions of the world, the effects of different regulatory regimes, the available container vessel capacity and the structure of the container vessel fleet on the trade and the level of structural imbalances on the trade. All these factors can affect freight rates and general operational cost levels including, for example, fuel prices and terminal charges at different ports. These factors may lead to different overall profitability levels for the industry in different trades.

The container shipping industry is characterized by a significant degree of structural rigidity. While it is relatively easy for a carrier to add and subtract individual ports of call and new loops, it is more difficult for a carrier to make large-scale changes to its route network (such as entering or leaving entire trades). The longer the distance a new service has to cover, the more vessels are needed for weekly departures, thus cooperation agreements with other carriers are often required. In some instances, charter vessels will be needed if a carrier lacks the available capacity among its own vessels, or if available vessels are not suitable to the service. In addition to vessel availability, container availability is key to a successful service operation, requiring a well-working container management and container network infrastructure to manage the imbalances of trade flows. These complexities make large-scale changes to route networks expensive and thus these changes are usually only made if the expected incremental profitability of the new service opportunity is considered sufficient to justify the costs associated with the changes.

### **Steady growth of supply of transport capacity with increasing focus on capacity management**

As of November 30, 2016, the total order book amounted to about 3.4 million TEU, which represented about 15.9% of the current global fleet capacity of 21.2 million TEU (source: MDS Transmodal, December 2016) and was well below the cyclical peak of 56.0% reached in 2007. The increase in the container vessel fleet between 2000 and 2008 was driven by the economic boom in China and other developing countries, high oil prices and the easy access to ship financing provided by banks and investors.



According to MDS Transmodal (December 2016), the transport capacity of the global containership fleet based only on the existing order book is expected to grow by 1.3 million TEU, or 6.1% in 2016 and by 1.7 million TEU, or 7.9% in 2017. Scrapping and delaying of deliveries could reduce the forecasted increase of the nominal capacity. According to Clarksons Research Shipping Intelligence Network (December 2016), scrapping of inefficient container ships is expected to amount to around 702,200 TEU in 2016 and at least 533,000 TEU in 2017. In the first nine months of 2016, scrapping of container vessels amounted to about 447,470 TEU, which already exceeded the total volume scrapped in 2015 (193,000 TEU). With the opening of the expanded Panama Canal in 2016, scrapping of inefficient vessels is expected to stay at high levels since the purpose built Panamax vessels (up to approximately 5,100 TEU) will be replaced with larger vessels with a capacity of up to 14,000 TEU that will be able to use the widened Panama Canal locks. As of November 30, 2016, vessels with a capacity between 3,000 and 5,100 TEU accounted for about 19% of the approximately 21.2 million TEU of global transport capacity (source: MDS Transmodal, December 2016). As of November 30, 2016, 66 vessels with a capacity between 10,000 and 13,999 TEU were on order and will be delivered until 2020 (source: MDS Transmodal, December 2016). Following a delivery of three 10,500 TEU vessels in the years 2014 and 2015 combined, two 10,500 TEU vessels were delivered in 2016 and three are expected to be delivered in 2017 (source: MDS Transmodal, December 2016). In recent years for example, a net growth of about 8% in total container shipping net capacity was recorded at year end 2015 compared to 11% that was forecast at the beginning of the year (source: MDS Transmodal, various issues). This difference was primarily due to non-delivery or postponement of orders as well as scrapping of older vessels. In 2014, the final net capacity increased by 5% compared to a nominal order book increase of 10%. Furthermore, slow steaming absorbs part of the existing nominal capacity with positive effects on market supply as more ships are needed for a loop which connects the ports. In 2015, 11 vessels were needed for a loop in the Far East trade as compared to 8.7 vessels needed in 2008 (source: Drewry Maritime Research, Q3 2016).

#### Development of the capacity of the global container ship fleet

The table below shows the development of the capacity of the global container ship fleet in the periods indicated:

	2013	2014	2015	2016e <sup>(1)</sup>	2017e <sup>(1)</sup>
	<i>(million TEU)</i>				
Total capacity (beginning of year) (based on planned deliveries) . . . .	17.4	18.3	19.3	20.9	21.3
Planned deliveries . . . . .	2.1	1.9	2.1	1.3	1.7
Postponed deliveries . . . . .	0.7	0.5	0.3	0.3	0.2
Scrapping . . . . .	0.5	0.4	0.2	0.7	0.5
Net capacity growth . . . . .	0.9	1.0	1.6	0.3	1.0

Source: MDS Transmodal, December 2016; Clarksons Research, December 2016. Based on existing orders, only ships > 399 TEU.

(1) Expected.

Between 2000 and 2015, global capacity grew at a CAGR of 8.7% (source: MDS Transmodal, December 2016). According to MDS Transmodal (December 2016), the total capacity of vessels on current order book to be delivered from 2016 to 2020 constitutes around 15.9% of the existing fleet capacity. According to MDS Transmodal (December, 2016), approximately 0.2 million TEU capacities are due to be delivered in the remaining month of the year 2016. In 2017, the majority of the new capacity (based on the existing order book) is expected to enter the trades in the first half of 2017 (Q1: 0.4 million TEU, Q2: 0.5 million TEU, Q3: 0.4 million TEU, Q4: 0.4 million TEU).

In addition, the scrapping of inefficient vessels is expected to reach its highest point in 2016 with approximately 702,200 TEU being scrapped. The average age of scrapped vessels is decreasing from an average age of 28 years in 2011 down to an expected average age of 19 in 2016 (source: Clarksons Research, December 2016). As a result, net supply growth is expected to remain low.

Based on the existing orders (as of November 30, 2016) and the expected level of scrappings the growth of capacity is expected to slow down from a planned delivery of nominal 1.3 million TEU to an approximate net growth of 0.3 million TEU in 2016 and also slow the net delivery growth to 1.7 million TEU in 2017 (source: MDS Transmodal, December 2016; Clarksons Research, December 2016).

If available capacity cannot be deployed efficiently on trades, shipping companies tend to temporarily postpone sailings or loops from the effected services. The affected vessels are temporarily

taken out of service, *i.e.* laid-up. As of October 17, 2016, the capacity of “idle” or unemployed ships reached an all-time high of approximately 1.6 million TEU (source: Alphaliner Weekly Review, October 2016) which constitutes to about 7.3% of the total capacity of the global fleet. Ships with a capacity of up to 5,099 TEU account for the majority of the idle fleet, as many of the Panamax vessels cannot be employed economically.

### Trend towards larger vessels

Presently, the largest vessels can carry up to approximately 21,000 TEU, whereas in 2005, there were no vessels that carried above 9,999 TEU. As of September 30, 2016, vessels that can carry more than 9,999 TEU accounted for 23% of the existing global fleet capacity. Carriers have increasingly been using larger vessels to benefit from lower operating and voyage unit costs, such as fuel, port and canal fees, manning, repairs, insurance and ship management costs. In particular, ultra-large container vessels with a capacity of more than 18,000 TEU are increasingly being used in the Far East trade. These ships have the highest fuel efficiency of the various vessel classes of the global fleet.

Vessel size	4,900 TEU <sup>(1)</sup>	10,500 TEU <sup>(1)</sup>	13,200 TEU <sup>(1)</sup>	19,200 TEU <sup>(3)</sup>
Bunkerconsumption	Average bunker consumption of 78 tonnes per day at 18kn <i>i.e.</i> 0.016 tonnes per TEU per day	Average bunker consumption of ca. 110 <sup>(2)</sup> tonnes per day at 18kn <i>i.e.</i> 0.011 tonnes per TEU per day	Average bunker consumption of 118 tonnes per day at 18kn <i>i.e.</i> 0.009 tonnes per TEU per day	Average bunker consumption of 160 tonnes per day at 18kn <i>i.e.</i> 0.008 tonnes per TEU per day

Source: Hapag-Lloyd, Alphaliner, OECD 1) based on Hapag-Lloyd vessel, 2) Estimated on former 10,000 TEU class, 3) based on standard 19,200 TEU vessel.

However, due to their size as well as limitations of port and land side operations the port access for ultra-large container vessels (“ULCV”) with a capacity of more than 18,000 TEU is limited to specific deep water ports in Asia and Europe. The world fleet’s average size of cellular container vessels increased from approximately 1,905 TEU in 2005 to approximately 3,407 TEU in 2016 (source: MDS Transmodal, December 2016). The shift to larger vessels has been particularly prominent in the Far East-Europe and Transpacific trades, where transport volume and competitive pressures have been intense. ULCVs with a capacity of 19,000 TEU and above offer cost advantages compared to 15,000 TEU vessels because of more efficient design and operational concepts. For example, at 18 knots speed the estimated cost saving per TEU of a 19,000 TEU vessel is about US\$20 to US\$30 per TEU compared to a 15,000 TEU vessel (source: OECD study on Impact of Mega-Ships based on Dynamar 2015). As total costs for the transport chain consist of the vessel cost per TEU and the handling cost (*e.g.* operating costs for the vessel, port as well as terminal costs, canal costs and costs for inland transport) per TEU ultra-large container vessels have an increasing break-even point with rising handling costs as particularly canal as well as port and terminal costs are related to the vessel size and the volume of handled cargo increases in absolute terms. Although vessels with a capacity of 19,000 TEU or higher still offer cost advantages compared to the first 15,000 TEU vessels, mainly due to the new vessel designs and operational concepts, economies of scale of such ultra-large container vessels are decreasing relative to the cost base of the current global fleet, as older and inefficient vessels are increasingly put out of service. In addition, the port time of larger container ships increases with larger vessel sizes which leads to delays. This means that a service with larger vessels has to be run with more vessels or with a higher vessel speed to catch up. The largest container ships on order have a capacity of 21,000 TEU and were ordered in March 2015 and the last order for a ULCV of 18,000 TEU was placed in November 2015. As of November 30, 2016, there were 60 ULCV on order to be delivered until 2020 (source: MDS Transmodal, December 2016).

### Order book by vessel size

The table below shows the industry-wide order book by vessel size as of November 30, 2016:

Size Class	TEU	Number of Vessels
< 4,999 TEU	569,103	270
5,000 TEU – 9,999 TEU	197,400	27
10,000 TEU – 13,999 TEU	782,360	66
14,000 – 17,999 TEU	617,200	43
18,000+ TEU	1,207,430	60
<b>Total</b>	<b>3,373,493</b>	<b>466</b>

Source: MDS Transmodal, December 2016, based on existing orders, only ships > 399 TEU.

As of November 30, 2016, the order book consisted of 466 vessels and the total capacity on order amounted to 3.4 million TEU. In total, 169 vessels with a capacity of 10,000 TEU or more were on order. The transport capacity of these vessels accounted for about 77% of the total capacity of the order book. As of November 30, 2016, the order book accounted for approximately 15.9% of the global container vessel fleet as compared to 56% in 2007.

### Global fleet by vessel size 2013-2017

The table below shows the global fleet by vessel size in the periods indicated:

	End 2013		End 2014		End 2015		End 2016e <sup>(1)</sup>		End 2017e <sup>(1)</sup>	
	Capacity	No. of Vessels	Capacity	No. of Vessels	Capacity	No. of Vessels	Capacity	No. of Vessels	Capacity	No. of Vessels
	<i>TEU</i>									
< 2,999 TEU . . . . .	4,824,624	3,782	4,925,629	3,847	5,039,836	3,915	5,136,287	3,967	5,345,152	4,083
3,000 TEU – 4,999 TEU . . . . .	3,349,053	810	3,474,337	839	3,550,067	858	3,513,820	851	3,564,720	865
5,000 TEU – 9,999 TEU . . . . .	6,490,414	9,25	6,955,968	982	7,579,622	1,054	7,750,549	1,068	7,898,549	1,087
10,000 TEU – 13,999 TEU . . . . .	1,863,016	151	2,373,716	193	2,575,366	211	2,718,166	225	3,060,666	256
14,000 TEU+ . . . . .	744,130	50	975,290	63	1,729,878	108	2,215,278	138	3,141,688	192

Source: MDS Transmodal, December 2016, based on existing orders, only ships > 399 TEU. Based on existing orders, no forecast of scrappings or delayed deliveries included.

(1) Expected.

### Cost trends and freight rate development

The container shipping industry connects locations of industrial production with oftentimes distant consumer markets located in other parts of the world. Therefore the costs to transport goods are the major cost items for the container shipping industry. In the case of Hapag-Lloyd, transport expenses accounted for 82.0% of revenues in the financial year 2015. The major cost items within transport expenses are expenses for raw materials and supplies, port, canal and terminal costs container transport costs as well as chartering, leases and container rentals.

In the past years, the container shipping industry has faced a substantial fluctuation in bunker prices which affected transport costs. For example, bunker costs for the MFO 3.5% (Rotterdam) increased from US\$167.25 per metric tonne on January 1, 2009, to US\$246.50 per metric tonne on September 30, 2016 (source: Bloomberg). On March 13, 2012, it reached an all-time high of US\$719.25 per metric tonne. Particularly in 2011 and 2012, container shipping companies were negatively affected by rising fuel costs, which they were unable to completely pass on to their customers. Since the second half of 2014, the cost burden due to high bunker costs has eased. On December 21, 2016, the price for MFO 3.5% (Rotterdam) was quoted at US\$296.75 per metric tonne. The decline in the bunker price had a significant positive effect on the container liners overall operating costs in the financial year ended December 31, 2015 and the nine months ended September 30, 2016.

Fees to use canals, ports and terminals are also important cost items for the industry. Costs for the inland transport of containers are in general included in container transport costs. Costs to charter or lease vessels or rent or lease containers are recognized as costs for charter, leases and container rentals.

Furthermore, as shipping is a capital intensive industry depreciation and amortization of assets is also an important cost item. Personnel expenses are generally less significant for the shipping industry.

A number of industry sources compile data on average freight rates for various trades using different methodologies. Given the fact that the major carriers operate on different routes and that the mix of cargo varies from carrier to carrier, the effective freight rates achieved by any of the carriers for a given time period may vary considerably from the average rates reported by these industry sources. The rate structure comprises many elements that together make up the final fees charged to individual importers and exporters. Such elements include, for example, terminal handling charges at both load and discharge ports, bunker surcharges, currency surcharges, inland transportation costs and a variety of ancillary charges and not all of these elements may be fully reflected in reported average freight rates. The average freight rates as reported by industry sources are typically based on industry surveys because verifiable data from third-party sources is not practically available. Due to the fact that average freight rates reported by industry sources do not typically cover all our trades (for example, Europe-Latin America) and it is not clear how intra-regional trade is allocated to trades, average

freight rates reported by industry sources may not reliably reflect our own experience with respect to the development of freight rates.

We have included the unaudited table below, which shows the development of the weighted average freight rates for the East-West trades on an industry-wide and quarterly basis between 2013 and the second quarter of 2016, solely for the purposes of illustrating fundamental trends affecting the industry in the periods presented.

<u>Year</u>		<u>US\$ per TEU</u>	<u>Change Year-on-Year</u>
2013		820	(4.8)%
2014		791	(3.6)%
2015		653	(17.4)%

<u>Year</u>	<u>Quarter</u>	<u>US\$ per TEU</u>	<u>Change Quarter-on-Quarter</u>	<u>Change Year-on-Year</u>
2013	Q1	915	(0.8)%	18.8%
	Q2	799	(9.1)%	(10.2)%
	Q3	809	2.8%	(12.6)%
	Q4	757	(4.3)%	(11.4)%
2014	Q1	811	7.1%	(11.3)%
	Q2	787	(3.0)%	(1.5)%
	Q3	786	(0.2)%	(2.9)%
	Q4	780	(0.7)%	3.0%
2015	Q1	760	(2.6)%	(6.3)%
	Q2	661	(13.0)%	(16.0)%
	Q3	623	(5.9)%	(20.8)%
	Q4	570	(8.5)%	(27.0)%
2016	Q1	586	2.8%	(22.9)%
	Q2	515	(12.1)%	(22.9)%

Source: Drewry Maritime Research, Q3 2016.

### Imbalances of the transported volume on the main trades differ on dominant and non-dominant leg

In general, all trades can be divided into a “dominant” and “non-dominant” leg. The dominant leg is the direction of shipping on the trade with the higher transport volumes. For example, on the Transpacific trade, shipments from Asia to North America form the dominant leg of the trade and shipments from North America to Asia form the non-dominant leg.

The industry refers to the different volumes as the “imbalances” on a specific trade. These imbalances exist because some regions of the world produce and export more goods than they import and consume, while others import and consume more than they produce and export. These significant global imbalances on trades have important consequences for the container shipping industry.

Imbalances in the major East-West trades and the North Atlantic trade in 2015 were as follows:

	<u>Eastbound</u>	<u>Westbound</u>	<u>Imbalance</u>
	<i>(in TEU'000)<sup>(1)</sup></i>		
Transpacific	17,587	6,962	10,625
Far East-Europe	6,695	14,550	7,855
North Atlantic	1,990	3,039	1,049

Source: Drewry Maritime Research, Q3, 2016.

(1) Due to differences in the allocation of intra-regional trade, total eastbound and westbound transport volumes stated in this table do not necessarily match the total volume for each trade stated elsewhere or in industry sources.

As a result of these structural imbalances, carriers have to provide vessel and container capacity to accommodate the transport volumes of the dominant leg, with the result that they must relocate significant numbers of empty containers on the non-dominant leg back to exporting countries. Empty container relocation costs are significant and the reduction of imbalances has an important impact on margins in the container shipping industry. Carriers try to mitigate the effects of structural imbalances through network planning and by charging different rates for shipping cargo on the dominant and non-

dominant legs of each trade. A key measure of a carrier's success in optimizing shipments of empty containers is the ratio of the number of full containers on the non-dominant legs of trades to the number of full containers on the dominant legs.

The following table illustrates the industrial average and our percentage of full containers on the non-dominant leg as compared to the dominant leg for the major trades as of December 31, 2015.

Imbalances as full container on non-dominant leg per 10 full containers on dominant leg:

	<u>Hapag-Lloyd</u>	<u>Market</u>
Atlantic . . . . .	7	7
Far East . . . . .	7	5
Transpacific . . . . .	7	4

Source: Drewry Maritime Research, Q3 2016.

### **Inter-carrier Cooperation**

As of April 2017, we will become a member of THE Alliance. The Grand Alliance, of which Hapag-Lloyd is a founding member, was established in 1998 and the members of the Grand Alliance and the New World Alliance formed the G6 Alliance in 2011. Since mid-2014, the major carriers have extended their cooperation in the form of formal alliances, vessel sharing agreements or other forms of cooperation. The four largest alliances (2M, G6, CKYHE and Ocean Alliance) accounted for approximately 74.0% of the global container fleet capacity (source: MDS Transmodal, February 2016). In general, the aim of such cooperation is to provide customers with an extended network of services to enhance the global or regional transport services provided to customers. A further benefit for the partners of such cooperation is the much lower investment costs needed to provide extended networks. Capacity sharing makes it possible for an individual container shipping company to offer its customers a service with greater frequency over a broader geographic reach than would otherwise be possible solely with its own ships. Nevertheless, the members of an alliance or comparable cooperation agreements remain competitors and sell the shared capacity in their own name and for their own benefit.

### **Cooperation Agreements**

Many industry participants have entered into cooperation agreements which provide for the sharing of capacity among the parties. These agreements may be divided into three categories: vessel sharing agreements (of which alliances are a more complex form), slot swap/exchange agreements and slot charter agreements. Under vessel sharing agreements, each participating carrier contributes a certain number of vessels on a given service and allocates a fixed proportion of the container space available on these vessels to the other participants, which may sell this space to their own customers. Under a vessel sharing agreement, no payments generally are exchanged (except where slots are also purchased or routing costs need to be redistributed among the participants) and the gains and losses from the carriage of cargo on each carrier's service are not shared among participants. Vessel sharing agreements provide many of the same benefits as an alliance, but generally do not create a longer-term, institutionalized relationship between the parties. Under a slot swap/exchange agreement, carriers simply exchange slots on each other's vessels. Swaps may be used either where vessels operate on the same loop or where they operate on different loops. Slot charter agreements operate in a similar manner to slot swap/exchange agreements, except that they involve the purchase of slots, rather than their exchange, and thus need not be reciprocal. All these arrangements enable a carrier to offer greater frequency of service and greater geographical coverage than it could if it had to rely solely on its own vessels. Once a carrier has committed to utilize a certain amount of capacity under a cooperation agreement, it is generally required to pay for that capacity even if it is unable to use all of it. Carriers who are part of a cooperation agreement remain competitors.

### **Alliances**

Alliances, which are a highly developed form of cooperation agreements, involve the sharing of container vessel capacity among alliance members, across specific or multiple trades. As of September 30, 2016, there are four major operating alliances in the container shipping industry: 2M, whose members are Maersk and MSC, the G6 Alliance, whose members are, in addition to Hapag-Lloyd, APL, HMM, MOL, NYK and OOCL, an alliance among COSCO, K-Line, Yang Ming, Hanjin



and Evergreen (the “**CKYHE Alliance**”) and the Ocean 3, whose members are CMA CGM, CSCL and UASC. With the exception of Hanjin, which due to ongoing bankruptcy proceedings has suspended its operations as of the date of this Offering Memorandum, all alliances are operational in their current form as of the date of this Offering Memorandum. See “—Hanjin Bankruptcy”. These four major alliances represent approximately 74.0% of the world container vessel fleet (source: MDS Transmodal, February 2016). The G6 Alliance, which was established in December 2011 by the members of the Grand Alliance and the New World Alliance, services all major East-West trades.

Three of the four alliances operating in the East–West trades were extensively reorganized in the second quarter of 2016 and such reorganization is expected to become operational as of April 2017. In April 2016, the Ocean Alliance was established by CMA CGM (including the shipping company APL, which was taken over by CMA CGM), OOCL, Evergreen and China COSCO. The Ocean Alliance is scheduled to become operational in April 2017.

In May 2016, we set up THE Alliance along with K Line, MOL, NYK and Yang Ming. On October 24, 2016, Hanjin was terminated as a member of THE Alliance with immediate effect as a result of Hanjin’s ongoing bankruptcy proceedings. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. Subject to certain regulatory approvals, THE Alliance is expected to start its operations in April 2017.

In December 2016, Korean shipping company Hyundai Merchant Marine (“**HMM**”) reached an agreement with Maersk and MSC to share surplus capacity and cargo slots effective April 2017, subject to certain regulatory approvals. The initial term of the cooperation is three years with an option to extend and covers key East-West trades. Maersk and MSC will take over a number of charters and operations of vessels currently chartered to HMM. As a result of the reorganizations, the number of major alliances will be reduced to three.

The below table shows the three largest alliances which are expected to become operational as of April 2017:

<u>Alliance</u>	<u>Members</u>	<u>No. of Vessels</u>	<u>TEU*000 Capacity<sup>(1)</sup></u>	<u>Approximate Share of Total Market Capacity</u>
2M .....	Maersk <sup>(3)</sup> , MSC	1,193	6,464	31%
THE Alliance .....	Hapag-Lloyd <sup>(2)</sup> , NYK, MOL, K-Line, Yang Ming	575	3,467	16%
Ocean Alliance .....	CMA CGM, Evergreen, China COSCO, OOCL	996	5,224	25%

Source: MDS Transmodal, December 2016.

(1) Data based on total capacity of carriers.

(2) Hapag-Lloyd including UASC.

(3) Maersk including Hamburg Süd.

The currently four largest alliances have different shares of transport capacity on the major East-West trades. The share of capacity of the alliances and other carriers are shown in the table below:

#### Share of capacity on East-West Trades

<u>Alliance</u>	<u>Transpacific</u>	<u>Atlantic</u>	<u>Far East</u>
2M .....	19%	44%	36%
G6 .....	30%	32%	17%
CKYHE .....	27%	4%	20%
O3 .....	16%	6%	24%
Others .....	8%	15%	2%
	100%	100%	100%

Source: Alphaliner Monthly Monitor, February 2016. Excluding Hanjin data.

Once the reorganized alliance structure becomes operational as of April 2017, we expect the three largest alliances to have the following capacity shares on the major East-West trades:

#### Expected share of capacity on East-West Trades (as of April 2017)

<u>Alliance</u>	<u>Transpacific</u>	<u>Atlantic</u>	<u>Far East</u>
2M .....	17%	46%	39%
THE Alliance .....	29%	32%	22%
Ocean Alliance .....	42%	12%	35%
Others .....	11%	10%	4%
	100%	100%	100%

Source: Alphaliner Monthly Monitor, December 2016. THE Alliance including UASC. 2M including Hamburg Süd.

In THE Alliance as of April 2017, the G6 Alliance and the Grand Alliance, the capacity sharing described above is arranged by having each member contribute a certain number of its ships to the alliance and receiving, in return, a specified proportion of the total capacity of all ships contributed to the alliance by its members. Any under- or over-contribution or use of capacity is resolved through payments among the alliance members. As a result, a single trade may be operated with far more vessels than one shipping company could provide on its own (allowing more frequent service on the trade), and carriers may offer services to customers in parts of the world where they deploy no vessels of their own. This provides the advantage of a less capital-intensive expansion compared to a carrier building up its own fleet capacity. Other alliances may provide for a higher or lesser degree of integration of the alliance partners' operations. As a member of THE Alliance as of April 2017, we will focus on the coordination among THE Alliance's members of our respective landside/terminal operations in order to generate additional cost benefits.

Hapag-Lloyd (stand-alone) has a particularly strong standing on the Atlantic trade holding a 25% market share and rank first ahead of MSC, which holds a 22% market share on the Atlantic trade (Maersk: 21%, CMA CGM 8%, NYK 4%, OOCL 1%, other carriers 17% (source: Alphaliner Monthly Monitor, December 2016).

#### Industry Consolidation

The container shipping industry has experienced ongoing consolidation. Notably, the largest carrier in the world, Maersk, acquired P&O Nedlloyd in 2005, then the third largest carrier. This acquisition significantly increased Maersk's market share. At the end of 2005, TUI acquired the British-Canadian CP Ships Ltd ("**CP Ships**"), one of the leading global container shipping companies. CP Ships contributed a fleet of 82 ships and a complementary route and service network to our operations. Within twelve months, CP Ships was fully integrated into our operations. The transaction consolidated our market position and gave Hapag-Lloyd a leading position, *e.g.* in Canada and Mexico. In 2006, the CMA-CGM Group acquired Delmas, a French shipping group, which was the 22nd largest carrier as of the date of the acquisition. In 2007, CMA-CGM Group also purchased a majority interest in Taiwan's Cheng Lie Navigation Co. Ltd., a leading container transportation company active in the Intra-Asian market. On December 2, 2014, Hapag-Lloyd AG and the Chilean shipping company Compañía Sud Americana de Vapores S.A. ("**CSAV**") merged the two companies' container liner shipping activities. This strengthened Hapag-Lloyd's position as one of the largest container liner companies globally by capacity. In November 2014, CMA CGM acquired the Hamburg-based carrier Oldenburg-Portugiesische Dampfschiffs-Reederei GmbH ("**OPDR**") (source: CMA CGM Press Release, November 26, 2014). OPDR provides short-sea transport and logistic services between North Europe and North Africa and has a transport volume of about 240,000 TEU (source: Verkehrsrundschau, November 26, 2014). In March 2015, Hamburg Süd acquired the container liner activities of Compañía Chilena de Navegación Interoceánica S.A. including the related general agency functions of Agunsa Agencias Universales S.A. with headquarters in Valparaíso and Santiago de Chile (source: HSDG Press Release, March 31, 2015). In February 2016, the two Chinese shipping companies COSCO and China Shipping Group merged to form China COSCO. China COSCO has a fleet of 273 container ships with a total capacity of around 1.5 million TEU, making it the fourth-largest container shipping company in the world (source: Alphaliner, June 2016; MDS Transmodal, December 2016). Following approval by the competition authorities, the French shipping company CMA CGM completed the merger with NOL in September 2016. On July 15, 2016, Hapag-Lloyd AG and UASC (S.A.G.) entered into a business combination agreement (the "**UASC BCA**") to combine all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its

subsidiaries (together “UASC”) with Hapag-Lloyd AG (the “UASC Business Combination”). The merger enhances our market position and enables us to consolidate our market position among the five largest container liner shipping companies in the world measured by capacity. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. Recently, the Taiwanese Ministry of Transport has been reported to assess the feasibility of a potential merger of Evergreen and Yang Ming. On November 3, 2016, the two companies have denied such a possibility (source: joc.com).

On December 1, 2016, Maersk reached an agreement to acquire Hamburg Süd, subject to final agreement and regulatory approvals. Hamburg Süd has a global market share of 2.9%, compared to Maersk’s 14.4%, and has its stronghold on the North-South and Latin America trades.

As of November 30, 2016, of the top 20 container shipping companies in the world (based on capacity), 13 are based in Asia, five are European and two are from the Middle East (source: MDS Transmodal, December 2016). For comparative purposes, the largest global container shipping company, Maersk Line, had a capacity of approximately 3.0 million TEU and operated 601 vessels as of November 30, 2016.

The following table lists the largest global carriers by capacity as of November 30, 2016:

<u>Carrier</u>	<u>No. of Vessels</u>	<u>TEU’000 Capacity<sup>(1)</sup></u>	<u>Approximate Share of Total Market Capacity</u>
Maersk Line	601	3,046	14%
MSC	471	2,812	13%
CMA CGM	440	2,114	10%
Hapag-Lloyd <sup>(2)</sup>	227	1,543	7%
China COSCO	273	1,547	7%
Evergreen	190	996	5%
Hamburg Süd	121	606	3%
Hanjin <sup>(3)</sup>	80	578	3%
OOCL	93	567	3%
Yang Ming	97	560	3%
MOL	81	508	2%
NYK	107	498	2%
Hyundai	66	448	2%
PIL	136	365	2%
K-Line	63	357	2%
ZIM	64	295	1%
Wan Hai	91	231	1%
X-Press Feeders	92	143	1%
KMTC	47	112	1%
HDS Lines	28	94	0%
SITC	73	94	0%

Source: MDS Transmodal, December 2016.

- (1) Based on reported numbers total number of vessels includes eight vessels that are chartered out as of September 30, 2016.
- (2) Including UASC. Based on MDS Transmodal, October 2016 and Company data.
- (3) Hanjin is subject to ongoing bankruptcy proceedings as of the date of this Offering Memorandum.

As of November 30, 2016, the ten largest container shipping carriers by capacity accounted for approximately 74% of global fleet capacity and the 20 largest container shipping carriers by capacity accounted for approximately 81% of global fleet capacity (source: MDS Transmodal, December 2016, assuming all announced mergers were carried out). The average age of vessels of the top 20 carriers is 7.9 years while the average age of the combined fleet of Hapag-Lloyd and UASC is 6.4 years and the average age of the world fleet is 8.7 years. The average size of a vessel of the global fleet is 3,407 TEU, the average size of the top 20 carrier vessels is 4,942 TEU and 6,800 TEU for the combined fleet of Hapag-Lloyd and UASC (source: MDS Transmodal, December 2016, assuming all announced mergers were carried out, Company information).

The following table gives an indication of the different capacities operated by the various carriers:

Breakdown of capacity operated by trade as of December 1, 2016:

Carrier	Atlantic	Transpacific	Far East- Europe	Latin America	Middle East / ISC	Other
Evergreen	1%	34%	28%	9%	11%	17%
Hapag-Lloyd <sup>(1)</sup>	14%	12%	26%	20%	16%	12%
COSCO	1%	24%	30%	7%	10%	28%
OOCL	1%	32%	24%	0%	17%	26%
Yang Ming	1%	26%	33%	3%	16%	21%
Wan Hai	0%	12%	0%	8%	31%	49%
Maersk	5%	13%	21%	15%	14%	32%
CMA CGM	3%	19%	24%	14%	10%	30%
MSC	6%	4%	30%	19%	9%	32%

Source: Alphaliner Monthly Monitor, December 2016.

(1) Including UASC. Based on Alphaliner Monthly Monitor, October 2016 and Company data.

The supply of capacity on key trades is increasingly concentrated among a few container shipping companies and through the formation of alliances. For instance, the top five shipping companies, including, in each case, Hapag-Lloyd, on the Atlantic, Latin America and Far East trade had an aggregate capacity share of 79%, 67% and 59%, respectively, in 2013. This has increased to 86%, 84% and 73% for the same trades as of November 30, 2016 (source: Alphaliner monthly newsletter, June 2013 and December 2016, Hapag-Lloyd including UASC and assuming all announced mergers have occurred). The increasing concentration of supply on certain trades is expected to lead to more competitive dynamics between carriers and customers in the future.

We have a strong exposure to the North-South trade, in particular in Latin America where we rank among the top capacity providers. In the Latin America-North American trade, we have a 10% market share. In the Latin America-Far East trade we rank among the top capacity providers with a 11% market share. On the Latin America-Europe trade, we have a 16% market share (source: Container Trade Statistics, December 2016). The Latin American trades have different growth rates. For the period from 2015 to 2017, the expected CAGRs are: Latin America–Europe: 2.6%, Latin America–North America: 1.3%, Latin America-Far East: (0.9)% (source: Clarksons Research, December 2016).

## Chartering

Most container carriers do not own their entire fleet, but instead rely on vessels leased or chartered (either long- or short-term) from third parties to provide some proportion of their total capacity requirements. While ownership of vessels ensures the availability of a certain amount of capacity and cost stability, the short-term charter market provides carriers with increased flexibility in adjusting capacity in response to demand peaks and allows better deployment of vessel capacities in response to changing demand structures between trades a carrier is active in. The decision to charter rather than to own a vessel is typically driven by several factors, including a carrier's expectations of transport volumes it will transport in a particular loop, potential purchase price, availability of financing and risk management.

Most ship charters involve the ship owner providing a vessel to the carrier for a fixed period of time, with the ship owner also providing the ship's crew, insurance and maintenance on the vessel. As such, both the fixed and most of the operating costs of the vessel are included in the charter rate. In this common ship charter agreement, the carrier would be responsible for most voyage costs, such as bunker fuel, canal charges and port fees. Alternatively, it is also possible to charter vessels on a bareboat charter, in which the ship owner provides only the vessel and, the carrier is responsible for the crew, insurance, maintenance, bunker fuel and all other operating and voyage costs.

Average utilization and freight rates have influenced short-term charter rates, but usually with a time lag of several months. These time lags occur because at any given point in time, ship chartering companies and carriers are bound by the terms of the charter agreements to which they are parties. Therefore, a ship chartering company cannot raise its charter rates to reflect an increase in freight rates immediately, but must wait until its current charter agreements expire. Similarly, a carrier is unable to immediately negotiate reduced charter rates in response to falling freight rates. This time lag and its

effects are pronounced following a period of high demand for charter vessels, as owners of such vessels are typically able to enter into longer charter agreements with higher fixed charter rates during such periods.

In the past, container ship capacities have, in certain years, increased globally at a faster rate than the rate at which some container ports have managed to increase their capacities. This has led, in the past, to considerable delays in the processing of container shipments in affected ports. A number of carriers have started to secure their continued access to, or even attempt to gain priority status at, port facilities through direct investments in, and operation of, container terminals in key ports. With rising demand for container shipping and increased container shipping capacity, access to ports, particularly in regions where port capacity has not kept up with traffic growth, has become increasingly important. In the same way that carriers have globalized their networks and the container shipping industry has experienced consolidation in recent years, a growing number of global stevedoring companies and independent stevedores aligned with carriers now play a significant role in the terminal industry.

### **The Panama Canal expansion**

The expansion of the Panama Canal became operational in April 2016. Following the expansion, vessels with a maximum capacity of up to 14,000 TEU are now able to use the Panama Canal. We benefit from the expansion of the Panama Canal's services by way of our Transpacific services. All of our current vessels and vessels presently on order are designed to use the Panama Canal. In general, all our services using the Panama Canal at present are able to use larger ships and thereby increase the efficiency and the economies of scale of our service network. As a result of the expansion of the Panama Canal, scrapping of inefficient vessels is expected to stay at high levels since the purpose built Panamax vessels (up to 5,100 TEU) will be replaced with larger vessels with a capacity of up to 14,000 TEU that will be able to use the widened Panama Canal locks. As of November 30, 2016, vessels with a capacity between 3,000 and 5,100 TEU accounted for about 19% of the approximately 21.2 million TEU of global transport capacity (source: MDS Transmodal, December 2016). As of October 2016, Panamax vessels accounted for 36% of the idle fleet (source: Alphaliner Weekly Review, October 2016; MDS Transmodal, December 2016).

### **Hanjin Bankruptcy**

On August 31, 2016, Hanjin filed for bankruptcy protection in accordance with Korean and US regulations. Hanjin operated 100 container ships and had a transport capacity of approximately 617,000 TEU. Hanjin was the seventh-largest container liner shipping company in the world in terms of transport capacity and had a market share of approximately 3%. Hanjin was a member of the CKYHE Alliance and its transport volume in the first six months of 2016 amounted to approximately 2.3 million TEU. Hanjin was primarily active in the Asia-Europe trade (market share of approximately 4.9%), the Transpacific trade (market share of 6.7%) and the Intra-Asia trade. The interruption of Hanjin's services has resulted in increases in spot market freight rates, in particular in the Far East and Transpacific trades. The sharp increase of the idle fleet and the redelivery of Hanjin ships to their commercial owners have depressed the market value of container vessels and may have a negative impact on the loan-to-value clauses contained in financing arrangements. On October 24, 2016, Hanjin was terminated as a member of THE Alliance with immediate effect as a result of Hanjin's ongoing bankruptcy proceedings.



## OUR BUSINESS

*Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Risk Factors” and “Forward-Looking Statements”.*

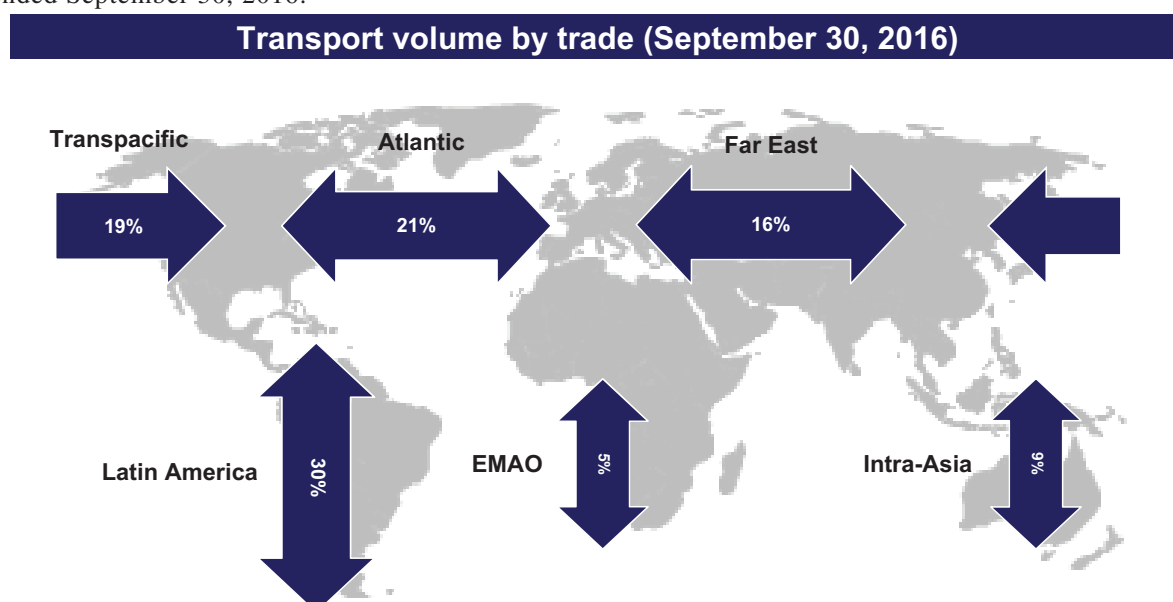
*The description and nature of the operations and principal business activities as presented in this section “Our Business” is applicable to all periods covered by the historical financial information presented in this Offering Memorandum.*

### Overview

We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the largest container shipping line based in Germany and one of the largest in the world (source: MDS Transmodal, December 2016). We offer our customers a comprehensive range of services through an extensive network with 125 liner services worldwide, combined with the support of strong local presences with around 366 sales offices (including agents) in 121 countries as of September 30, 2016. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers’ transport service requirements.

We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence in the high-volume Far East trade (Europe-Asia), the Atlantic (Europe-North America) and Transpacific (Asia-North America) trades as well as in the Latin American trade. In addition, the EMAO (Europe-Mediterranean-African-Oceania) trade as well as the Intra-Asia trade contribute to our overall transport volume.

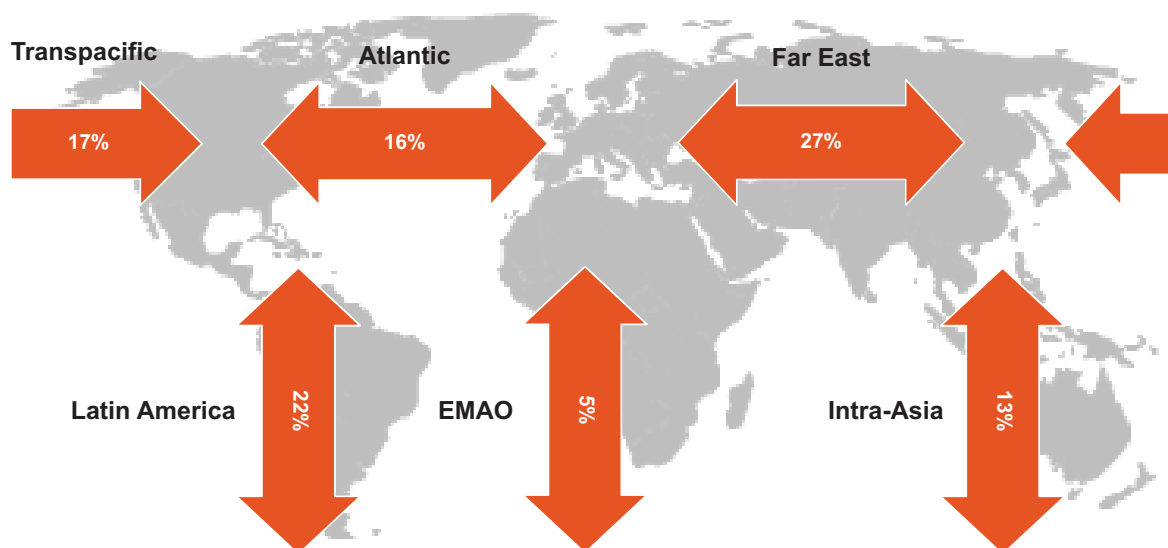
Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 56% of our total transport volume in the nine months ended September 30, 2016, as well as in the North-South trades, which accounted for 44% of our total transport volume in the nine months ended September 30, 2016. In the financial year ended December 31, 2015 and in the nine months ended September 30, 2016, these trades contributed to our total transport volumes as follows: Latin America (30% and 30%, respectively), Atlantic (21% and 21%, respectively), Far East (17% and 16%, respectively), Transpacific (19% and 19%, respectively), Intra-Asia (8% and 9%, respectively) and EMAO (5% and 5%, respectively). For the percentages reflecting the changes in our total transport volume, see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”. The chart below shows Hapag-Lloyd’s transport volumes by trade for the nine months ended September 30, 2016.



Following the satisfaction of all conditions precedent to the closing of the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company (S.A.G.) (“UASC (S.A.G.)”) and its subsidiaries (together, “UASC”) with Hapag-Lloyd AG (the “UASC Business Combination”), we expect that the combination with one of the largest container

shipping companies by capacity based in the Middle East will strengthen our market position as one of the top five shipping companies by capacity and enhance our market position in the attractive Middle East trade where we intend to seize opportunities for further profitable growth. See “Risk Factors—Risk Risks Relating to the UASC Business Combination—The UASC Business Combination could fail”. We believe that the UASC Business Combination will not only significantly enhance our global reach and the network we are able to offer to our customers, but also allows us to increase our competitiveness through UASC’s young and fuel-efficient fleet with a large share of ultra-large container vessels (“ULCVs”) without having to spend additional capital expenditure on such vessels of our own and to harness further synergies. As a result of the UASC Business Combination, we expect our portfolio of trades to become even more balanced, with four of our seven reported trades having a transport volume of at least one million TEU (Atlantic, Transpacific, Far East, Latin America). The chart below shows Hapag-Lloyd’s and UASC’s combined transport volumes by trade for the nine months ended September 30, 2016.

### Transport volume by trade (September 30, 2016)



Our fleet is one of the largest container ship fleets globally (source: MDS Transmodal, December 2016). As of November 30, 2016, we had a fleet of 166 container ships with a total transport capacity of 952,802 TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 70, chartered 93 and finance leased three container ships. Of the 166 container vessels, we have chartered out three ships. Through the UASC Business Combination, we will acquire an additional 61 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. As of September 30, 2016, we managed a fleet of 938,399 containers with a total transport capacity of 1,531,074 TEU, approximately 43% of which we owned with the remainder being rented. As a result of the UASC Business Combination, we will acquire an additional 426,953 containers with a capacity of 683,097 TEU. As of September 30, 2016, we invested in 5,650 containers. As of September 30, 2016, our order book comprised five new vessels each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC’s order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. As a result of these investments, our ownership ratio in vessels is expected to increase.

In May 2016, we announced the founding of THE Alliance, which will become our new main shipping alliance as of April 2017 (subject to certain regulatory approvals) and replace our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations as of April 2017. Besides us, THE Alliance will consist of Mitsui O.S.K. Lines (“MOL”), Nippon Yusen Kaisha Lines (“NYK”), Kawasaki Kisen K.K. (“K-Line”) and Yang Ming Marine Transport Corp. (“Yang Ming”) and is expected to become operational in April 2017. UASC, as part of Hapag-Lloyd, will become part of THE Alliance. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a

negative impact on the makeup or operation of THE Alliance. Hapag-Lloyd AG is one of the founding members of the G6 Alliance (whose other members are, besides us, American President Lines Ltd. (“**APL**”), Hyundai Merchant Marine Co., Ltd. (“**HMM**”), MOL, NYK and Orient Overseas Container Line Limited (“**OOCL**”), currently one of the world’s largest operating container shipping alliances with a total combined capacity of approximately 3.5 million TEU, representing a 17% share of the global transport capacity (source: MDS Transmodal, February 2016). In addition, we maintain cooperation arrangements with other carriers. We are one of the founding members of the Grand Alliance, which also includes OOCL and NYK, of which the majority of services were merged with those of the New World Alliance to form the G6 Alliance.

Such arrangements allow us to optimize fleet utilization by sharing capacity and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. For the nine months ended September 30, 2016, approximately 40% of our total transport volume was carried on either our owned or chartered vessels contributed to the G6 Alliance and the Grand Alliance, or vessels made available to us through the G6 Alliance and Grand Alliance. In addition, we have entered into a cooperation arrangement with CMA CGM S.A. (“**CMA CGM**”) and Hamburg Süd Group (“**Hamburg Süd**”), offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (e.g., reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in HHLA Container Terminal Altenwerder GmbH (“**CTA**”) in the Port of Hamburg, one of the most modern container terminal facilities in the world (source: HHLA Hamburger Hafen und Logistik AG, November 2016).

The Group is headquartered in Hamburg, Germany. As of September 30, 2016, we had 9,397 total employees worldwide. In the financial year ended December 31, 2015 and in the nine months ended September 30, 2016, we generated revenue of €8,841.8 million and €5,713.8 million (2014: €6,807.5 million, 2013: €6,567.4 million), respectively, and EBITDA of €831.0 million and €381.3 million (2014: €98.9 million, 2013: €389.1 million), respectively.

For a more detailed breakdown of our total revenue by geography, see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the nine months ended September 30, 2016 and 2015”, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of The Financial Years Ended December 31, 2015 and 2014” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the Financial Years Ended December 31, 2014 and 2013”.

## **Our Strengths**

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

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

Demand for container liner shipping services has been, and will continue to be, positively correlated to the performance of the global economy and the development of global trade volumes. According to the International Monetary Fund (“**IMF**”), the volume of global trade, which is key to the demand for container liner shipping services, is forecasted to increase by 2.3% in 2016 and growth of global trade is expected to accelerate to 3.8% in 2017 as economic growth in industrialized countries such as the USA and Japan and the industrialized Euro-zone is predicted to remain positive (source: IMF, World Economic Outlook, October 2016). With the world trading volume forecast to grow, demand for container liner shipping services is expected to increase gradually. According to Clarksons Research, Container Intelligence Monthly (October 2016), the global container liner shipping volume has increased from 139.2 million TEU in 2010 to 175 million TEU in 2015 and is expected to reach approximately 180.6 million TEU in 2016. This would put the forecasted rise in worldwide transport volumes in container liner shipping for 2016 and 2017 above the forecasted rate of growth for global GDP growth. Over the last 16 years we have more than doubled our share of global transport capacity

in the container liner sector from 2.0% in 2000 to about 4.5% as of September 30, 2016 (source: MDS Transmodal February 2001 and December 2016). We achieved this by expanding our service network and through successfully integrating Compañía Sud Americana de Vapores S.A.'s ("CSAV") container shipping business ("CCS Activities") in 2014 and the CP Ships Ltd. acquisition in 2005 and will continue to do so through the UASC Business Combination. As one of the largest container liner shipping companies worldwide with an extensive network comprising 125 services worldwide, we expect to benefit from continued positive growth in the industry.

As a combined entity, Hapag-Lloyd and UASC will possess a competitive position, evidenced by our market shares of approximately 12%, 27%, 6% and 10% on the Latin America, Atlantic, Transpacific and Far East trades, respectively (these market shares are estimates based on TEU we transported for our customers on each of the trades and container liner shipping transport volume data from Alphaliner Monthly (December 2016). Based on weekly capacity employed, Alphaliner estimates our market share (Hapag-Lloyd stand-alone) to be 11%, 25%, 4% and 3% on the Latin America, Atlantic, Transpacific and Far East trades, respectively (source: Alphaliner, Monthly Monitor, December 2016). As a result of the UASC Business Combination, we estimate that our market share will become more balanced on the Atlantic, Transpacific and Far-East trades, respectively, and will provide greater protection against cyclical fluctuations in individual trades. We believe that we are well positioned to benefit from growth trends in the attractive niche businesses such as reefer, project cargo and dangerous goods businesses, where we have a long-standing and well-recognized expertise. With our fleet of state-of-the-art reefers with a capacity of 133,308 TEU, to transport temperature-sensitive cargo such as fruit, vegetables, meat and fish as well as high value reefer cargo such as pharmaceuticals and healthcare products, we possess one of the largest reefer container fleets in the industry (source: Dynamar Reefer Report 2015). We already own 53% of our reefer fleet and have an order of additional reefer containers with a total capacity of 5,750 TEU in September 2016 with an expected delivery until the end of 2016. Our position in the reefer business will be further strengthened by the new 9,300 TEU vessels which we received over the past year as well as the new orders for five 10,500 TEU vessels that we have already placed. Both vessel types possess a large number of reefer plugs (1,400 reefer plugs per vessel and 2,100 reefer plugs per vessel, respectively), enhancing our carriage capacities for temperature sensitive cargo.

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

Furthermore, we are actively exploring further value adding market niches—we are one of only three container carriers worldwide being certified to carry U.S. governmental cargo with five of our vessels sailing under U.S. flag. In addition, we have a strong position in the flag-protected cabotage services on the trade routes Chile-Brazil, intra-Chile and intra-Peru, which represent attractive niche businesses as due to flag restrictions, other carriers are not able to offer these services.

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

***Well-balanced route mix and exposure to attractive markets strongly supported by our membership in THE Alliance as of April 2017 and G6 Alliance and through several cooperation agreements.***

As of September 30, 2016, we had 366 sales offices in 121 countries and 125 liner services, supported by our cooperation within THE Alliance as of April 2017 (subject to certain regulatory



approvals), the G6 Alliance and arrangements with several other carriers. As a result, we maintain a portfolio of trades (a trade combines liner services between two land masses) which we believe to be more balanced than that of any other liner, covering all major markets and regions. We are one of the few leading carriers with an almost equal exposure both to the high-volume East-West trades (in the financial year 2016 the container liner shipping transport volume in the East-West trades is expected to account for around 42% as compared to the remainder of the global trades) as well to the attractive North-South trades (source: Clarksons Research, Container Intelligence Quarterly, December 2016). Each of the Latin-America, Atlantic, Far-East and Transpacific contributed 29.6%, 20.5%, 16.4%, and 19.3%, respectively, to our total container liner shipping transport volume of 5,650 million TEU in the nine months ended September 30, 2016. In addition, the Intra-Asia and the EMAO (Europe-Mediterranean-Africa-Oceania) trades made a substantial contribution of 8.7% and 5.5%, respectively, to our overall transport volume in the nine months ended September 30, 2016. We have a strong market position in the attractive North and South America trades. Together with our present and future Alliance partners as well as with our other cooperation partners we have a strong market position in terms of capacity in two of the three East-West trades (Far East and the Transpacific trades) as well as in the Latin-America and are joint market leader in the Atlantic trade in terms of capacity deployed (source: Alphaliner Monthly Monitor, December 2016). In addition, the UASC Business Combination will strengthen our operations in the Middle East through UASC's established presence in the region. We intend to support our presence in the Middle Eastern region by establishing a fifth Hapag-Lloyd regional center in Dubai. Our enhanced service network ensures that we are well positioned to benefit from an increase in trade flows around the globe while our balanced trade lane portfolio enables us to be more resilient to adverse market developments on any one trade lane.

In addition, through our membership in THE Alliance as of April 2017, the G6 Alliance and several cooperation agreements we share capacity with other carriers on the major East-West trades as well as the North-South trades which enable us to maintain favorable utilization rates of our vessel and container fleet, consistently extend the range as well as the geographic scope of our services, and offer our customers improved services, shorter transit times, more frequent sailings and more direct port calls which will further benefit our perception and position in the market. As a member of THE Alliance as of April 2017, we will focus on the coordination of THE Alliance members' respective landside/terminal operations in order to generate additional cost benefits. We believe that the degree of integration in THE Alliance is therefore higher when compared to the Ocean Alliance and the 2M. Our ability to coordinate our services with other alliance members also allows us to use capacity more efficiently, entailing cost savings and lower capital expenditures. In addition, our use of cooperation arrangements facilitates our entrance into new markets by lowering our entry costs through, for example, allowing us to use our partners' vessels. Together with our G6 and THE Alliance partners we have a strong market position in terms of capacity in two of the three East-West trades (Far East and the Transpacific trades) as well as in the Latin-America and are joint market leader in the Atlantic trade in terms of capacity deployed (source: Alphaliner Monthly Monitor, December 2016).

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

The composition of our fleet provides us with a significant degree of flexibility in our operations. We are able to swiftly deploy our vessels on our different trade lanes and actively manage and control the optimal use of the vessels depending on the respective demand and slot allocation. As of September 30, 2016, our fleet comprises 166 container vessels (including three vessels which we have chartered out), of which we owned 70, chartered 93 and finance leased three. Through the UASC Business Combination, we will acquire an additional 61 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017.

In line with our market position on high-volume trades, approximately 86% of our capacity consists of vessels with a capacity in excess of 4,600 TEU while approximately 52% of our total fleet have a capacity in excess of 8,000 TEU as of September 30, 2016. We focus on owning larger vessels, resulting in the average size of our entire vessel fleet being approximately 5,740 TEU prior to the UASC Business Combination compared to an industry average of 3,407 TEU and an average among the top 20 carriers of 4,942 TEU (source: MDS Transmodal, December 2016, assuming all other announced mergers were carried out). As of September 30, 2016, the average age of our fleet is 8.0 years prior to the UASC Business Combination, of which 42% comprised vessels less than ten years of age, compared to an industry average of 8.7 years (source: MDS Transmodal, December 2016,



assuming all other announced mergers were carried out). Including the vessels acquired through the UASC Business Combination, the average age of our fleet is 6.4 years. Combined with UASC's fleet, our average vessel size will increase to 6,800 TEU. All of our latest newbuild vessels as well as the vessels on order are equipped with an increased number of reefer slots to take advantage of the increasing demand, for example, for the transport of foodstuff especially on the North-South trade. Foodstuffs and beverages represented about 18% of our transport volume in the nine months ended September 30, 2016. All of our latest newbuild vessels and the vessels on order are also designed with a wide-beam vessel shape which allows the use of harbors with shallow waters and, therefore, enables flexible deployments on various services. Together with our G6 Alliance and as of April 2017 THE Alliance partners and our other cooperation partners, we are able to allocate ships to services which best fit the specific needs of each service.

Overall, the larger size vessels and the homogenous structure within the different classes of our fleet in terms of design and furnishings provide benefits, such as lower operating and voyage unit costs, fuel, port and canal fees as well as manning, repairs, insurance and ship management costs. For the nine months ended September 30, 2016, we reduced our cost base by approximately US\$170.5 per TEU ((15)%) from US\$1,111.2 per TEU in the nine months ended September 30, 2015. We also maintain a high degree of flexibility in our fleet to meet changing market demand by using a combination of short-term, mid-term and long-term vessel charters along with our owned and leased vessels. Short-term charters, mid-term charters and long-term charters are for a period of up to twelve months, up to 36 months and more than 36 months, respectively. Short-term and mid-term charters allow us to adjust our capacity and cost structure rapidly in response to changes in demand. In addition to our vessel fleet, our stock of a wide variety of containers, which enables us to cater towards our customers' needs and specifications, complements our flexible and competitive fleet structure.

***Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management (i.e., management of different transport volumes of regions, which produce and export more goods than they import and consume, on the one hand, and regions, which import and consume more goods than they produce and export, on the other hand, for example, through network planning and by charging different rates for shipping cargo).***

We have a track record of long-term and close relationships with a broad range of blue-chip customers. Our top customers include direct shippers, such as IKEA, ExxonMobil, General Motors, BASF, Ford and freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, Panalpina and JF Hillebrand. Moreover, we have been successful in acquiring and retaining key account customers. For example, 17 of our top 20 customers by volume in 2012 continued to count among our top 20 customers by volume through the nine months ended September 30, 2016. We believe that our close relationship with large direct customers gives us better visibility on future container liner shipping transport volumes while our relationships with large freight forwarders, which originate cargo in many locations worldwide, help us to optimize our trade flows. Moreover, after gaining access to additional customers in the Middle Eastern region through the UASC Business Combination, we will further enhance our geographical and customer diversification. In the nine months ended September 30, 2016, we provided our services to approximately 21,000 customers, diverse in both geography and industry, with no single customer representing more than 5% of our total transport volume. We believe that our long-term and close customer relationships are supported by our industry-leading container liner shipping information management system. We have developed and are continuously enhancing a globally integrated and self-developed IT system to support our business and operating processes. This allows us to maintain our high levels of efficiency and productivity throughout our global operations by reducing costs and increasing the speed, quality and reliability of operational information. Our IT systems are highly scalable and a key enabler of our inorganic growth strategy, allowing us to efficiently integrate acquired operations. Our operational excellence is linked to the quality of our system, including web-based graphical user interfaces, which has been in operation and running reliably for nearly 20 years. We have also implemented a standardized organizational model that we use in our operations worldwide called Blueprint Organization (“**Blueprint**”) and a “one-file-per-shipment” data structure throughout our operations and IT system architecture. Our IT system runs on a standardized platform that links all of our regional headquarters, areas and offices. We believe that the combination of our integrated IT system with Blueprint is an industry-leading innovation, which cannot be easily reproduced by our competitors. This system enables decentralized decision-making within our global network and provides us with significant advantages over our competitors as we can continuously monitor and improve our productivity by comparing and benchmarking processes throughout the organization. In particular, our

self-developed freight information system (“FIS”) provides us with real-time information allowing us to assess at the point of sale the contribution levels that may be achieved by an individual transaction, after taking into account costs, such as the cost of associated relocations of empty containers and inland transportation costs.

Our system particularly enables us to better manage structural imbalances in the container liner shipping business by optimizing container shipments, when compared to the market (source: Drewry Maritime Research, Q3 2016, Company information). Through our yield management, we achieve a significantly higher share of full container moves on the non-dominant leg of a trade route compared to the overall industry, resulting in fewer empty containers requiring repositioning and thereby considerably reducing our repositioning costs. During 2015, for every ten full containers we carried on the dominant legs of the Transpacific, Atlantic and Far East-Europe trades, we carried approximately 7, 7 and 7 full containers on the non-dominant legs of these trades, respectively, comparatively higher than the industry average of 4, 7 and 5 full containers, respectively (source: Drewry Maritime Research, Container Forecaster & Annual Review, Q3 2016 (Hapag-Lloyd data adapted to Drewry trade definition)). This results in fewer empty containers requiring repositioning and considerably reduces our repositioning costs.

***Proven track record on efficiency improvements through organic and inorganic growth initiatives.***

Our operational structure is set up to efficiently pursue strategic acquisitions or further business combinations in a consolidation driven market environment. In 2005, we successfully integrated Canadian container shipping company CP Ships. As a result of the integration process, we realized net synergies of €208 million by 2008, which exceeded our initial estimated synergy amount of €180 million. The integration of the CCS Activities further proved that we are capable and well experienced in executing a successful integration process and realizing the synergies and know-how gained through the successful integration of acquired businesses is firmly anchored in our organization. The CUATRO and OCTAVE (excluding OCTAVE II) projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling US\$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 planned synergies and efficiency improvements out of the projects CUATRO and OCTAVE are expected to be realized by more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates. We initiated CUATRO as our integration project to facilitate the post-merger integration of the CCS Activities following the completion of the acquisition of the CCS Activities. We intend to draw on the experience gained from the integration of CP Ships and the CCS Activities to help us exploit the synergy potential from the integration of UASC. Through the integration of UASC, we will be ranked among the five largest container liner shipping company globally measured by capacity. This is also supported by our uniform and scalable IT systems, which are globally integrated standardized systems that can be quickly enhanced to further users and locations.

***Experienced management team and supportive anchor shareholders.***

We have a strong and experienced senior management team, which is comprised of our executive board members and the heads of our regions (North America, South America, Europe and Asia) and central functions (global sales, trade management, network and operations) dedicated to further strengthening our competitive position as a leading container liner shipping group. On average, each senior management team member has 20 years of experience at Hapag-Lloyd and 42% of our senior management have an international background. We believe the experience of our management team gives us a competitive advantage and positions us favorably for future growth and profitability. Over the last 16 years, we have more than doubled our share of global transport capacity in the container liner sector from 2.0% in 2000 to approximately 4.5% as of September 30, 2016 (source: MDS Transmodal, July 2001 and December 2016). This was achieved by expanding the service network, the successful integration of the CCS Activities in 2014 and the Canadian container liner shipping company CP Ships Ltd. in 2005 and will be further strengthened through the UASC Business Combination. Furthermore, our management team has continuously reduced transport expenses in recent years. From 2013 to 2015, our transport expenses per TEU were reduced by US\$306.8 (22%). In the nine months ended September 30, 2016, transport expenses per TEU were reduced by a further US\$170.5 per TEU to US\$940.7 compared to the nine months ended September 30, 2015. In 2014, we

incorporated certain structural improvements, allowing for a closer steering of the business on executive board level as the four regions now directly report to the CEO. Furthermore, steering of the business is based on a common set of core reports and key performance indicators (“**KPIs**”), implementing a strong performance driven culture with regular performance dialogues passed down through the organization.

In addition, after the closing of the UASC Business Combination, we will continue to have highly committed principal shareholders including the three anchor shareholders CSAV Germany Container Holding GmbH (“**CG Hold Co**”) (22.6%), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) (14.9%) and Kühne Maritime GmbH and Kühne Holding AG (together, “**Kühne**”) (14.6%) (Kühne Maritime GmbH together with CG Hold Co and HGV, the “**HL BCA Controlling Shareholders**”) and, upon completion of the UASC Business Combination, our new key shareholders Qatar Holding LLC (“**QH**”) (14.4%) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (10.1%) (together, the “**UASC Controlling Shareholders**”).

Under the terms of the business combination agreement between Hapag-Lloyd AG and UASC (S.A.G.) (the “**UASC BCA**”) and the shareholder support agreement among Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders (the “**SSA**”), Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. The HL BCA Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.

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

## **Our Strategy**

We intend to further enhance profitability over the next three years and to significantly improve earnings by harnessing synergies and streamlining our cost structure, continuing growth in volume and improving revenue quality. As a result, we focus on the following key strategic objectives:

### ***Further encourage growth by capitalizing on dynamic growth trends in our industry and through acquisitions.***

In order to continue achieving sustainable and profitable growth, we pursue internal and external growth opportunities. According to Clarksons Research (December 2016), world container traffic will increase by 3.2% in 2016, indicating that world container traffic is expected to grow 0.1 percentage points stronger than global GDP growth in 2016 (source: IMF, October 2016). For 2016, the IMF expects global GDP to increase by 3.1%. Pursuing our sustainable and competitive business model, we plan to pursue an internal growth strategy in which our container liner shipping transport volumes increase in line with industry growth. We intend to achieve this goal by making further inroads into our existing customer base through our strong sales organization, our global account management team and our customer-oriented services. This includes defining coverage of top accounts and improving our sales channel strategy for each market. We are planning to capitalize on our market positions especially as a joint market leader in terms of capacity in the Atlantic, the Transpacific as well the North-South trades, in the individual trade lanes and to respond to their respective dynamics accordingly. Our flexible network management enables us to continue to adapt to evolving customer needs. We also plan to optimize our pricing strategy by improving our customer discount policy and, among other measures, managing the balance between the spot and contract business. We will also focus on yield management for the near term, including the further development of our yield management team and the further advances to the proactive pricing and steering function. We offer an attractive global service network combined with exceptional service quality and are looking to expand in the special cargo business, for example over-sized cargo, and reefer transports. With our existing order book of five vessels, each with a capacity of 10,500 TEU, we will expand our reefer slot capacity by almost 21,000 slots by mid-2017. Through the UASC Business Combination, we will have access to an additional 61 vessels, including six 19,870 TEU ships and eleven newbuild 14,993 TEU ships, the

last two of which will be delivered during 2017. In addition, we intend to continue pursuing external growth through selected add-on acquisitions if the right project is available and would be value enhancing.

***Deliver significant synergies from the UASC Business Combination.***

In addition to our market share improvements and the increased importance of the Middle East trade, we believe that the combined operations benefit from significant synergy effects, which mainly relate to network optimization and overhead/personnel improvements in our business. Further potential for synergies lies in decreased administrative costs, optimization of terminal spend through a “best rate” approach, inland synergies from a better rail/truck feeder network and equipment utilization. We plan to generate synergies for the Group through further standardization of our processes by extending the Hapag-Lloyd organizational blueprint to UASC.

The joint team of Hapag-Lloyd and UASC expects total synergies to amount to US\$435 million per year from 2019 onwards based on a synergy report prepared by Hapag-Lloyd, UASC and a third party (the “**Synergy Report**”). Implementation of the planned synergies will commence with the closing of the UASC Business Combination, with approximately one third of such synergies to be achieved in 2017. In addition, we are only considering cost synergies and have not included any topline potential (*e.g.*, through cross-selling or a more extensive network). The joint team from Hapag-Lloyd and UASC expects one-off costs of approximately US\$150 million related to both the implementation of the planned synergies (synergy-related one-offs) as well as related to the successful conclusion of the UASC Business Combination (transaction-related one-offs and integration support).

The combination of Hapag-Lloyd and UASC is anticipated to provide operational synergies, in particular in the areas of (i) network, (ii) personnel, (iii) administrative, (iv) terminals, (v) inland and (vi) equipment.

*Network.* As the Group has access to a larger pool of vessels, the deployment of vessels can be further improved resulting in lower slot costs on the basis of a larger fleet and through economies of scale by bundling volumes on fewer and more profitable services and vessels. We expect to achieve synergies by combining two stand-alone networks and optimizing the combined deployment of vessels for selected trades resulting in a fleet reduction of surplus vessels.

*Personnel and Administrative.* Hapag-Lloyd has its headquarters in Germany and UASC has their headquarters located in Dubai. Following the UASC Business Combination, the Group will have its headquarters in Germany and regional headquarters in each of Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso), Europe (Hamburg) and the Middle East (Dubai), leading to a general reduction in overhead. Furthermore, we expect to achieve overhead synergies by improving our productivity through a higher organizational efficiency, best practice sharing, a unified IT platform and a reduction of other overhead costs (*i.e.*, office rents, travel, communication, training, service providers, insurances).

*Terminals and Inland.* We have identified ports, in particular in Europe, where we expect to achieve terminal synergies through matching of more beneficial contracts and economies of scale effects with terminal operators. In addition, we plan to realize synergies within our inland business by applying the combined group’s best rates as well as bundling transport volumes and optimizing logistics processes.

*Equipment.* By combining the partly complementary trade flows of Hapag-Lloyd and UASC, we also expect equipment synergies as a result of reduced imbalances thereby reducing empty container repositioning and further plan to improve our leasing conditions for containers. Furthermore, the addition of UASC’s fleet to Hapag-Lloyd’s existing fleet results in a modernization of the total fleet as well as a larger average vessel size, creating further cost efficiencies. See “Risk Factors—Risks Relating to the UASC Business Combination—The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale” and “Risk Factors—Risks Relating to the UASC Business Combination—We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination”.

*Financial advantages.* In addition to strategic and operational advantages, we also expect the UASC Business Combination to lead to financial benefits for the Group. The planned capital increase, supported by our controlling shareholders, of US\$400 million is expected to further enhance our equity



base and liquidity. The addition of UASC's young, fuel-efficient vessels, which includes seventeen ULCVs, the last two of which are expected to be delivered during 2017, reduces the need for new vessel investment in the coming years, enabling us to focus on maximizing free cash flow and to significantly deleverage over time. See "Risk Factors—Risk Relating to the UASC Business Combination—Certain of our large shareholders may fail to honor their commitments under the Shareholder Support Agreement".

***Continuously implement efficiency and cost improvement measures to enhance overall profitability.***

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality across all areas of operations. In 2014, we introduced our cost and efficiency project called "OCTAVE" targeting short-term operational initiatives with immediate effects in the areas of: (i) inland cost and bunker procurement; (ii) our fleet and network; and (iii) our sales and product portfolio. Through these initiatives, we have reaped substantial revenue improvements and cost savings. In the first quarter of 2016, the OCTAVE efficiency programme was intensified, and additional measures (OCTAVE II) were added to it. These should lead to further cost savings and efficiency improvements with a high double-digit million dollar amount by the end of 2017, in addition to the improvements already achieved. The efficiency projects have contributed to the improvement in cost structures also in the first nine months of 2016.

The CUATRO and OCTAVE (excluding OCTAVE II) projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling US\$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 planned synergies and efficiency improvements out of the projects CUATRO and OCTAVE are expected to be realized by more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates.

Further, we expect to reap substantial benefits from our strengthened market presence in the attractive Middle East trade as a result of the UASC Business Combination.

***Further exploit the benefits from our global alliances and cooperations.***

We plan to continue to focus on joint operations to strengthen our overall position. With Hapag-Lloyd AG as a member of THE Alliance as of April 2017, a founding member of the G6 Alliance and the Grand Alliance, we are strongly positioned in the container liner shipping market. Through the joint operation of services, we focus on further providing a significantly larger network to our customers than as a single carrier.

We operate the major East-West trades as part of our participation in the G6 Alliance and the Grand Alliance. Subject to certain regulatory approvals, once THE Alliance becomes operational in April 2017, we will cover all East-West trade lanes and seek to remain among the market leaders on these trades. We increased our coverage of the major North-South trades through the combination integration of the CCS Activities and thus believe that we are well-positioned to further provide a comprehensive global offering of trades. This is supplemented by our cooperation with CMA CGM and Hamburg Süd, offering new products (*e.g.*, reefer products) between Asia and the West and the East coast of Latin America, benefitting from an extensive port coverage with short transit times to and from main Asian locations. Alliances may provide for a higher or lesser degree of integration of the alliance partners' operations. As a member of THE Alliance as of April 2017, we will focus on the coordination of THE Alliance's members' respective landside/terminal operations in order to generate additional cost benefits. We expect that the combination with UASC will further strengthen our product offerings in the major East-West and North-South trades.

In addition, we plan to continue to benefit from several cost efficiencies, such as an increased average vessels size, a better use of our capacity and vessels due to the more efficient vessel deployment and improved utilization as well as capacity absorption for the market. Together with our cooperation and alliances partners, we will continue to improve and enhance the value gained from cooperation.



***Leverage our market position and our strong reputation for quality, reliability and seamless execution to increase revenue and improve the quality of revenues.***

We strive to maintain our reputation for quality, reliability and the seamless execution of our services. Based on the segmentation of our customers according to volume and profitability criteria, we plan to increase our sales efficiency by increasing the share of our customers that score best under segmentation criteria and by further improving our tender management. We further intend to maintain a balanced customer mix of freight forwarders, who handle cargo globally and in all directions, and industrial and trade customers to maintain visibility on future container liner shipping transport volumes and to optimize overall equipment steering. We also plan to capitalize on our strong brand and reputation and successful execution of bilateral Electronic Data Interchange (“**EDI**”) solutions, which entails the transfer of structured data from one software application to another. By increasing the share of our customers that use bilateral EDI solutions, we strengthen our customer relationships and protect future volume growth potential.

In March 2015, we launched a comprehensive program called “Compete to Win” designed to enhance our commercial capabilities across our worldwide sales organization. The program aims at improving our revenue quality and profitability, providing a review of the sales organization and processes (opportunity identification, planning and execution), pricing and utilization optimization. Key elements include the enhanced integration of sales and trade management, easier access to information, a more structured preparation process, improved commercial planning and steering and the cultivation of a performance driven culture.

Based on comprehensive fact finding analysis in Asia, the Americas and Europe during the first half of 2015, we completed the design and testing of the program by December 2015 and rolled out the program globally in 2016. We believe that the new sales processes have improved the quality of customer contacts, resulting in improved revenue quality.

In addition, we rolled out an enhanced systematic data driven approach to lead generation and campaign development and execution. Furthermore, we intend to continuously and systematically enhance the capabilities of our front line sales force. We streamlined our pricing process and developed the tools to drive active and agile pricing strategies. We strive to optimize our differentiated sales channels and service levels and streamlined internal processes and communication to focus our time on selling. Finally, we rebalanced the responsibilities and capabilities for maintaining a consistent high quality and responsive customer service. This program is a multi-year effort to enhance revenue quality with first impact expected from 2017 onwards.

Additionally, under the umbrella of Compete to Win, we developed the Global Account Program (“**GAP**”) to further build and improve our relations with our most important customers. The enhanced program provides clear sales interfaces with named points of entry across the world, improved consistency in our service delivery and better access to our subject matter experts.

## **Our History**

### ***Pre-UASC Business Combination***

Hapag-Lloyd’s origins began with the liner shipping companies Hamburg-Amerikanische-Packetfahrt-Actien-Gesellschaft (“**Hapag**”) and Norddeutscher Lloyd (“**NDL**”). Hapag was founded by Hamburg businessmen and ship owners in 1847, to respond to the growing need of passenger services arising out of the increasing number of German and other European emigrants to North America. NDL was founded in Bremen in 1857 to capitalize on increasing shipping activities in Hamburg. In cargo shipping, both Hapag and NDL were pioneers in providing importers and exporters regular, reliable services on a global basis. In 1970, during a time of rapidly developing container services, the two companies merged to become Hapag-Lloyd AG. In 1998, Hapag-Lloyd AG was acquired by Preussag AG, later renamed TUI AG (“**TUI**”). At the end of 2005, TUI acquired CP Ships Ltd., a British Canadian container shipping company that was subsequently integrated into Hapag-Lloyd AG. From March 2009 to August 2013 (until completion of the downstream merger), the Hamburgische Seefahrtsbeteiligung “Albert Ballin” GmbH & Co. KG (the “**Consortium**”) held a majority interest in Hapag-Lloyd Holding AG and thereby also in Hapag-Lloyd AG. The former sole shareholder of the Hapag-Lloyd AG, Hapag-Lloyd Holding AG, was merged into Hapag-Lloyd AG by way of a downstream merger with retroactive economic effect as of January 1, 2013. This downstream merger was entered into the commercial register of the Hapag-Lloyd AG and Hapag-Lloyd Holding AG on

August 19, 2013. Following the dissolution of the Consortium in the fall of 2013, the former members of the Consortium hold their interests directly in Hapag-Lloyd AG. In April 2014, Hapag-Lloyd AG acquired and subsequently integrated Compañía Sud Americana de Vapores S.A. (“CSAV”) container shipping business (the “CCS Activities”) with Hapag-Lloyd AG. As consideration, CSAV received a 30% stake in Hapag-Lloyd AG, which was then increased to a 34.01% (for further information on our shareholder structure, see “Principal Shareholders”). As a result of the integration of the combination, Hapag-Lloyd AG became one of the largest liner shipping companies in the world measured by the capacity of its fleet (source: MDS Transmodal, July 2015).

In the fourth quarter of 2015, Hapag-Lloyd AG announced its initial public offering (“IPO”) on September 28, 2015. In the IPO, 13.2 million new registered shares were issued at a price of €20 by an international bank consortium to institutional and private investors as part of a book-building process. Since November 6, 2015, the shares have been publicly traded on the Frankfurt and Hamburg stock exchanges.

### ***Post-UASC Business Combination***

On July 15, 2016, Hapag-Lloyd AG and UASC (S.A.G.) entered into a business combination agreement (the “UASC BCA”) in connection with the UASC Business Combination. On July 18, 2016, Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders, along with the UASC Controlling Shareholders, entered into the SSA to comply with the commitments in relation to the UASC Controlling Shareholders and the HL BCA Controlling Shareholders under the UASC BCA.

The closing of the UASC Business Combination is currently still subject to the occurrence or waiver of the following conditions precedent, including but not limited to:

- The clearance of the UASC Business Combination by the Committee on Foreign Investment in the United States (“CFIUS”) under the Exon-Florio amendment to the Defense Production Act of 1950 as amended by the Foreign Investment and National Security Act of 2007, or the absence of action to block, prevent, suspend or condition the UASC Business Combination by the President of the United States of America and the expiry of the applicable period of time to take such action;
- The granting of all necessary consents and waivers on the part of UASC (S.A.G.)’s (including their respective controlled subsidiaries) financing banks and lessors;
- The entering by UASC (S.A.G.) into certain unsecured debt maturity extension agreements with the relevant financing banks; and
- The absence of judicial or official orders or other decisions permanently or temporarily preventing the implementation of the UASC Business Combination.

In addition, prior to completion of the UASC Business Combination, UASC (S.A.G.) is required to transfer its incorporation to the Dubai International Financial Center (“DIFC”) to continue its existence as a DFIC company limited by shares and effected the establishment of an on-shore Dubai branch of UASC (S.A.G.) registered with the Department of Economic Development (the “DED”) (thereafter to be known as United Arab Shipping Company Limited). In connection with this process, UASC (S.A.G.) is also required to implement certain additional corporate restructuring measures among its group companies. As of the date of this Offering Memorandum, not all consents and waivers required for these reorganization steps by certain banks and other lenders to UASC have been obtained.

The UASC Business Combination will be effected by way of a contribution-in-kind of all existing UASC shares by (i) all entities and individuals holding UASC (S.A.G.) shares (“Participating UASC Shareholders”) as well as (ii) the company secretary of UASC (S.A.G.), on behalf of certain minority shareholders that were dragged along pursuant to UASC (S.A.G.)’s Articles of Association (the “Dragged UASC Shareholders”), to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Dragged UASC Shareholders. The new shares will originate from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG and approved by the supervisory board of Hapag-Lloyd, utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “Capital Increase I”). As a result, QH and PIF will receive a 14.4% stake and 10.1% stake in Hapag-Lloyd AG. See “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, Hapag-Lloyd AG, UASC (S.A.G.), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. The HL BCA Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.

## **Our Services**

### ***Container Shipping Services***

We are a global container carrier providing a comprehensive range of services to international industrial and trade companies and freight forwarders. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations of customer arranged, shipping company provided and third-party services. We offer a variety of regularly scheduled ports of call and sailing times, dates and frequencies. We provide these services by using a combination of our own vessel fleet as well as ships committed by THE Alliance members as of April 2017, other Grand Alliance and G6 Alliance members and our other cooperation partners.

Typical container shipments start at the sender’s designated address with an empty container being delivered to the sender’s premises. Once the sender has filled the container with cargo, the container is transported by truck, rail, barge, feeder or a combination of the four to a container port, where it is loaded onto a container ship. The container is shipped either directly to the destination port or via one of our scheduled ports of call, where it is transferred, or “transshipped”, to another ship. When the container arrives at the final destination port, it is off-loaded from the ship, and delivered to the recipient’s premises via truck, rail, barge or feeder, or a combination of the four. We are often responsible only for the ocean leg of the container’s journey, with customers or intermediaries arranging and executing the in-land legs. For the nine months ended September 30, 2016, approximately 75% of our total transport volume carried covered the ocean leg alone, whereas approximately 25% covered additional elements of the entire transportation chain, *i.e.*, door-to-door services.

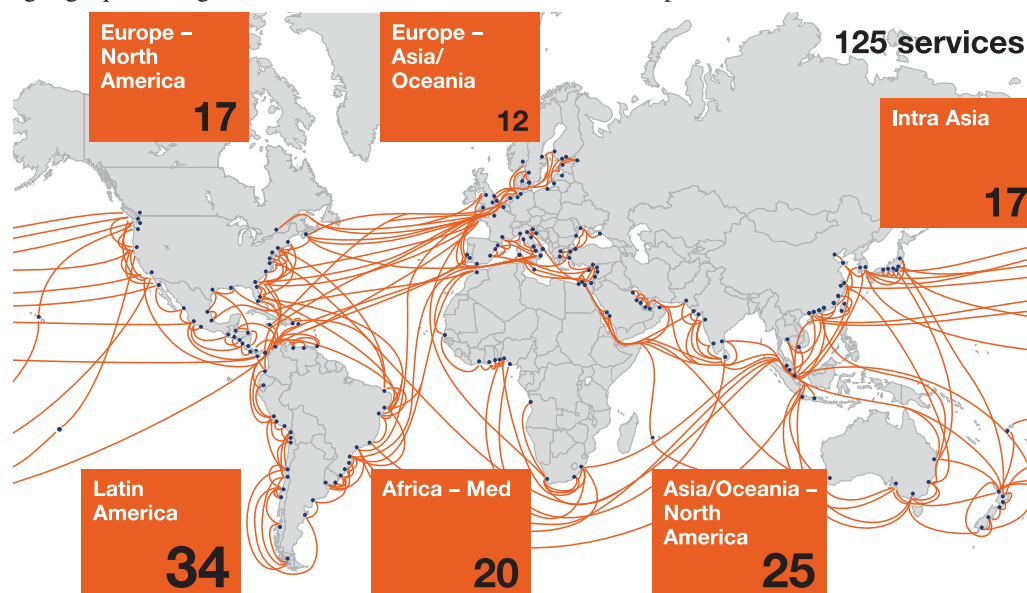
### ***Market and Trade Lanes***

We offer container shipping services to our customers through a variety of different services. Each of our lanes represents a particular offering of regularly scheduled ports of call and sailing times, dates and frequencies. Most of our services run on weekly schedules, complementing a network enabling several sailings per week in the key ports. We classify our services as either main services or feeder services. Main services, which represent the majority of our service offering with 101 services, are the services that are offered on our mostly intercontinental shipping lanes by large vessels, and the feeder services are the services that support the main services by connecting ports on intercontinental shipping lanes with one or more smaller ports (24 services), which are not called by the main line vessels.

We believe we operate one of the most extensive networks of direct services covering all three major East-West trade lanes: Far East (Europe-Asia), Transpacific (Asia-North America) and Atlantic (Europe-North America). We also offer an extensive range of services beyond the major East-West trade lanes, including the Intra-Asia trade lane, services to and within the Latin America, Intra-European and Intra-American trade lanes. Furthermore, we provide various services to and from Africa, Australia and New Zealand. To the extent that we do not offer certain main service connections ourselves, we provide connecting services using deep-sea services or third-party feeder links. As of September 30, 2016, we provided 125 services worldwide, using both own vessels and the ships of cooperation partners in the G6 Alliance and, starting in April 2017, THE Alliance and other cooperation arrangements. These cooperation arrangements allow us to enhance service levels on the applicable services, maintain our flexibility, reduce costs associated with establishing new services and preserve autonomy in non-core activities such as sales and marketing. We generally prefer to contribute owned or chartered ships into vessel-sharing agreements, rather than use slot purchase or swap agreements, where the economic benefits justify the capital investment, as we believe that lower

costs can be achieved by operating our own ships compared to chartering space from other carriers. Moreover, we aim to enter into vessel-sharing agreements only where our position in the relevant market enables us to have a decisive influence on the operation of the service, such as investments in new ships and service schedules. Generally, under the terms of vessel-sharing, slot purchase and swap agreements, carriers have the additional benefit of using any space on their own vessel allocated to, but unused by, the other party.

The geographic diagram below shows our services as of September 30, 2016.



The table below shows our market shares per trade as of November 30, 2016:

	<u>Company's market share</u>
Far East-Europe .....	3%
Transpacific .....	4%
North Atlantic .....	25%
Latin America .....	11%

Source: Alphaliner Monthly Monitor, December 2016.

### **Reefer Business**

We are one of the world's leading reefer carriers with a large and modern reefer container fleet and dedicated experts around the world (source: Dynamar Reefer Report 2015). A team in Hamburg with satellites in all regions is coordinating the global Hapag-Lloyd reefer strategy and business priorities. The reefer market continues to be a growing segment. Key factors are not only the trade growth but also the ongoing shift of reefer bulk cargo into reefer container (modal shift conventional to container) as well as a shift of airfreight cargo into ocean freight (pharmaceutical industry). Diversification is rendered by offering a range of technologies to handle the various commodities shipped. Technologies such as controlled atmosphere (fruits), differentiation between food grade and non-food grade equipment (dedicated fleet for non-foodstuff) and reefer remote monitoring are only a few of the unique selling points supporting our position as a dedicated reefer carrier.

### **Other**

Since our acquisition of CP Ships Ltd. in 2005, we have maintained a contractual relationship with the U.S. government. The relationship is intended to secure ship capacity for cargo which must ship under the U.S. flag. The vessels that carry cargo for the U.S. government operate in regular service, with the U.S. governmental cargo only representing a portion of the cargo being transported. We currently operate five ships under our contract with the U.S. government, all with a capacity of 3,237 TEU. The U.S. flag business accounted for 0.8%, 0.9%, 0.6% and 0.5% of our total transport volume for each of the financial years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively.

## Operations

### Vessel Fleet

As of September 30, 2016, our entire fleet consisted of 166 container vessels, of which we owned 70 (including three vessel which we have chartered out), chartered 12 on a long-term basis, chartered 23 on a mid-term basis and chartered 58 on a short-term basis as well as finance leased three vessels. As of September 30, 2016, our entire fleet had a combined capacity of 952,802 TEU (including the three vessels chartered out). The average size of our entire vessel fleet prior to the UASC Business Combination is approximately 5,740 TEU compared to an industry average of 3,407 TEU and an average among the top 20 carriers of 4,942 TEU (source: MDS Transmodal, December 2016, assuming all other announced mergers were carried out). 86.3% of our vessels have a capacity in excess of 4,000 TEU while 52.1% of our total fleet has a transport capacity in excess of 8,000 TEU as of September 30, 2016. We generally utilize our larger vessels on our longer distance routes in the East-West trade lanes to maximize operational efficiencies and economies of scale, whereas we operate smaller vessels on our shorter main trade lanes. We are increasingly seeking to purchase, rather than charter, our larger vessels, while continuing to rely on chartering for short- and mid-term bases with smaller and medium-sized vessels. Such vessels are more readily available in the charter market than larger vessels.

We use a mix of our own and long-term, mid-term and short-term chartered vessels. Our primary focus is on maintaining a stable cost base with the flexibility to obtain additional capacity in response to demand peaks and to establish new services. Short-term charters allow us to adjust our capacity quickly in response to changes in demand. Furthermore, they provide us with greater flexibility to take advantage of decreases in charter rates. We are generally able to add additional short-term capacity at current market rates, which during times of strong demand, however, tend to have higher costs than our owned capacity as they tend to fluctuate significantly in response to market participants' perceptions of supply and demand.

As a result, having owned capacity reduces our exposure to market fluctuations and increases the stability of our cost base. We intend to maintain a balanced portfolio of owned, chartered and leased container shipping capacity. We enter our charter contracts mainly on a time-charter basis, under which the vessel owner remains responsible for operational costs, such as crew, maintenance and repair and to some extent insurance costs. Transport expenses such as bunker and port canal costs are borne by us. With respect to vessels we finance lease, we gave the irrevocable commitment to purchase the vessels and are responsible for the operational and transport costs in the same manner as for our owned vessels.

The table below sets forth certain information regarding container vessels that we owned and finance leased as of September 30, 2016:

Vessel Name	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company
Ulsan Express	2014	13,169	Bank Debt	Germany	HLAG <sup>(1)</sup>	HLAG
Ludwigshafen Express	2014	13,167	Bank Debt	Germany	HLAG	HLAG
Leverkusen Express	2014	13,167	Bank Debt	Germany	HLAG	HLAG
Basle Express	2012	13,167	Bank Debt	Germany	HLAG	HLAG
Hamburg Express	2012	13,169	Bank Debt	Germany	HLAG	HLAG
Hong Kong Express	2013	13,167	Bank Debt	Germany	HLAG	HLAG
New York Express	2012	13,167	Bank Debt	Germany	HLAG	HLAG
Shanghai Express	2013	13,167	Bank Debt	Germany	HLAG	HLAG
Essen Express	2013	13,167	Bank Debt	Germany	HLAG	HLAG
Antwerpen Express	2013	13,167	Bank Debt	Germany	HLAG	HLAG
Cauquenes	2015	9,326	Bank Debt	Liberia	SSM Panama <sup>(2)</sup>	Hull 2085 Ltd. (LO) <sup>(3)</sup> / Third CSAV Ships Germany GmbH (BO) <sup>(4)</sup>
Cautin	2014	9,300	Bank Debt	Liberia	SSM Panama	Hull 2083Ltd. (LO) / Third CSAV Ships Germany GmbH (BO)
Cisnes	2015	9,300	Bank Debt	Liberia	SSM Panama	Hull 2087 Ltd. (LO) / Third CSAV Ships Germany GmbH (BO)
Cochrane	2015	9,300	Bank Debt	Liberia	SSM Panama	Hull 2084 Ltd. (LO) / Third CSAV Ships Germany GmbH (BO)
Copiapo	2014	9,300	Bank Debt	Liberia	SSM Panama	Hull 2082 Ltd. (LO) / Third CSAV Ships Germany GmbH (BO)



<u>Vessel Name</u>	<u>Year Built</u>	<u>Capacity (in TEU)</u>	<u>Current Financing</u>	<u>Place of Registration</u>	<u>Manager</u>	<u>Ship Owning Company</u>
Corcovado . . . . .	2015	9,300	Bank Debt	Liberia	SSM Panama	Hull 2086 Ltd. (LO) / Third CSAV Ships
Coyhaique . . . . .	2015	9,300	Bank Debt	Liberia	SSM Panama	Germany GmbH (BO) Hull 2088 Ltd. (LO) / Third CSAV Ships Germany GmbH (BO)
Bremen Express . . . . .	2008	8,749	Bank Debt	Germany	HLAG	HLAG
Budapest Express . . . . .	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Chicago Express . . . . .	2006	8,749	Bank Debt	Germany	HLAG	HLAG
Colombo Express . . . . .	2005	8,749	Bank Debt	Germany	HLAG	HLAG
Frankfurt Express . . . . .	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Hanover Express . . . . .	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Kuala Lumpur Express . . . . .	2008	8,749	Bank Debt	Germany	HLAG	HLAG
Kyoto Express . . . . .	2005	8,749	Bank Debt	Germany	HLAG	HLAG
Nagoya Express . . . . .	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Osaka Express . . . . .	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Prague Express <sup>(5)</sup> . . . . .	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Sofia Express . . . . .	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Tsingtao Express . . . . .	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Vienna Express . . . . .	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Teno . . . . .	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1794 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Tubul . . . . .	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1796 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Tempanos . . . . .	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1798 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Torrente . . . . .	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1800 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Tucapel <sup>(5)</sup> . . . . .	2012	8,004	Bank Debt	Liberia	SSM Panama	Hull 1906 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Toltén <sup>(5)</sup> . . . . .	2012	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Hull 1975 Co. Ltd. (registered BB-Charterer) / HLAG (LO)
Tirúa . . . . .	2012	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Hull 1976 Co. Ltd. (registered BB-Charterer) / HLAG (LO)
Berlin Express . . . . .	2003	7,506	Bank Debt	Germany	HLAG	HLAG
Dalian Express . . . . .	2001	7,506	Bank Debt	Germany	HLAG	HLAG
Ningbo Express . . . . .	2002	7,506	Bank Debt	Germany	HLAG	HLAG
Yantian Express . . . . .	2002	7,506	Bank Debt	Germany	HLAG	HLAG
Maipo . . . . .	2010	6,589	Bank Debt	Liberia	SSM Panama	CSBC Hull 898 Ltd. (LO) / Second CSAV Ships Germany GmbH (BO)
Mehuín . . . . .	2011	6,589	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	CSBC Hull 900 Ltd. (registered BB-Charterer) / HLAG (LO)
Palena . . . . .	2006	6,541	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Palena Shipping Ltd. (registered BB-Charterer) / HLAG (LO)
Chacabuco . . . . .	2006	5,527	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Chacabuco Shipping Ltd. (registered BB-Charterer) / HLAG (LO)
Rotterdam Express . . . . .	2000	4,890	None	Germany	HLAG	HLAG
Seoul Express . . . . .	2000	4,890	None	Germany	HLAG	HLAG
Tokyo Express . . . . .	2000	4,890	None	Germany	HLAG	HLAG
Dallas Express . . . . .	2000	4,864	None	Germany	HLAG	HLAG
Düsseldorf Express . . . . .	1998	4,612	None	Germany	HLAG	HLAG
Kobe Express . . . . .	1997	4,612	None	Germany	HLAG	HLAG
London Express . . . . .	1998	4,612	None	Germany	HLAG	HLAG
Montréal Express . . . . .	2003	4,402	Bank Debt	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Toronto Express . . . . .	2003	4,402	Bank Debt	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)

<u>Vessel Name</u>	<u>Year Built</u>	<u>Capacity (in TEU)</u>	<u>Current Financing</u>	<u>Place of Registration</u>	<u>Manager</u>	<u>Ship Owning Company</u>
Dublin Express . . . . .	2002	4,121	Finance Lease	Germany	HLAG	Amotosa Vermietungsgesellschaft mbH
Glasgow Express . . . . .	2002	4,121	Finance Lease	Germany	HLAG	Amotango Vermietungsgesellschaft mbH
Liverpool Express . . . . .	2002	4,121	Finance Lease	Germany	HLAG	Amorata Vermietungsgesellschaft mbH
Limarí . . . . .	2005	4,045	Bank Debt	Germany	HLAG	HLAG
Quebec Express . . . . .	2006	4,045	Bank Debt	Germany	HLAG	HLAG
Antofagasta Express . . .	2015	3,508	Bank Debt	Chile	SSM Chile	CSAV Austral SpA
San Antonio Express . . .	2015	3,508	Bank Debt	Chile	SSM Chile	CSAV Austral SpA
Charleston Express . . . .	2002	3,237	None	USA	MTM <sup>(6)</sup>	Wilmington Trust <sup>(7)</sup>
Philadelphia Express . . .	2003	3,237	None	USA	MTM	Hapag-Lloyd USA LLC <sup>(7)</sup>
St. Louis Express . . . . .	2002	3,237	None	USA	MTM	Wilmington Trust
Washington Express . . . .	2003	3,237	None	USA	MTM	Wilmington Trust
Yorktown Express . . . . .	2002	3,237	None	USA	MTM	Hapag-Lloyd USA LLC
Mississauga Express . . . .	1998	2,808	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships (registered BB-Charterer) / HLAG (LO)
Ottawa Express . . . . .	1998	2,808	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships (registered BB-Charterer) / HLAG (LO)
Lisbon Express . . . . .	1995	2,494	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships (registered BB-Charterer) / HLAG (LO)
Milan Express . . . . .	1996	2,489	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships (registered BB-Charterer) / HLAG (LO)
Valencia Express . . . . .	1996	2,298	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships (registered BB-Charterer) / HLAG (LO)
Mapocho . . . . .	1999	1,620	None	Chile	SSM Chile <sup>(8)</sup>	CSAV Austral SpA

(1) “HLAG” refers to Hapag-Lloyd AG.

(2) “SSM Panama” refers to Southern Shipmanagement Co. S.A. Panama.

(3) “LO” refers to Legal Owner.

(4) “BO” refers to Beneficial Owner.

(5) Chartered out.

(6) “MTM” refers to Marine Transport Management Inc.

(7) Entry in Certificate: Wilmington Trust Company, not in its individual capacity, but as owner trustee under a trust agreement for the benefit of Hapag-Lloyd USA LLC.

(8) “SSM Chile” refers to Southern Shipmanagement (Chile) Ltda.

In addition, as of September 30, 2016, our order book comprised five new vessels each with a capacity of 10,500 TEU scheduled for delivery between November 2016 and April 2017. One vessel has been delivered in November 2016 and another vessel in December 2016. UASC’s order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. We also invested in 5,650 containers as of September 30, 2016.

### **Ship Management**

Ship management is handled by our ship management department. This department provides full management supervision and coordination of most of the Group’s vessels (as indicated above). Some vessels are managed externally by Anglo Eastern (Germany) GmbH and Southern Ship Management (“SSM”) (as indicated above) under the supervision of our ship management department. These agreements are based on standard ship management contracts. The contracts include a monthly management fee, have an indefinite term and can be terminated with two or three months’ notice. A few vessels, which are registered in the United States, are managed through Marine Transport Management Inc. The corresponding ship management agreements include a monthly management fee, have an indefinite term and can be terminated with 90 days’ notice.

### **Container Fleet and Container Management**

As of September 30, 2016, we operated a stock of 938,399 individual containers, equivalent to a total capacity of 1,531,074 TEU, of which we owned 43% and rented the remaining part. The majority of our container fleet is comprised of general purpose containers, which can be used for most general

cargo products. We also operate a variety of specialized containers, including refrigerated (“reefer”) containers (temperature-controlled containers), open top containers (similar to hard top containers but with a tarpaulin roof) and flat racks (containers consisting only of a solid base and two end walls, hence suitable for transporting heavy cargo and goods of excess height and/or width). In addition, we are in constant development of the equipment in the fields of security and stability. This especially accounts for the hard top containers, which are containers with a removable steel roof allowing for transportation of overheight cargo that is too large for a normal, general purpose container, when the roof is taken off. If fitted with the steel roof, these containers can be used as a general purpose container as the roof is fully closed. With this feature, hard top containers help to optimize our imbalance management on the backhaul of the trade, minimizing the number of empty transports which might be necessary with open top containers which, due to its tarpaulin roofs, may not be used for various kinds of cargo on the backhaul.

The table below shows the number of containers and capacity we owned or leased as of September 30, 2016 by type.

Container Type	General			Special			Reefer			Total	
	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)
20-foot	331.9	331.9	22%	7.2	7.2	0%	6.6	6.6	0%	345.7	345.7
40-foot	511.4	1,022.9	67%	17.9	35.8	2%	63.3	126.7	8%	592.7	1,185.4
<b>Total</b>	<b>843.3</b>	<b>1,354.8</b>	<b>88%</b>	<b>25.1</b>	<b>43.0</b>	<b>3%</b>	<b>70.0</b>	<b>133.3</b>	<b>9%</b>	<b>938.4</b>	<b>1,531.1</b>

Rentals provide us with the ability to adjust our container fleet to changing market conditions or changing requirements of specific trades. However, we believe that owning containers is generally less expensive than hiring them under rental contracts. As a result, we seek to further increase the ownership ratio in 2017 and 2018.

We aim to reposition empty containers to our demand locations in the shortest, fastest and most cost-efficient way in order to minimize our overall empty container moves and maximize our ability to meet demand. We generally store our empty containers at third-party depots or at our customers’ premises against a payment of fee. Our focus is thus on the full container transport. Within our container management, we strive to minimize the natural imbalance by optimization of the entire network, independent from our underlying trade structure, and by appropriate cargo selection.

The following table shows the industry average and our average number of full containers on the non-dominant leg as compared to the dominant leg for the major services as of September 30, 2016.

	Hapag-Lloyd	Industry Average
	Full containers shipped on the non-dominant leg <sup>(1)</sup>	
Transpacific	7	4
North Atlantic	7	7
Far East-Europe	7	5

Source: Drewry Maritime Research, Container Forecaster & Annual Review, Q3 2016 (Hapag-Lloyd data adapted to Drewry trade definition).

(1) Dominant leg equals 10 containers.

### Terminal Facilities

We have contractual arrangements to use terminal facilities in the ports that we use around the world. Access to terminal facilities in each port is necessary for the operation of our business. We have not experienced any difficulty in contracting for sufficient capacity at appropriate terminal facilities in the past years.

We also have a strategic shareholding in terminals in Hamburg, Germany. We own a 25.1% interest in CTA in Hamburg, Germany, which we believe is one of the most modern container terminal facilities in the world (source: HHLA Hamburger Hafen und Logistik AG, November 2016). The fully automated facility is one of three container terminals operated by Hamburger Hafen und Logistik AG (“HHLA”) in the Port of Hamburg. In Europe, the Port of Hamburg ranks as one of the top three ports as measured by volume (TEU) in 2015 (source: Hafen Hamburg Marketing 2016) and, in 2015, handled a volume of approximately 8.8 million TEU (source: Hafen Hamburg Marketing 2016).

We currently have no plans to invest in other terminal facilities or to increase or decrease the above shareholding.

## Alliances and Cooperation Arrangements

### *THE Alliance, G6 Alliance and Grand Alliance*

Alliance and other cooperation agreements are vital for us in order to provide a global network of services for clients. Subject to certain regulatory approvals, as of April 2017, THE Alliance will become operational and will replace the G6 Alliance entirely. In May 2016, we executed a binding heads of agreement (“**HOA**”) with Hanjin, K-Line, MOL, NYK and Yang Ming. On October 24, 2016, Hanjin was terminated as a member of THE Alliance with immediate effect as a result of Hanjin’s ongoing bankruptcy proceedings.

THE Alliance plans to deploy a fleet of more than 240 vessels on 31 services covering all East West trades with a dedicated Middle East loop. THE Alliance will have comprehensive port coverage with over 75 ports throughout Asia, North Europe, the Mediterranean, North America, Canada, Mexico, Central America, the Caribbean, Indian Sub-Continent and the Middle East.

The HOA provides the operational basis of THE Alliance covering the East—West trades encompassing:

- Asia—Europe;
- Asia—Mediterranean/Adriatic/Black Sea;
- Asia—North America West Coast;
- Asia—North America East Coast via Panama and via Suez;
- Asia—Middle East, Arabian Gulf and Red Sea; and
- North Europe / Mediterranean—North America.

We expect to derive the following main benefit from being a member of THE Alliance:

- the service and deployment of a large and far-reaching network;
- capacity sharing and adjustment in line with the carriers’ demand;
- unused capacity may be sold or sub-chartered to third parties;
- substitution of containerships for regular and *ad-hoc* maintenance and repair;
- capacity adjustment during slack periods;
- financial compensation schemes (e.g. for void voyages during slack periods); and
- joint terminal selection and negotiation where legally permissible and focus on productivity gains in ports, shore/yard operations and inland rail operations.

THE Alliance entails the sharing of capacity along trade lanes and alliance members’ ships. Members remain competitors, and each member of the alliance engages in entirely separate sales and marketing activities. Costs associated with the ownership and operation of the members’ ships generally remain the responsibility of the individual member that operates them.

Each member of THE Alliance provides ships for the services covered by THE Alliance’s operating agreement and agrees to share capacity on its ships with the other THE Alliance members. Ships are matched to routes on a “best ship for the loop” rationale, which considers a number of factors of each vessel to determine which vessel is best suited for each service. In return, each member of THE Alliance is allocated slots on vessels contributed by other THE Alliance members. The slot capacity to be contributed from each line is intended to tally with their demand for allocation. In the event of over or under-provision of slots, affected members will be entitled to financial compensation. In addition, new services may be added either by the unanimous consent of all THE Alliance members, or, absent such unanimous consent, a member wishing to add a service within the scope of THE Alliance must offer capacity to all other alliance members on a right of first refusal basis. Other alliances may provide for a higher or lesser degree of integration of the alliance partners’ operations. As a member of THE Alliance as of April 2017, we will focus on the coordination of THE Alliance’s members’ respective landside/terminal operations in order to generate additional cost benefits.

Pursuant to the HOA, THE Alliance will have an initial term of five years commencing from April 1, 2017. Any member of THE Alliance can terminate its membership upon twelve months’ prior written notice, however the termination notice shall not be given before thirty-six (36) months have

elapsed after the commencement date. The withdrawal of a member would not automatically terminate THE Alliance. Any member of THE Alliance may be excluded by the other members after a change of control or bankruptcy event with respect to that member if the other members unanimously decide.

On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance.

We are also a founding member of both the Grand Alliance, whose other members are NYK and OOCL, and the G6 Alliance, whose other members are APL, HMM, MOL, NYK and OOCL. These arrangements strengthen and help to efficiently manage our capacity through cooperation with other carriers. Since its foundation in 2011, the scope of the G6 Alliance has been gradually expanded to cover all major East-West trades, being the Asia/Northern Europe and Mediterranean Trades, the Transpacific Trade Lane to the U.S. West Coast and via the Panama and Suez Canals to the U.S. East Coast and the Northern Europe-Atlantic trade. The latest scope expansion was approved by the U.S. Federal Maritime Commission on April 4, 2014. The new products have been gradually introduced to the Transpacific trade between Asia and the U.S. West Coast and also Northern Europe-Atlantic trade since May 2014.

Between 2013 and 2015, most of the services of the Grand Alliance were integrated into the network of the G6 Alliance. The G6 Alliance and the Grand Alliance allow us to optimize fleet utilization by sharing capacity and providing a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of container ships. For the nine months ended September 30, 2016, approximately 40% of our transport volume was carried on either our owned or chartered vessels that we contributed to the G6 Alliance and Grand Alliance, or on vessels made available to us through the G6 Alliance and Grand Alliance. We provided 45 of our operated vessels to the G6 Alliance and Grand Alliance during that period.

On September 5, 2016 we served a termination notice with immediate effect to the only remaining Grand Alliance service, which was operated with Hanjin. As a result, the Grand Alliance ceased to have any active services, although the Grand Alliance has not been terminated as of the date of this Offering Memorandum.

#### ***Other Cooperation Agreements***

We also cooperate with other carriers through vessel sharing and slot charter agreements on the majority of our services that are not, or will not be offered through the G6 Alliance, the Grand Alliance or THE Alliance. These cooperation agreements take two basic forms:

- arrangements involving two or more carriers that provide vessels. This includes agreements under which the services are operated jointly by the parties involved (referred to as vessel sharing agreements), or where each carrier continues to operate its own service with certain agreements on rationalized scheduling and where space is exchanged between carriers (referred to as slot swap or slot exchange agreements); and
- arrangements under which one carrier operates the service but charters space to other shipping lines (referred to as slot charter agreements).

In the nine months ended September 30, 2016, approximately 60% of our transport volumes was carried under one of our other cooperation agreements (excluding the G6 Alliance and the Grand Alliance).

Among others we entered into cooperation arrangements with CMA CGM and Hamburg Süd, reflecting our ongoing efforts to further strengthen our global coverage of trades and services and enhance our cost and operational efficiency. In addition, this cooperation agreement enables us to offer new products (*e.g.* reefer products) between Asia and the Western and Eastern coasts of Latin America benefiting from extensive port coverage with short transit times to and from main Asian locations. As we have access to a larger pool of 58 vessels with Hapag-Lloyd contributing 14 vessels (including our new 9,300 TEU vessels), fleet utilization and deployment of our own vessels can be further improved. In addition, our average vessel size in these services increased to well above 8,500 TEU. Similar cooperation agreement for services between North Europe and the West and East coasts of Latin



America will also allow us to deploy vessels with a capacity of 9,000 TEU to 10,500 TEU (including our five 10,500 TEU newbuilds). We will contribute five vessels to an overall pool of 17 vessels.

### **Information Technology**

Our best-in-class information system and logistical processes are key operational and management assets for our business. The ability to process information accurately and quickly is fundamental to our position in the container shipping industry, which is characterized by constant movement of thousands of individual items across a global network of sea and inland routes.

We believe we are an industry leader in container shipping information management. Our IT system consists of four principal components: the self-developed freight information system (“**FIS**”), business analytics, business intelligence system (“**COMPASS**”), enterprise resource planning system software (“**SAP**”) and the e-business portal. All components are fully integrated and centralized to ensure that over 10,000 individual users can access the necessary data in a timely, reliable and efficient manner and cover the value chain from its beginning with an opportunity identification and a quotation for a shipment through customer service and operations processes to its ending with redelivery of the empty container to us as well as all related financial and administrative transactions. All components, including all major business applications, are operated by a third-party central data center in Germany.

#### ***Freight Information System (FIS)***

Our FIS provides users with real-time access to the key information required for the operational management of our container shipping activities. FIS is developed and continuously improved in-house to optimally support the worldwide standardized operative processes at sales, customer service and operations. The necessary information flows seamlessly along the chain of responsibility. We believe that this provides us with a competitive advantage regarding quality and productivity and provides the basis for state-of-the-art e-business solutions.

As a basis of all functions, FIS catalogues contain our routes, tariffs, standard costs, rate agreements and customer data, equipment catalogues and our organizational and geographical information. FIS therefore comprises all necessary information for our operative departments and enables all users to work in one environment and system. FIS creates a single file per shipment, which contains data covering all stages of a container’s movement. Our “one-file-per-shipment” system ensures that data for any shipment is entered only once and that all data regarding every shipment is easily accessible to all relevant users throughout our global network. We believe that this “one-file-per-shipment” functionality reduces costs, improves data accuracy and enhances our control over the whole container transport chain as well as provides us with a competitive edge as this approach is, as to our knowledge, not accessible to our competitors.

#### ***Business Analytics***

Our business analytics applications provide cutting edge services in forecasting, decision support and optimization. They help to efficiently manage complexity, which can no longer be optimally solved with conventional systems or human processing. One example is the ‘empty repositioning problem’ which deals with the forecast of the equipment imbalance situation for the individual logistic hubs around the globe and proposes cost-minimal solutions, *i.e.* shipping empty containers from surplus to demand, on- or off hire empty containers. Other applications deal with the planning of our vessel network or decision support for vessel speed-ups.

#### ***Business Intelligence System (COMPASS)***

Our data warehousing system, COMPASS, integrates and combines operational and financial data with information from external systems into a single central database, allowing for the efficient analysis of business trends and opportunities. COMPASS creates forecasts for transport volumes, revenues and vessel utilization from weekly transport volume forecasts and generates multidimensional data cubes, allowing users to extract specific analytical data in pre-defined forms of their choosing.

This system allows us to actively manage our transport volume, based on our business strategy. For example, COMPASS collects actual costs from SAP, details them based on the transport volumes from FIS and then passes these costs on to FIS as standard costs. This allows our sales force to evaluate and analyze operational data to make informed business decisions when taking on new business and to determine the profit contribution of such new business.

Another key part of COMPASS is the VIEW planning function. VIEW is a planning tool that we use to manage our network effectively in order to optimize our shipments. VIEW enables us to create business plans for future periods and understand the financial impact of proposed business plans on the network. This iterative process allows us, for example, to identify any structural imbalances of transports in shipping routes in advance and to implement solutions for optimizing our operations.

In order to support the “Compete to Win” initiative, we implemented solutions to support the sales planning and opportunity management processes on the basis of QlikView. The applications for performance management give enhanced visibility on the sales relevant information to our global sales force.

### ***Enterprise Resource Planning System (SAP)***

We utilize a standardized SAP system which is used globally by our staff in finance and accounting, controlling, treasury, purchasing functions, insurance and human resource management departments. The system provides current financial data (including revenue and cost data) from around our global network in a uniform manner. The SAP standard work order functionality has been integrated with FIS, providing reliable and accurate transaction cost data as well as accounting functions.

### ***E-Business***

E-business has become a mandatory feature to ensure productivity gains, information speed and quality.

Due to its importance, significant financial resources have been committed. Our goal is to continue and maintain our position as a leading e-business carrier in the industry.

Various features have been established to ensure processes are running smoothly and to ensure overhead reduction. E-business activities are in use for customer facing activities via our individual solutions or third party portal providers as well as with vendors via EDI (“**Electronic Data Interchange**”) connections. Customers are using e-business channels to transmit bookings and shipping instructions as well as to receive container status messages. E-business channels include our own products such as a direct EDI connection or our web solutions as well as e-commerce portals such as *e.g.* INTTRA and GTNexus.

Vendors are connected to us via EDI links to ensure an automated update of status messages from *e.g.* terminals, depots or trucking companies.

### **Business Organization**

We are organized in four regions (Asia, North America, South America and Europe). Each region is divided into areas and sub-areas. These units operate out of one or more locations. All offices conform to the same integrated organizational and workflow standard according to our Blueprint Organization and follow standard blueprint processes covering the business functions of sales, customer services, operations and business administration. Employees at our offices are responsible for conducting the day-to-day activities necessary for these business functions. In addition, we have service centers in India and China to support some of our operative business processes, such as export documentation. In 2014, we established a new Fleet Support Center (“**FSC**”) as a new central department to reduce fuel consumption by optimization and to act as an interface between all involved departments. Bunker consumption per container slot (tonnes per slot) decreased from 4.09 in 2013 to 3.28 in the nine months ended September 30, 2016. The FSC consists of a team of experts with a wide range of knowledge in energy management, nautical and engineering science, shipbuilding and business analysis. Its aim is to ensure fleet optimization across all regions and different departments by improving coordination and the efficiency of information flows. In addition, in 2014, the members of the G6 Alliance established a global service center in Singapore, which is aimed at, among others, enhancing operational efficiency through quick decision making and improvement of on-time-performance of the G6 members’ vessels, and provides various services such as the management of the monthly financial settlement. Once THE Alliance becomes operational, its members will continue running the Singapore service center as the Alliance Center (“**ACE**” or “**THE ACE**”).

We have regional headquarters in each of Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso) and Europe (Hamburg). At our central headquarters in Hamburg,

our departments for yield management and network, central operations and global markets/global sales interact with our regional headquarters. Our trade management departments (part of yield management and network) are, among other things, responsible for vessel allocation management, such as the allocation of slots and control of overall transport volume, pricing and contribution level guidelines and the development and analysis of trade profitability reports. In addition, our human resources, information technology, process management and business administration departments steer, guide and set the framework for our organization.

The table below sets forth the number of offices in each of the four regions in which we operated as of September 30, 2016.

<b>Region</b>	<b>Own Offices<sup>(1)</sup></b>	<b>Agents</b>
Asia <sup>(2)</sup> .....	51	96
North America .....	42	2
South America .....	21	51
Europe <sup>(3)</sup> .....	53	50
<b>Total</b> .....	<b>167</b>	<b>199</b>

(1) Including Sales Representatives.

(2) Including Australia, New Zealand and Oceania.

(3) Including Africa.

Most of the areas are run out of owned subsidiaries, but a third-party agent may be appointed to represent us in locations where the volume demand is not sufficient for a subsidiary to be viable. An agent is an independent organization associated with and conducting business within the shipping industry. Agents act on our behalf executing some or all area business functions and are bound by the terms of an agency contract. All areas and agents have access to our worldwide integrated IT system. Including our agents and other cooperation arrangements, we were represented via 366 offices in 121 countries as of September 30, 2016.

## Sales and Marketing

The area offices of each of our Regions are responsible for handling the local business activities, which include conducting all sales activities with local customers. For our top customers, we have a dedicated Global Account team that directly addresses their needs in cooperation with the local sales executives. Customer selection of these Global Accounts is based on criteria such as volume, contribution level and global business activity. Our Account Managers play a large role in maintaining long-term business relationships with our key customers. For example, 90% of our top 20 customers by volume in 2013 continued to count among our top 20 customers by volume through the nine months ended September 30, 2016. For the nine months ended September 30, 2016, approximately 34% of our transport volume was managed directly by a team of dedicated Global Account Managers.

## Customers

We have two types of customers: direct shippers, comprising exporters and importers, such as IKEA, ExxonMobil, General Motors, BASF, Ford and intermediaries, also known as freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, Panalpina and JF Hillebrand. Direct shippers and freight forwarders accounted for approximately 40% and 57%, respectively, of our transport volumes in the nine months ended September 30, 2016. Exporters include a wide range of enterprises, from global manufacturers to small family owned businesses that may ship just a few TEU each year. Importers are usually the direct purchasers of goods from exporters, but may also comprise sales or distribution agents and may or may not receive the containerized goods at the final point of delivery. Freight forwarders act as agents for direct shippers, performing a range of tasks, such as insurance, customs clearance, in-land transportation, consolidation of goods and warehousing. A diverse mix of cargo from both direct customers and forwarders ensures optimal vessel utilization. Direct customers, in general, have long-term commitments which facilitate planning for future volumes, which results in high entry barriers for competing carriers due to customer loyalty. Freight forwarders have short-term contracts at renegotiated rates. As a result, entry barriers are low for competing carriers in this segment. Our close relationship with large direct customers gives us better visibility on future container shipping transport volumes while our relationships with large freight forwarders, which generate cargo in many locations worldwide, help us to optimize our trade flows.

We transport a diverse range of goods for our different customers, including foodstuffs and beverages, chemicals, paper and forest, plastic and rubber and articles thereof, machinery, textiles, metals, automobiles, electronics, furniture, and other goods, with no single sector comprising more than 18% of our transport volumes shipped during the nine months ended September 30, 2016. The largest volumes shipped during this period are attributed to foodstuffs and beverages (18%), chemicals (14%), plastic and rubber and articles thereof (12%), paper and forest (11%) and machinery (10%). Our top 25 and top 50 customers accounted for 27% and 36%, respectively, of the volumes transported in the nine months ended September 30, 2016 and our largest customer accounted for less than 5% of our transport volume in the nine months ended September 30, 2016.

We believe this diversification provides us with a degree of protection against economic downturns. Due to the extensive geographical needs of large-scale shipping customers as well as to avoid dependencies, our customers generally do not enter into exclusive shipping relationships with us. Instead, it is typical in our industry for customers to maintain relationships with several carriers, although customers who ship large amounts of freight are increasingly consolidating their supply relationships to focus on a few, core carriers. Large direct customers will typically invite several carriers to tender (*i.e.*, provide a price quotation) for their business. Tender requests vary significantly from customer to customer, and usually cover a series of individual, regional or global shipping requests. If our response to a tender is accepted, the terms that we offered in the tender serve as guidelines for each individual shipment carried out under the tender. The primary factors for customers in choosing a carrier tend to include:

- geographic coverage, frequency of service and transit times;
- price;
- accuracy and timeliness of shipping documentation, including bills of lading and invoicing;
- carrier's punctuality and performance record according to key industry indicators, such as schedule reliability;
- carrier's ability to offer door-to-door and other value-added services; and
- environmental care.

The quotation made to a customer depends, among other things, on the customer's transport volumes, the type of cargo, the service needed (*e.g.*, port-to-port or door-to-door) and our available capacity on the applicable routes.

Our contracts or agreements with customers are generally valid for up to one year. During the term of a contract, the freight rates are generally fixed but may also provide for variable surcharges. These include, among others, surcharges for bunker fuel price adjustments, currency fluctuations or additional security costs.

## **Competition**

The container shipping industry is highly competitive. While the world's top 20 carriers by capacity represented approximately 81% and the top ten carriers approximately 74% of global container capacity as of November 30, 2016 (source: MDS Transmodal, December 2016, assuming all announced mergers were carried out), the industry remains fragmented. Globally, the capacity shares are widely dispersed. The largest single carrier (as of November 30, 2016) provides 17% of global container capacity and the next two largest single carriers provide 13% and 10% of global container capacity, respectively (source: MDS Transmodal, December 2016, assuming all announced mergers were carried out). The following three largest carriers, including ourselves, each have a capacity share of global container capacity of 7% to 5% each (measured in TEU), whereas the capacity shares of the seventh to fifteenth largest carriers range from 3% to 2% (source: MDS Transmodal, December 2016, assuming all announced mergers were carried out).

We compete with a wide range of global, regional and niche carriers on the routes we serve. Global carriers like ourselves generally deploy significant capacity and operate extensive networks of services in the major markets. Global carriers that compete with us include Maersk Line, MSC, CMA CGM, Evergreen and China COSCO. Regional carriers generally focus on a number of smaller routes within the major markets. These carriers tend to offer services to a wider range of ports within a particular market than global carriers. Niche carriers are similar to regional carriers but tend to be even smaller in terms of the amount of slot capacity and the number and size of the markets they cover. Niche carriers often provide an intra-regional service, focusing on ports and services that are not

served by the larger carriers. In these less developed markets, we compete with niche carriers; however, our main competitors are the niche operations of other global and regional carriers, such as Maersk Line, MSC and CMA CGM.

## Employees

As of September 30, 2016 and as of December 31, 2015, we had a total of 9,397 and 9,417 employees, respectively. Full time equivalent employees totaled 9,214, both as of September 30, 2016 and as of December 31, 2015. As a result of the UASC Business Combination, our combined number of employees will increase to 12,828.

As of September 30, 2016, 7,747 full-time equivalent employees, or approximately 84% of our total workforce, perform land-based functions across our global network and at our corporate headquarters in our sales and marketing, operations, documentation, finance human resources and other administrative departments, and 1,467 full-time equivalent employees, or approximately 16% of our total workforce, were employed on our vessels.

The following table sets forth our full-time equivalent employees, including apprentices, as of December 31, 2015 and as of September 30, 2016.

	Employees as of	
	December 31, 2015 (unaudited)	September 30, 2016 (unaudited)
Land personnel .....	7,748	7,747
<i>Thereof based in:</i>		
<i>Europe</i> .....	2,761	2,840
<i>North America</i> .....	1,291	1,254
<i>Latin America</i> .....	1,175	1,160
<i>Asia</i> .....	2,516	2,493
Sea personnel .....	1,471	1,467
<b>Total</b> .....	<b>9,214</b>	<b>9,214</b>

We believe that we have good working relationships with our employees, evidenced by the average tenure of our employees of approximately eleven years. We have not experienced any significant labor disputes or work stoppages in the last ten years. The majority of our European employees (which represent 37% of our land-based full-time equivalent employees) are covered by collective bargaining agreements that are customary for the industry or are members of labor unions.

We offer pension benefits in most countries in which we operate. Based on the local situation and local laws, we have implemented several pension plans worldwide. For certain senior management, we also offer individual pension contracts with pension payments depending on the position and years of service. These commitments are fully covered by external funds or pension liability provisions recorded in our financial statements. All our external funding complies with local minimum funding regulations.

## Quality, Environmental Matters and Safety

### Quality

We have been certified in accordance with the International Organization for Standardization (“ISO”) quality standards since 1994. In 2003, we implemented an integrated quality and environmental management system (“QEM”) for our entire organization including our vessels according to ISO 9001 and ISO 14001 standards. All of our owned vessels are certified according to ISO 14001 and, with the exception of vessels managed by Southern Ship Management, ISO 9001. In line with our focus on customer satisfaction, we offer our customers certified quality and environmentally sound services, covering all of our worldwide activities.

The structure of our management system enables effective performance monitoring of our environmental and quality targets, thus minimizing any deviations from our QEM principles. Senior management, supported by an appointed QEM delegate, is responsible for ensuring that the demands of our integrated management system are met. Internal audits are performed annually by our internal auditors in all areas, regions and central departments, as well as on board our vessels to verify the effectiveness of our management system. In addition, external audits are carried out annually by the certification and classification society DNV GL.



## *Environmental Matters*

Our integrated Quality and Environmental Management (“**QED**”) system according to ISO 14001 standards covers all our worldwide activities, including our vessels. Since 1997, all of our own-managed vessels have received the “Environmental Passport” issued by DNV GL for the highest environmental standards.

Moreover, all own-managed vessels have been evaluated using the Energy Efficiency Design Index, verifying that they are not only complying but also surpassing respective greenhouse gas emission standards.

We seek to improve our standards on a continuous basis with the goal of promoting sustainable development and trying to ensure that our current activities do not adversely affect future generations. Areas on which we focus our efforts are emission reduction, efficient use of natural resources and zero water pollution. To achieve these targets, we deploy state-of-the-art technology in the design of our new build vessels. In addition, we maintain high standards while operating our fleet.

We are also a member of the “Clean Cargo Working Group”, a business-to-business initiative that consists of multinational manufacturers, retailers as well as ocean carriers and logistics service providers. The group develops and promotes the use of tools and methods to address the environmental and social impacts of transporting products.

## *Health and Safety*

We have implemented a safety management system in accordance with the International Management Code for Safe Operation of Ships and for Pollution Prevention (“**ISM Code**”). Regular internal and external audits ensure compliance of all our vessels and our shore based organization with the ISM Code. Our safety management system is focused on safety at sea, preventive measures to protect health and life, cargo and the environment, as well as vessels and property against safety risks, accidents and emergency situations in connection with our operations.

We have also developed and implemented procedures for the handling of hazardous cargo, which are updated regularly. In addition, our “Dangerous Goods” department provides support to our organization worldwide on a 24-hours-a-day, seven-days-a-week basis. The staff in our Dangerous Goods department undergoes regular intensive training to ensure continuous high-level knowledge of the proper handling of hazardous cargo. In addition, we are a founding member of the Cargo Incident Notification Network (CINSNET), which is a network of around ten major liner shipping companies, accounting for around two thirds of all global container traffic, allowing its members to share information on incidents relating to dangerous goods.

## **Insurance**

We maintain insurance policies to cover risks related to physical damage to, and loss of, our ships and ship equipment, other equipment (such as containers and chassis) and properties, third-party liabilities arising from the carriage of goods and the operation of ships and equipment and general liabilities which may arise in the course of our normal business operations. We renew most of these policies annually, and most of our insurance expenses are denominated in U.S. dollars.

All the vessels we own are insured under a primary policy for damage to, and loss of, the hull and machinery. All of our chartered vessels are covered by liability to hull insurance specifically for chartered vessels, which covers our liability for loss or damage to the chartered vessels. We insure each vessel leased under financing and lease arrangements at minimum for the value stipulated in the financing and lease agreement, and we insure the vessels we own outright for at least their market value.

Our insurance policies also cover our owned vessels for losses due to war and acts of terrorism and chartered vessels are covered by owners’ war risk policies. “Extra war risk” insurance premiums are paid for areas designated by the insurance companies as excluded zones under our basic war risk insurance.

We also maintain protection and indemnity policies (“**P&I policies**”) with mutual clubs being members of the international group of P&I clubs covering our fleet, including chartered vessels, for:

- third-party liability claims arising from the operation of our vessels, including claims for loss or damage to cargo and claims for injury or death of persons (including crew and passengers);

- pollution claims arising from spills of oil or other hazardous substances;
- costs for wreck removal and salvage; and
- in respect of our own vessels, liabilities resulting from collisions with other vessels and for damage to third-party property.

As of September 30, 2016, the maximum theoretical limit for the P&I covers in respect of owned vessels is currently US\$7.75 billion, subject to a limit of US\$1 billion for oil pollution, an aggregate limit of US\$3 billion for passenger and crew risks and a sub-limit of US\$2 billion in respect of passenger risks only for any one event. The current P&I limits in place represent the maximum currently available to our knowledge for owners' P&I insurance coverage via the international group of P&I clubs. For our chartered vessels, the chartered P&I and charterer's liability to Hull policies provide coverage up to a combined limit of US\$500 million per occurrence.

We also maintain various other insurance policies to cover a number of other risks related to our business, such as director and officer liability cover, chassis and container cover and professional liability cover, as well as a general excess liability policy which reimburses us in situations when the limit under the applicable primary liability policy is insufficient to fully satisfy a valid claim. We believe that the types and amounts of insurance coverage we currently maintain are in line with customary practice in the international container shipping industry and are adequate for the conduct of our business.

### **Intellectual Property**

Our main intellectual property (“IP”) assets consist of the “Hapag-Lloyd” trademark and related trademarks, colors and logos in the field of freight logistics, except air freight (the “IP Rights”), which Hapag-Lloyd acquired in 2009 from TUI. In addition, relating to our cabotage business, the “CSAV”, “Libra” and “CSAV Norasia” trademarks, colors and logos in the field of freight logistics were transferred to us in connection with the acquisition of the CCS Activities. TUI retained ownership of the Hapag-Lloyd trademark for use in other fields, in particular tourism and air freight. For those trademarks for which transfer of ownership is subject to the registration of Hapag-Lloyd AG in the respective trademark register and where such registration is still pending, Hapag-Lloyd AG has been granted an exclusive and royalty-free license for the use of such IP Rights.

In addition to our brand, we also consider our in-house developed FIS as intellectual property. All major parts of the FIS application (including functions supporting the various e-channels) have been developed by and for us. We therefore regard FIS as a significant component of our intellectual property portfolio.

### **Real Estate**

As of September 30, 2016, we owned, leased or had rights to use properties at the locations of our 155 offices, either directly or through one of our subsidiaries. Each of our offices typically leases small office spaces for sales, administration and management functions. Of these, our principal properties are our headquarters in Hamburg and the office facilities we own in Singapore, Tokyo, London, Piscataway, NJ, and Taipei. As of September 30, 2016, encumbrances in the form of liens on land (*Grundschulden*) existed to secure financial debt in the amount of €84.8 million in relation to our premises on Ballindamm, Hamburg. On August 14, 2013, 5.1% of the shares in Hapag-Lloyd Grundstücksholding GmbH, the owner of the Ballindamm premises, were sold and transferred by Hapag-Lloyd Holding AG to Hapag-Lloyd Stiftung. As of the date of this Offering Memorandum, Hapag-Lloyd AG holds 94.9% of the shares in Hapag-Lloyd Grundstücksholding GmbH. For the nine months ended September 30, 2016, we incurred rental expenses in the amount of €21.8 million (US\$24.3 million) for leased properties.

We believe that our properties are in good condition and are adequate for our current needs. We evaluate our needs periodically and obtain additional facilities as necessary.

### **Compliance**

Compliance is an integral component of our corporate policy. Our compliance system, which we believe to be in line in terms of scope and quality with that of our peers in the container shipping industry, is designed to steadily and persistently increase our standards and limit our exposure to

potential compliance-related risks. In line with our compliance risk assessment, we focus on anti-corruption, antitrust and data-protection issues. In particular, in addition to legal and regulatory requirements, we take into account the nature, scale, and international scope of our business activities. The principles and policies are determined by the Executive board and translated into clearly defined systems and methods by our dedicated compliance department, which is based in Hamburg and headed by our Chief Compliance Officer. In addition, we maintain a comprehensive compliance organization across our regions, supported by regional heads of compliance and comprising approximately 200 compliance officers assigned with compliance- and anti-corruption related tasks. The controls set out in the Group-wide policies are continually monitored, developed and adjusted to changing business and regulatory environments and we maintain a compliance and anti-corruption training program that reflects and is designed to address the risks pertinent to our business. Moreover, in order to ensure the adequacy and completeness of our written internal guidelines, we are constantly conducting a complete review of our written and oral compliance and anti-corruption policies, procedures and training materials.

### **Legal and Tax Proceedings**

From time to time companies of our Group are involved in legal disputes and administrative proceedings as part of their ordinary business activities.

Currently there are two governmental proceedings involving UASC:

At the end of December 2015, we received a notification from the Peruvian Institute for Defence of Free Competition (“**INDECOPI**”) which alleged five antitrust breaches for activities in the Asia-West Coast South America Freight Conference (“**AWCSAFC**”). INDECOPI disputes the applicability of the UN Liner Code of Conduct. The proceedings may lead to the imposition of fines. As of the date of this Offering Memorandum, a settlement initiative is envisaged including commitments to cease the case.

Following unannounced dawn raids in the fourth quarter of 2015, the Chinese Competition Authority (“**NDRC**”) suspects Hapag-Lloyd to be involved in a violation of the antimonopoly law related to our membership in the Transpacific Stabilization Agreement (“**TSA**”) (and Westbound Transpacific Stabilization Agreement (“**WTSA**”)) conference. As of July 2016, we have terminated or withdrawn our membership in conferences and voluntary (rate) discussion agreements (“**VDAs**”), with the exception of the Transpacific Stabilization Agreement (“**TSA**”), where our membership is dormant and we do not participate in any meetings, resolutions or votes. There is a risk that fines may be imposed on all carriers which have been members during the period that is under investigation. A reformation of the alleged deficient procedures of the TSA (WTSA) is already in preparation. In addition, NDRC alleges carriers charging unreasonable terminal handling charges (“**THC**”). The latter may lead to the imposition of fines. As of the date of this Offering Memorandum, we are developing rectification measures that would result in a reduction of the current THC level.

Apart from the proceedings described above, UASC is not and has not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Company is aware) during the past twelve months, which may have, or have had in the recent past, significant effects on the UASC’s financial position or profitability.

## REGULATORY MATTERS

Hapag-Lloyd's operations are materially affected by government regulations in the form of international conventions, national, regional and local laws and regulations in the jurisdictions in which its vessels operate, as well as in the country or countries of its registration. Because such conventions, laws and regulations are constantly subject to revision, it is not possible to predict the continuing costs of compliance with such conventions, laws and regulations, the impact thereof on the resale price or useful life of vessels or on business operations. Additional laws and regulations, environmental, security related or otherwise, may be adopted and could increase the Hapag-Lloyd's costs or limit the Company's ability to service particular areas. See "Risk Factors—Risks Relating to Our Business and Industry—We could face substantial liability if we fail to comply with existing environmental regulations, and we may be adversely affected by changes to those regulations". The following explanation is restricted to the most important conventions, laws and regulations which might be important for Hapag-Lloyd's business operations.

### Permits, Licenses and Certificates

Hapag-Lloyd is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The kinds of permits, licenses and certificates required for the operation of owned, chartered or leased vessels, as well as permits, licenses and certificates required for shipping and other related services, will depend upon a number of factors. Subject to the discussion in this section, the Company believes that it has been and will continue to be able to obtain all permits, licenses and certificates material to the conduct of its operations.

### Maritime Regulations

#### *Competition rules*

##### *European Union*

In the European Union, Hapag-Lloyd is subject to the competition rules, particularly those set forth in Articles 101 and 102 of the Treaty of Rome, as modified by the Treaty of Amsterdam and Lisbon ("**Treaty of the Functioning of the European Union**" or "**TFEU**"). Art. 101 TFEU generally prohibits and declares void any agreement or concerted actions among competitors which adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position held by one or more (shipping) companies is prohibited by Art. 102 TFEU. However, certain joint operation agreements (also referred to as a 'consortium') in the liner shipping industry such as vessel sharing agreements, slot swap agreements are block exempted from certain prohibitions of Art. 101 TFEU by Commission Regulation (EC) No 906/2009 as amended by Commission Regulation (EU) No 697/2014. This regulation, under certain conditions (including, *inter alia*, a maximum cumulated market share of the consortium members of 30%; mandatory contractual right to withdraw for any consortium member without any financial or other penalty), permits joint operation of services amongst competitors with the exception of price fixing, capacity and sales limitation and allocation of markets and customers. This regulation is deemed to expire on April 25, 2020.

##### *United States*

Hapag-Lloyd's ocean common carrier operations involving service between non-U.S. ports and ports in the United States, its territories and possessions are subject to the provisions of the U.S. Shipping Act of 1984, as amended by the U.S. Ocean Shipping Reform Act of 1998 (the "**Shipping Act**"). The Shipping Act is administered by the Federal Maritime Commission ("**FMC**"), and establishes a regulatory regime governing, among other things, certain agreements between or among ocean common carriers operating in U.S. foreign commerce; the publication of tariffs of rates and charges by ocean common carriers; the regulation of service contracts entered into between ocean common carriers and their customers; and the regulation of ocean common carrier practices.

Under the Shipping Act, vessel operating common carriers serving U.S. ports may offer their services to customers either through non-public and confidential service contracts, or through tariffs containing rates, rules and conditions of service that are published in private electronic systems and made available, typically through internet access, to any person pursuant to the provisions of the

Shipping Act and FMC regulations. The Shipping Act provides, among other things, that agreements that are filed with the FMC and that become effective under the Shipping Act and FMC regulations have immunity from the antitrust laws of the United States. Conference and rate agreements that allow ocean common carriers to fix the rates, terms and conditions of carriage on either a binding basis (in the case of conference agreements) or non-binding and voluntary basis (in the case of voluntary (rate) discussion agreements) would not, but for the immunity granted by the Shipping Act, be permitted under U.S. Antitrust laws.

The most common types of FMC-filed agreements to which we are a party are alliance, vessel sharing and slot exchange agreements, under which carriers share space on each other's vessels with concurrent agreement on the size and number of vessels the parties will deploy, the ports to be served, the space to be allocated to each party and similar terms. These agreements provide efficiencies for carriers and enhance service to customers.

Agreements filed with the FMC become effective by operation of law 45 days after they are filed with the FMC or 30 days after notice of the filing is published in the official journal of the U.S. federal government (the "**Federal Register**"), whichever date is later, unless the FMC (i) requests additional information or documentary materials relating to the agreement or (ii) obtains an injunction against the agreement. In the event that the FMC requests additional information or documentary materials, a filed agreement becomes effective 45 days after the FMC receives all of the additional information and documentary materials requested and/or a statement of reasons for noncompliance with the request. The Shipping Act authorizes the FMC to seek an injunction in the United States District Court of the District of Columbia to prevent an agreement from becoming effective. The FMC would have to show, under Section 6(g) of the Shipping Act, that the agreement is so anti-competitive that it would result in an unreasonable reduction in transportation service or an unreasonable increase in transportation cost. For as long as an agreement remains in effect, quarterly monitoring reports must be filed with the FMC by parties to ocean common carrier agreements that authorize discussion or agreement on certain activities.

Hapag-Lloyd's ocean common carrier operations to/from U.S. ports are subject to FMC oversight under the Shipping Act and FMC regulatory requirements relating to carrier agreements, tariffs and service contracts, and certain "Prohibited Acts" under Section 10 of the Shipping Act. Violations of the requirements of the Shipping Act and/or of the FMC's regulations can be subject to civil penalties of up to US\$9,000 for each non-willful violation and up to US\$45,000 for each willful violation. These civil penalties are subject to adjustments at least every four years. The last adjustment of these penalties was made in July 2014.

## **Security and Safety Matters**

### ***International***

#### *IMO standards on maritime safety and security*

The International Maritime Organization ("**IMO**"), which is the United Nations agency responsible for maritime safety and the prevention of maritime pollution by ships, has adopted stringent safety standards as part of the International Convention for the Safety of Life at Sea ("**SOLAS**"). Among other things, SOLAS establishes requirements for vessel design, materials, construction, lifesaving equipment, safe management and operation, including the mandatory installation of automatic identification systems (AIS) and long range identification and tracking systems (LRIT) to permit tracking of vessels, and measures to improve vessel safety and security. The SOLAS requirements are revised continuously.

In 1994, SOLAS was amended to incorporate the International Safety Management Code ("**ISM Code**") adopted in 1993. The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code became mandatory for container vessel operators in 2002. Hapag-Lloyd's operations comply with the ISM Code and all of our vessels have obtained the required certificates demonstrating compliance with the ISM Code.

The ISM Code requires that each vessel is in possession of a safety management certificate ("**SMC**"). This certificate evidences the compliance of a vessel with all procedures related to safety and environment protection according to the ISM Code and as laid down in the company's safety management system which is approved by an authorized body (*e.g.*, Det Norske Veritas (Norway)/ Germanischer Lloyd ("**DNV GL**")). Furthermore the responsible company must be certified and hold a



Document of Compliance (“**DoC**”), issued by the flag state administration, under the provisions of the ISM Code. In case the company’s DoC is rendered invalid, all SMC’s of vessels for which the company is responsible, will be rendered invalid as well. Our operations comply with the ISM Code and all of our vessels have obtained the required certificates demonstrating compliance with the ISM Code.

Following the terrorist attacks on September 11, 2001, the IMO amended SOLAS in December 2002 to include “special measures to enhance maritime security” and adopted the International Ship and Port Facility Security Code, (the “**ISPS Code**”) which imposes various detailed security obligations on vessels and port facilities effective as of July 1, 2004. The ISPS Code takes the approach that an assessment of risks must be made in each particular case and requires, among other things:

- the designation of a Company Security Officer by each company ensuring, *inter alia*, that the ship security assessment is carried out properly;
- the designation of a Ship Security Officer for each ship in charge of the vessel security on board;
- onboard installation of ship security alert systems;
- development of ship security plans; and
- compliance with flag-state security certification requirements.

SOLAS was amended to make parts of the International Code for Ships Operating in Polar Waters (the “**Polar Code**”) mandatory from January 1, 2017. The Polar Code sets forth safety and environment related provisions (ship design, construction and equipment, operational and training aspects, search and rescue, marine environment) regarding navigation in waters surrounding the two poles. The Polar Code is not applicable to any of the trades serviced by Hapag-Lloyd and therefore does not affect any of Hapag-Lloyd’s vessels.

Further amendments recently entered into force, concerning, *e.g.*, the establishment of appropriate minimum safe manning levels, the testing of free-fall lifeboats, fire safety and firefighting, documents, transport information relating to the carriage of dangerous goods in packaged form and the container/ vehicle packing certificate, minimum requirements for the carriage of specific hazardous liquid substances and the requirement for new ships to be constructed to reduce on-board noise and to protect personnel from noise.

Our vessels are regularly audited by flag states, as well as inspected by other national and international authorities acting under the provisions of their international agreements related to port state control authority, the process by which a nation exercises authority over foreign vessels when the vessels are in the waters subject to its jurisdiction. Our vessels are in compliance with all requirements of SOLAS (including the ISPS and ISM Code) and are holding the mandatory certificates according to the ISM Code (the DoC for the responsible company as well as SMCs for each vessel) and the ISPS Code (International Ship Security Certificate for each vessel).

As of August 20, 2013 the Maritime Labour Convention 2006 (“**MLC**”) came into force, one year after thirty member states with a total share in the world’s gross tonnage of ships of 33% have ratified the Convention on August 20, 2012.

The MLC was developed by the International Labour Organization (“**ILO**”) to ensure a worldwide similar standard of work and living conditions for seafarers on board of seagoing ships. As the MLC is only the “umbrella regulation”, all flag states were/are obliged to incorporate the necessary provision into their national legislation. Germany executed the legal provision of the MLC with the new the German Maritime Labour Act (*Seearbeitsgesetz*).

To ensure compliance with the MLC requirements, inspections had to be performed at the latest by August 20, 2014 on board of all ships, resulting in the issuance of the Maritime Labour Certificate (“**ML Certificate**”; *Seearbeitszeugnis*) with a validity of five years. The ML Certificate approves the compliance with all requirements according to flag state law, namely with the German Maritime Labour Act (*Seearbeitsgesetz*). All Hapag-Lloyd vessels are in compliance with MLC requirements and hold the necessary ML Certificate.

## *Registration and Inspection by Classification Societies*

Hapag-Lloyd's vessels are registered with internationally recognized classification societies, such as DNV GL. The principal purpose of these classification societies is to provide objective and independent confirmation to all parties involved in the shipping industry, including insurance underwriters, that ships are being maintained to the standards that are considered appropriate to minimize claims on underwriters. A beneficial by-product of the activities of classification societies is to provide reassurance to owners and others with a financial or other interest in those ships that the ships are being regularly surveyed and properly maintained.

Every seagoing vessel must be "classed" by a classification society that has been approved by the vessel's flag state. Classification societies certify that a vessel is "in class", signifying that the vessel has been built and maintained in accordance with the rules of the classification society. Also, flag states often delegate to classification societies the authority to conduct vessel inspections that are required by international conventions, by corresponding laws and ordinances of the flag state, or by additional regulations and requirements independently issued by the flag state.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the International Association of Classification Societies ("IACS"). Each of Hapag-Lloyd's vessels is class certified by a member of IACS. All vessels the Company purchases, including second-hand vessels, must be class certified prior to delivery.

Classification societies inspect vessels during and immediately after construction and issue an initial "in class" certification if the society's rules are met. To maintain "in class" status, a vessel must undergo regular inspections to assess its structural strength and integrity and the reliability and function of main and essential auxiliary machinery, systems and equipment, including, among others, the propulsion system, steering system and electrical plant. These inspections, referred to as surveys, typically involve a classification society surveyor visually examining various parts of the vessel and witnessing tests, measurements and trials where applicable. After the initial certification, surveys are conducted in regular intervals. The most important types of surveys can be summarized as follows:

**Annual Surveys:** Once every twelve months, the classification society must survey certain relevant parts of the vessel (*i.e.*, the hull and the machinery, including the electrical plant, and where applicable special equipment classed) to validate the class certificate. Annual surveys typically take one day, but in some cases, they take up to several days to complete.

**Intermediate Surveys:** In between the second and third year after an initial class survey or class renewal survey an extended vessel survey is required. These inspections are referred to as intermediate surveys and typically take three or more days. During an intermediate survey, the classification society surveyor conducts a more extensive inspection of the vessel's hull, equipment, and machinery, and may also include ultrasonic thickness measurements of the hull in some cases. The shafts, stern tube bearing, boilers, and other parts are also inspected. Generally, dry-docking is required for intermediate surveys in order to thoroughly examine the vessel's hull. Vessels classed for in-water survey may have a diving inspection of the hull performed instead of a dry-dock inspection.

**Class Renewal Surveys:** Class renewal surveys must be carried out every five years, with the first class renewal survey taking place five years after construction. Class renewal surveys include extensive in-water and out-of-water examinations to verify that the structure, main and essential auxiliary machinery, systems and equipment are still in compliance with the classification society rules. The survey is intended to assess whether the structural integrity remains effective and to identify areas exhibiting corrosion, deformation, fractures, other damage or other forms of structural deterioration. The screw shafts, tube shafts, stern bearing, boilers and thermal oil heaters are also inspected. Dry-docking is required for class renewal surveys in order to thoroughly examine the vessel's hull. The survey includes audio gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. Substantial amounts of money may have to be spent for steel renewals to pass such survey if the vessel experiences excessive wear and tear. Class renewal surveys may take several weeks to complete.

**Continuous Survey Hull/Machinery:** The vessel owner/manager may agree with the classification society to implement a continuous survey system on the vessel by arranging a continuous survey cycle for the vessel's hull and/or machinery, in which every part of the vessel would be surveyed within a

five-year period. Therefore, the required class renewal inspections are split into an agreed schedule to extend over the entire five-year period.

**Non-periodic Surveys/Special Surveys:** Additional surveys may be required to assess damage or suspected damage and to evaluate repair, renewal, alteration, or conversion work. Surveys may also be required if a vessel changes ownership or changes its flag state.

If any defect is found in a classification society survey, the classification society will issue a “condition of class” or “recommendation”. Conditions of class and recommendations require a ship’s owner to carry out specific measures, repairs, or additional inspections within prescribed time limits in order to maintain the vessel’s class certification. During operation of the vessel the valid class certificate is continuously checked by port state control officers during every port call of the vessel.

In certain cases, if appointed by the flag state, classification societies also assess vessel compliance with international conventions and applicable flag state laws and regulations and issue separate additional certificates for and on behalf of the flag state authority.

Classification society rules do not cover every structure or item of equipment on a vessel and do not cover operational elements such as crew training. Activities that fall outside the scope of classification society rules include items such as: design and manufacturing processes; choice of type and power of machinery; number and qualification of crew; and cargo carrying capacity. However, in addition to classification society rules, vessels are subject to safety regulations and inspections of their flag states, which cover those not covered by classification society rules, including those relating to the safety, fitness for purpose and seaworthiness of the vessels.

Since December 2007, we have received the DNV GL 5 Star Excellence award certifying our outstanding high quality and safety standard in maintaining and operating our vessels. The last renewal of the award took place in May 2015. DNV GL 5 STAR Excellence reflects Hapag-Lloyd’s commitment to continually improve our processes and increase the efficiency of our ship operations beyond statutory requirements.

### ***United States***

Following the terrorist attacks on September 11, 2001, the U.S. Government adopted certain measures to improve security at various U.S. ports and with respect to cargo movements to and from the United States. On December 2, 2002, the Department of Homeland Security implemented an “Advance Manifest Rule” designed to screen cargo before it is loaded for carriage to U.S. ports. The rule requires carriers to submit, by electronic means, expanded documentation regarding the transport parties and the cargo to be loaded on board a vessel going to the U.S. at least 24 hours prior to loading at the foreign port of loading.

Hapag-Lloyd participates in the U.S. Customs Trade Partnership against Terrorism (“**C-TPAT**”) initiative, a voluntary supply chain security program led by U.S. Customs and Border Protection (“**CBP**”) which we joined in 2002. C-TPAT is the premier trade security program for U.S. trade, and customers are increasingly requiring participation in this program from their carriers. The purpose of C-TPAT is protecting the U.S. and international supply chains from possible intrusion by terrorist organizations. C-TPAT requires us to document and validate Hapag-Lloyd’s supply chain security procedures in relation to existing CBP C-TPAT criteria and guidelines as applicable. CBP has also formulated the design for a holistic Trusted Trader program, currently in the test phase, which unifies C-TPAT and the Importer Self-Assessment (“**ISA**”) processes. ISA is a voluntary trade compliance program that provides the opportunity for importers to assume responsibility for monitoring their own compliance. CBP has a number of mutual recognition arrangements with other countries, including New Zealand, Japan, and Canada, which link various similar international industry partnership programs in order to create a unified and sustainable security program.

The Security and Accountability for Every Port Act of 2006 (the “**SAFE Port Act**”) codified C-TPAT into law. It also, through the Container Security Initiative, mandates that all containers entering U.S. ports be screened for radiation. The SAFE Port Act contains other initiatives, including a plan for increased random inspections of container contents, the inspection of high-risk containers in foreign ports, and the implementation of an automated targeting system for high-risk cargo, all of which may further increase inspection and monitoring costs for carriers. The U.S. inspection, notification and monitoring programs may be expanded in the future and may also be followed by implementation of similar or more intrusive and costly notification, monitoring and inspection programs in other countries where Hapag-Lloyd operates.

In July 2003, the U.S. Coast Guard issued rules to implement certain portions of the U.S. Maritime Transport Security Act of 2002 (“**MTSA**”). Under this new law, all foreign commercial and passenger vessels required to comply with SOLAS were required to develop and to submit vessel security plans (“**VSPs**”) to the U.S. Coast Guard. The VSPs and related port security plans went into effect as of July 1, 2004.

Since MTSA implemented the ISPS Code in the United States, and due to the fact that U.S. Coast Guard regulations are generally consistent with the international requirements, foreign-flag vessels are exempt from the MTSA requirement to submit a security plan to the United States for approval, provided such vessels have on board a valid International Ship Security Certificate demonstrating the vessel’s compliance with the ISPS Code. As part of its port-state control program, the U.S. Coast Guard conducts verification examinations and inspections to verify ISPS Code compliance. Failure to comply with these requirements may result in an imposition of penalties, detention of a vessel, denial of port entry, or expulsions from port. Hapag-Lloyd’s vessels call at U.S. ports which are subject to both the MTSA and the U.S. Coast Guard’s security regulations. In rare instances, operations at these ports may be significantly curtailed or shut down by the U.S. Coast Guard for security reasons beyond Hapag-Lloyd’s control.

Under the Advance Passenger Information System Final Rule, effective as of June 6, 2005, crew and passenger information for all commercial vessels arriving in the United States from, or departing for, a foreign port or place must be submitted electronically at least 96 hours before entering the first U.S. port or place of destination, with certain exceptions for voyages of less than 96 hours. Failure to comply with these rules may result in a vessel’s entry into a U.S. port being delayed or denied or the assessment of penalties.

### ***European Union***

The European Union has been empowered to enact legislation on maritime safety and environmental protection since the passage of the 1992 Maastricht Treaty. The bulk of this legislation aims at implementing IMO conventions in a harmonized way in order to enhance safety and pollution prevention standards and monitoring procedures. In the field of maritime safety and security the European Union implements IMO rules into the EU legal system and provides a basis for harmonized interpretation across the entire EU.

#### *Enhancement of ship and port facility security*

In view of the terrorist attacks of September 11, 2001, and to face the threats of intentional unlawful acts such as terrorism and piracy, the EU adopted Regulation 725/2004/EC as amended by Regulation 219/2009/EC and Commission Decision 2009/83/EC. The Regulation constitutes the basis for a harmonized interpretation and implementation of the amendments to SOLAS and the ISPS Code enshrined in the new Chapter XI-2 of SOLAS. Member states of the EU (the “**Member States**”) are required to monitor compliance with the security rules by ships calling at their ports. Each ship intending to enter the port of a Member State must, upon request of the competent maritime safety authority, provide information concerning ship and cargo safety at least 24 hours in advance, unless the voyage time is shorter. As a reaction to substantial issues such as terrorism, piracy and illegal migration, new approaches on maritime security are continuously discussed at EU level.

#### *Safety of on-board equipment and training of crews*

Directive 2014/90/EU provides for the uniform application of the relevant international conventions relating to the safety of on-board equipment in order to achieve a high standard of quality and ensure the free movement of such equipment within the European Community. This new Directive repeals Directive 1996/98/EC as of September 18, 2016 and was due to be implemented in the national law of the EU Member States by September 18, 2016. Directive 2014/90/EU provides, *inter alia*, for a wheel mark affixed to marine equipment. The requirements of the Directive have been complied with by German legislators and are in accordance with the relevant conformity assessment procedures. Instead of or in addition to a wheel mark, an appropriate and reliable form of electronic tag may be used. On board checks of such equipment by the supervisory authority are admissible. Directive 2008/106/EC, amended by Directive 2012/35/EU, enacts the International Convention on Standards of Training, Certification and Watchkeeping 1995, concluded under the auspices of the IMO, as amended, which consolidates prior European legislation on the minimum level of training of seafarers with the

objective of removing substandard crews and guaranteeing effective oral communication relating to safety between members of the crew. These rules could change in the near future, since the European Commission is currently undertaking a review of Directive 2008/106/EC to verify whether the legislative framework for training and certification is fit for purpose.

### *AEO Regime*

Globalization and the changed security situation of international trade under the threat of terrorist attacks caused the World Customs Organization (WCO) to set up a Framework of Standards to Secure and Facilitate Global Trade (“SAFE”) establishing modern and efficient risk management in the customs administrations worldwide. The EU’s implementation rules are set out in the Union Customs Code (Regulation 952/2013 and its Delegated and Implementing Regulations). Economic operators are required to provide the customs authorities with details of goods before they are imported into the EU or exported from it. A core element of the security package is the introduction of the status as an Authorized Economic Operator (“AEO”). Since 2008, enterprises located in the EU can apply for such status which entails benefits in the customs clearance relating to security and safety (“AEO-S”), simplifications under the customs regulations (“AEO-C”) or both (“AEO-F”). Simplifications under the customs regulation relate to simplified declaration procedures, deferred payments and simplifications under special procedures. The Member States may grant AEO status to any economic operator meeting the common criteria. These criteria concern security and safety control systems, financial solvency, practical standards of competence or professional qualifications, and the operator’s track record in complying with customs and tax rules. The certification as an AEO is valid in all EU Member States and unlimited in time. The certification may be suspended or revoked, *inter alia*, if non-compliance with the criteria for granting of the certificate has been detected. Hapag-Lloyd AG is holder of the AEO Certificate “Customs Simplifications / Security and Safety (AEO-F)”.

## **Environmental Matters**

### *International*

#### *International Convention for the Prevention of Pollution from Ships (MARPOL)*

Hapag-Lloyd’s vessels are subject to standards imposed by the IMO, the United Nation’s agency for maritime safety and the prevention of pollution by ships. The IMO has adopted MARPOL 73/78, the main international convention covering the prevention of pollution of the marine environment by ships from operational or accidental causes. Restrictions, limit values and technical standards are set forth in six annexes to the convention that deal, respectively, with the prevention of pollution by oil (Annex I), noxious liquid substances in bulk (Annex II), harmful substances in packaged forms (Annex III), sewage from ships (Annex IV), garbage from ships (Annex V) and air pollution from ships (Annex VI). All annexes have entered into force and each state that is a party to the convention must accept mandatory Annexes. All of Hapag-Lloyd’s vessels comply with the applicable provisions of MARPOL 73/78.

In September 1997, the IMO adopted Annex VI to MARPOL to address air pollution from ships. Effective from May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and adversely affect our business, cash flows, results of operations and financial condition. In October 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which amendments entered into force on July 1, 2010. The amended Annex VI will reduce air pollution from vessels by, among other things, (a) implementing a progressive reduction of sulfur oxide emissions from ships by reducing the global sulfur fuel cap initially to 3.5% (from the initial cap of 4.5%), effective beginning January 1, 2012, then progressively to 0.5%, which is the effective cap beginning January 1, 2020; and (b) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The revised Annex VI allows for Emission Control Areas (“ECA”) to be designed for sulfur oxide and particulate matter, or nitrogen oxide or all three types of emissions from ships. It furthermore reduces the limits applicable in sulfur



oxide ECAs to 1.00% from July 1, 2010 (from previously 1.5%) and to 0.10% effective from January 1, 2015. The North Sea (including the English Channel) and the Baltic Sea have been designated as sulfur oxide ECAs by the IMO; the former was implemented on November 22, 2007 and the latter on May 19, 2006. In the course of the revision of Annex VI both ECAs have been listed as ECAs for the control of sulfur oxide and particulate matter. The North American ECA, extending 200 miles from the territorial sea baseline adjacent to the Atlantic/Gulf, the Pacific coasts and the coasts of the Hawaiian Islands, was implemented on August 1, 2012. The IMO designated a United States Caribbean Sea ECA, including Puerto Rico and the U.S. Virgin Islands; the regulation to implement this ECA entered into force on January 1, 2013 with the ECA effective from January 1, 2014. As a result, as of 2012 and 2014, respectively, Annex VI imposes on vessels trading to the North American and Caribbean Sea ECAs a more stringent “first-phase” sulfur oxide emission standard than prevails elsewhere. Even more stringent requirements in these ECAs became effective in the second phase within 2015 and in the third phase within 2016. Further, new vessels constructed beginning in 2016 which trade in these ECAs will be subject to special marine diesel engine emission requirements according to revised MARPOL Annex VI, NOx Tier III. From September 1, 2017, amendments to MARPOL will enter into force concerning NOx tier III reporting, in particular concerning the record requirements for operational compliance with NOx Tier III emission control areas. As a result of these amendments, certain ships will be required to maintain records of the operational status of their marine diesel engines, together with the date, time and position of the ship when operating in NOx Emission Control Areas. In October 2016, the IMO’s Marine Environment Protection Committee passed a proposal to implement NOx Emission Control Areas in the North Sea and the Baltic. The NOx regulations require new vessels operating in the Baltic Sea and the North Sea to reduce their NOx emissions by 75% starting from January 1, 2021.

Further, in 2011 the IMO adopted mandatory technical and operational energy efficiency measures in order to significantly reduce the amount of greenhouse gas emissions from ships. These measures were included in Annex VI and entered into force on January 1, 2013. These include the introduction of the Energy Efficiency Design Index (“**EEDI**”) and the Ship Energy Efficiency Management Plan (“**SEEMP**”). The EEDI indicates the energy efficiency of ships. Consequently, newbuild ships must prove compliance with certain minimum standards for energy efficiency relative to the EEDI reference line (10% improvement target for ships built between 2015 and 2019; 20% improvement target for ships built between 2020 and 2024; 30% improvement target after 2025). It lies with the shipbuilding businesses to choose the technical modalities necessary to ensure compliance with the required standards. However, the EEDI does not apply to ships already in operation, whereas the obligation to set up a SEEMP is also applicable to operated ships. The SEEMP aims at providing ship owners with incentives to implement a more energy efficient performance of ships, yet without an obligation to reduce emissions. These amendments apply to ships with a registered tonnage of 400 and above and leave room for the competent state authorities to exempt certain ships from these requirements under specific circumstances. As the first shipping company worldwide, Hapag-Lloyd had its entire own-managed fleet certified prior to its effective date and on a voluntary basis in accordance with the EEDI in February 2012. The certification was issued by DNV GL as an independent third-party.

In October 2016, the IMO approved a roadmap (2017 to 2023) for developing a comprehensive IMO strategy on the reduction of greenhouse gas emissions from ships, which aims at an initial greenhouse gas emissions strategy to be adopted in 2018.

We may incur additional costs to comply with the revised standards that include additional hull design optimization efforts during the planning phase and capital investment for energy saving devices.

#### *Bunker Convention*

In 2001, the IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the “**Bunker Convention**”), which imposes strict liability on vessel owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention also requires registered owners of vessels over 1,000 gross tonnes to maintain insurance in specified amounts to cover liability for bunker fuel pollution damage. The Bunker Convention became effective on November 21, 2008. Each of Hapag-Lloyd’s container ships has been issued a certificate attesting that insurance is in force in accordance with the Bunker Convention.

## *Enforcement*

Responsibility for the enforcement of IMO conventions is primarily left to the flag states. However, under regional port state control initiatives (for example, the Paris Memorandum of Understanding (“**Paris MOU**”) for the European coastal line), port state authorities are empowered to verify the compliance with international IMO requirements of foreign vessels using their ports. These memoranda of understanding set and enforce harmonized inspection procedures designed to target substandard ships. The IMO continues to review and introduce new regulations. It is difficult to accurately predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on Hapag-Lloyd’s operations.

## *Greenhouse Gas Regulation*

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the “**Kyoto Protocol**”) entered into force. Pursuant to the Kyoto Protocol, countries which are party to the Kyoto Protocol are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases. The emissions of greenhouse gases from international shipping have not yet been made subject to the Kyoto Protocol which, at the end of the 2012 United Nations Climate Change Conference in Doha, was extended to 2020. At the Paris climate conference in December 2015, 195 countries adopted a universal, legally binding global climate deal (which is a separate instrument under the United Nations Framework Convention on Climate Change (“**UNFCCC**”), rather than an amendment to the Kyoto Protocol). The agreement deals with greenhouse gas emissions mitigation, adaptation and finance and sets out a global action plan to limit global warming to below 2°C above pre-industrial limits, starting in 2020. The agreement will take effect from November 4, 2016. Shipping emissions are not directly included in the Paris Agreement. However, in order for countries to meet their national contributions under the Paris Agreement, they may adopt restrictions on shipping emissions. Moreover, future amendments to the Kyoto Protocol or a new agreement may also include restrictions on shipping emissions. For the obligations to reduce greenhouse gas emissions from ships introduced under the auspices of the IMO, please refer to the section on MARPOL above.

The European Emissions Trading System (“**EU ETS**”) aims at a reduction of 20% of greenhouse gas emissions for 2020 compared to 1990 levels. The EU ETS applies to large industrial installations, the energy and the aviation sectors. As a rule, operators are required to hold allowances in order to emit CO<sub>2</sub> emissions. One allowance confers the right to emit the equivalent of one tonne of CO<sub>2</sub> during a specified allocation period. The competent authority sets an emissions cap and the total amount of allowances cannot exceed this set, limiting the total emissions of the operator to that level. Currently, the EU ETS does not apply to ship emissions. Yet, the EU is considering legislative action in view of reducing greenhouse gas emissions from maritime transport. As a first step in this process, the EU adopted in April 2015 Regulation 2015/757/EU on the monitoring, reporting and verification (“**MRV**”) of carbon dioxide emissions from maritime transport. Regulation 2015/757/EU entered into force on July 1, 2015 and applies to large ships above 5,000 gross tonnage using EU ports. The Regulation requires, *inter alia*, submission of a monitoring plan for each ship, monitoring of CO<sub>2</sub> emissions for each ship on a per-voyage and an annual basis and reporting to the European Commission and the authorities of the flag states. Further, monitoring is subject to verification procedures and documents of compliance are required on board of each ship. The first reporting period starts on January 1, 2018. The Member States have to provide for sanctions in case of non-compliance with the requirements. As a starting point for reducing maritime emissions, the data collected on the basis of such legislation is supposed to enable informed discussions on appropriate reduction targets. At a later stage, the pricing of the emissions is intended. Still, the EU favors a solution on the international level by amending the relevant IMO Marine Environment Protection Committee (“**MEPC**”) standards and not only on the European level.

Generally, several roadmaps, strategies and plans are in place at EU level providing for the reduction of emissions, an increase of the share of renewable energies or more energy efficiency. For example, the European Commission adopted a White Paper “Roadmap to a Single European Transport Area—Towards a competitive and resource efficient transport system” on March 28, 2011. According to this paper, the Commission aims at cutting the EU CO<sub>2</sub> emissions from maritime transport by 40% (if feasible even 50%) by 2050 compared to 2005 levels.

In October 2014, EU Heads of State and Government also reached an agreement on a new climate and energy framework for 2030. Various objectives have been agreed upon, including a cut in

greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels, an EU-wide binding target for renewable energy of at least 27% and an indicative energy efficiency target of at least 27%. These objectives do not presently include any new targets for the transport sector after 2020.

In the United States, the U.S. Environmental Protection Agency (“EPA”) in December 2009 issued a finding that greenhouse gases threaten public health and safety. A June 2014 U.S. Supreme Court decision regarding an EPA rule requiring pre-construction permits for large sources of greenhouse gas emissions underscored the Court’s view that the EPA has the right to regulate greenhouse gas emissions under the Clean Air Act. The EPA has already proposed limiting carbon dioxide emissions from existing power plants under Section 111(d) of the Clean Air Act, and other federal regulations relating to the control of greenhouse gas emissions may follow. In addition, climate change initiatives are being considered in the U.S. Congress. A lawsuit brought by coal companies and coal-producing states challenging the power plant proposal was dismissed by a federal court in June 2015; however, a wave of legal challenges to the EPA’s climate change rules is expected.

Compliance with the EU MRV system will trigger additional costs. Further, any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the United States or other countries or states where Hapag-Lloyd operates that restrict emissions of greenhouse gases could require the Company to make significant financial expenditures that it cannot predict with certainty at this time, or otherwise limit its operations.

## ***European Union***

### ***Pollution prevention***

Implementation of safety and pollution prevention standards at EU level is primarily governed by Directive 2009/15/EC, as amended by Directive 2014/111/EU, and Regulation 391/2009/EC, as amended by Regulation 1355/2014/EU, both replacing Directive 94/57/EC, which lay down minimum standards for the recognition of classification societies by Member States. Together with Directive 2009/16/EC these were part of the legislative measures of the third Maritime Safety Package. The third Maritime Safety Package was adopted by the European Parliament with the objective of restoring the competitiveness of the sector by benefitting operators which comply with safety standards. Directive 2009/16/EC, as amended by Directive 2013/38/EC and Regulation 2015/757/EU, and repealing Directive 95/21/EC, sets forth harmonized Member State port control rules as to inspection rates, targeting, inspection procedures, port access refusal, rectification of deficiencies, and detention of ships. The main element of Directive 2009/16/EC corresponds to the new inspection regime of the Paris MOU adopted in May 2009. Under this regime ships will be subject to inspection in intervals corresponding to their risk profile (the most dangerous ships will be inspected every six months). They are considered as high risk, standard risk or low risk ships on the basis of historic (*e.g.*, detentions and the number of deficiencies) and generic parameters, such as type and age of the ship and the flag state performance. A new factor to categorize ships is the company performance according to its ships’ deficiency and detention rates. With reference to the Maritime Labour Convention, Directive 2013/38/EC extends the scope of port state control to various labor law issues.

### ***Tracking dangerous and polluting cargo***

Directive 2002/59/EC, repealing Council Directive 93/75/EEC and as amended by Directive 2009/17/EC, Directive 2009/18/EC, Directive 2011/15/EU and Directive 2014/100/EU, sets up a vessel traffic monitoring and information system that aims at giving Member States rapid access to all important information relating to the movements and cargo of ships carrying dangerous or polluting materials. Directive 2014/100/EU implemented a maritime information and exchange system (SafeSeaNet) to enhance (electronic) exchange of information regarding maritime safety, port and maritime security, marine environment protection and the efficiency of maritime traffic and maritime transport. Following the Erika tanker disaster in 1999, various legislative texts have been adopted, including Regulation 1406/2002, as amended several times, setting up a European Maritime Safety Agency designed, among other things, to monitor the overall functioning of the European Community port state control arrangements by means of visits to the Member States. In addition, in 2005, the European Union adopted Directive 2005/35/EC as amended by Directive 2009/123/EC, on ship-source pollution, providing for criminal sanctions for intentional, reckless or negligent pollution discharges by ships. The Directive may result in criminal liability for pollution from vessels in waters of European countries that have adopted implementing legislation, as required from April 1, 2007. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. The

European Commission adopted a White Paper “Roadmap to a Single European Transport Area—Towards a competitive and resource efficient transport system” on March 28, 2011. This may, for example, entail stricter controls of vessels and more rigid enforcement practices.

We comply with Directive 2010/65/EU and have sent all reporting requirements to the National Single Window (a centralized notification recorder) since June 1, 2015. This also includes the announcement of dangerous goods cargo and ship waste notifications.

#### *Reducing the sulfur content of marine fuels*

Additionally, Directive 2016/802/EU relating to a reduction in the sulfur content of fuels, replacing Directive 1999/32/EC, includes requirements for liquid fuels derived from petroleum and used by ships operating in Member States’ territorial waters.

The Directive applies requirements for the sulfur content of marine fuels under MARPOL to the complete area under EU jurisdiction, regardless of whether a Member State is signatory to MARPOL, by

- limiting the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones falling within Sulfur Oxide Emission Control Areas
  - to 1.0% by mass until December 31, 2014; and
  - to 0.1% by mass as from January 1, 2015;
- limiting the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones
  - to 3.5% by mass as from June 18, 2014; and
  - to 0.5% as from January 1, 2020;
- limiting the sulfur content of marine fuels used within the territory of Member States to 3.5% by mass.

Under Directive 2016/802/EU, ships at berth in EU ports remain subject to the prohibition of using marine fuels with a sulfur content exceeding 0.1% per mass. Unlike the amended MARPOL Annex VI, Directive 2016/802/EU is not subject to a feasibility review.

As an alternative to complying with the thresholds, ships may use specific emission abatement methods.

Compliance with the sulfur thresholds required by Directive 2016/802/EU, especially in ECAs, can lead to a significant rise in the price of marine fuels, at least in the short term. This may substantially impact our business and negatively affect Hapag-Lloyd’s competitiveness with other types of transport. Yet, the European Commission will, if appropriate, propose measures to counteract a shift from sea to land-based transport and Member States may under certain circumstances provide state aid to operators affected by Directive 2016/802/EU.

#### *Recommendation to install shore-side electricity installations in ports*

Commission Recommendation 2006/339/EC of May 8, 2006 promotes shore-side electricity for use by ships at berth in European Union ports. It recommends that Member States install shore-side electricity for use by ships at berth in ports and offer economic incentives to operators to use such electricity. Currently, in ports, ships use their auxiliary engines, *inter alia*, to produce electricity and thus generate greenhouse gas emissions. One measure to reduce such emissions is to provide ships with shore-side electricity. According to experts, the supply of electricity to berths would significantly reduce emissions of particulate matter, volatile organic compounds, nitrogen oxide and sulfur oxide. The Commission calls on Member States to work within the IMO to promote the development of harmonized international standards for shore-side electrical connections. Directive 2016/802/EU obliges Member States, as an alternative solution for reducing emissions, to encourage the use of onshore power supply systems by docked vessels. Should the use of onshore power supplies eventually be enacted into mandatory legislation, it will entail additional expenses for making vessels fit for such connection. Hapag-Lloyd has retrofitted 23 ships with onshore power supply devices to comply with California legislation as from January 1, 2014.



## *Ship Recycling*

On December 31, 2013, the EU Ship Recycling Regulation 1257/2013/EC, amending Regulation 1013/2006/EC and Directive 2009/16/EC (“**EU SRR**”), entered into force. Based on the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships (“**Hong Kong Convention**”) (not yet into force), the EU Regulation aims at reducing the negative impacts associated with the recycling of ships. The rules apply to large commercial seagoing vessels flying the flag of an EU Member State, and to ships flying the flag of a third country calling at EU ports or anchorages. The Regulation prohibits and restricts the installation and use of certain hazardous materials on ships. New ships are required to carry an inventory list of hazardous materials. Ships have to be recycled in special ship recycling facilities, registered by the EU. Hapag-Lloyd has implemented a green ship recycling policy on a voluntary basis. Selected ship recycling yards have to comply with ISO 14001, the Hong Kong Convention and, if possible, the EU SRR. All newbuilds have an inventory list of hazardous materials.

## *REACH Regulation*

The EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006), (“**REACH**”), as amended, imposes significant obligations concerning chemical substances. Most of the burden of complying with REACH is on the chemical industry and the carriage of dangerous substances and of dangerous mixtures by inland waterways and sea is excluded from its scope. But REACH includes a number of restrictions on the use of chemicals and requirements for authorization to use certain chemicals which may affect the ability to use certain substances or require the need for substitutes authorized in the EU for the construction of new ships, repair of existing ships and for the type of equipment used on board.

## *United States*

In the United States, ship operators are subject to a number of federal and state laws and regulations with respect to protection of the environment in the course of ship operations in U.S. trade lanes. These laws include the U.S. Oil Pollution Act of 1990 (the “**Oil Pollution Act**”), and similar state statutes, with respect to oil spill liability; the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (“**CERCLA**”) with respect to spills or releases of hazardous substances; the U.S. Federal Water Pollution Control Act (the “**Clean Water Act**”); the U.S. Clean Air Act; and the U.S. National Invasive Species Act of 1996 (“**NISA**”) with respect to ballast water management.

Under the Oil Pollution Act, ship owners, operators and demise charterers are deemed “Responsible Parties” and are jointly, severally and strictly liable for all removal costs and other damages (including natural resource and property damages and lost revenues and profit) caused by oil spills from their ships. Although the Oil Pollution Act is primarily directed at oil tankers (which we do not operate), it also applies to non-tanker ships with respect to the bunker fuel carried on board the ships. The Oil Pollution Act can in some instances limit the liability for a non-tank vessel to the greater of US\$1,000 per gross tonne or US\$854,000 per discharge, which may be adjusted periodically for inflation. However, the liability limits do not apply if the incident was caused by the responsible party’s gross negligence, willful misconduct, or a violation of an applicable federal safety, construction or operating regulation. In addition, the liability is not limited if the responsible party fails to report the oil spill or fails to cooperate or comply with a removal order. In its Fiscal Year 2014 Report to Congress on the Oil Pollution Act liability limits, the U.S. Coast Guard proposed increased limits for non-tank vessels of the greater of US\$1,400 per gross tonne or US\$19,300,000 per discharge for vessels greater than 300 gross tonnes or the greater of US\$5,300 per gross tonne or US\$1,000,000 for vessels less than or equal to 300 gross tonnes.

The Oil Pollution Act and the Clean Water Act also impose civil and criminal penalties relating to certain spill incidents. Furthermore, although the oil spill disaster in the Gulf of Mexico resulted from the explosion of the “Deepwater Horizon” offshore drilling unit, bills have been introduced in the U.S. Congress that could eliminate liability caps under the Oil Pollution Act for all vessels.

CERCLA governs spills or releases of hazardous substances other than petroleum, natural gas and related products. CERCLA imposes liability that is strict, as well as joint and several, on the owner or operator of a vessel, vehicle or facility from which there has been a release, as well as other responsible parties. Spills or releases could occur during shipping, land transportation, terminal or



transport related operations. Damages may include past, present and future removal costs, natural resource damages and economic losses, without regard to physical damage to a proprietary interest. Liability under CERCLA is generally limited to the greater of US\$300 per gross tonne or US\$5 million for vessels carrying any hazardous substances, such as cargo or residue, or US\$0.5 million for any other vessel, per release of or incident involving hazardous substances. These limits of liability do not apply if the incident is caused by gross negligence, willful misconduct or a violation of certain regulations, in which case liability is unlimited.

Responsible parties under the Oil Pollution Act and CERCLA, including operators of vessels, must establish and maintain evidence of financial responsibility sufficient to meet the maximum liability (calculated under the assumption that the limits available in the preceding paragraph are applicable) to which it could be subject hereunder. In instances where a responsible party owns or operates more than one vessel, financial responsibility is determined based solely on the particular vessel owned or operated by such responsible party that has the greatest maximum liability. Financial responsibility may be established by one or any combination of the following: evidence of insurance, surety bond, guarantee, letter of credit, qualification as self-insurer or other evidence of financial responsibility. We have met our financial responsibility obligations under the Oil Pollution Act and CERCLA by purchasing the maximum insurance cover available under our protection and indemnity policies to cover damages that might arise under such laws. For information on insurance policies, see “Our Business—Insurance”. However, the Oil Pollution Act specifically preserves state law liability and remedies, whether by statute or at common law. Some U.S. states have enacted legislation providing for unlimited liability for oil spills both in terms of removal costs and damages. As such, cumulative liability under certain U.S. state laws for a spill could be unlimited, and could theoretically exceed our available insurance coverage in the case of a catastrophic spill.

The Clean Water Act prohibits the discharge of oil or hazardous substances and imposes strict liability in the form of civil penalties for damages and remedial costs. Liability can be imposed under the Clean Water Act in addition to the more recent Oil Pollution Act and CERCLA. The EPA regulates the discharge of ballast water and other substances under the Clean Water Act. EPA regulations require commercial vessels operating as a means of transportation 79 feet in length or longer (other than commercial fishing vessels) to obtain coverage under a Vessel General Permit (“VGP”) authorizing discharges of ballast waters and other wastewaters incidental to the operation of vessels when operating within the three-mile territorial waters or inland waters of the United States. The VGP requires vessel owners and operators to comply with a range of best management practices and reporting and other requirements for a number of incidental discharge types. The EPA issued a new VGP in March 2013 to replace the 2008 VGP. The new VGP became effective on December 19, 2013. Hapag-Lloyd has obtained coverage under the VGP for all of its container ships that operate in U.S. waters. The costs associated with meeting the requirements under the VGP are not material.

On April 30, 2010, the EPA promulgated regulations that impose more stringent standards for emissions of particulate matter, sulfur oxides and nitrogen oxides from new Category 3 marine diesel engines (typically ranging in size from 2,500 to 70,000 kW (3,000 to 100,000 hp)) on vessels constructed on or after January 1, 2016 and registered or flagged in the U.S. and implement the new MARPOL Annex VI requirements for U.S. and foreign flagged ships entering U.S. ports or operating in U.S. internal waters. Effective from July 1, 2009, California also adopted fuel content regulations that apply to all vessels sailing within 24 miles of the California coast whose itineraries call for them to enter California ports, terminal facilities or estuarine waters. Although a risk exists that new regulations could require significant capital expenditures and otherwise increase our costs, based on the regulations proposed to date, the Company believes that no material capital expenditures beyond those currently contemplated and no material increase in costs are likely to be required, aside from those costs discussed below.

Similar to the European Union, California has promulgated rules to encourage and over time oblige vessels in Californian ports to use shore power (“cold ironing”) while at berth. As of January 1, 2014, at least 50% of an operator’s fleet calling into ports in California must connect to shore power, and the total auxiliary engine power generated by the fleet’s ships while docked at the port must achieve a 50% emission reduction across the fleet. Plans outlining how the fleet will be modified to achieve compliance with these rules had to be submitted to the California Air Resources Board by July 1, 2013. These plans had to be updated and resubmitted by July 1, 2016 to detail compliance with the 70% emission reduction requirement applicable by 2017, and again by July 1, 2019 for compliance

with the ultimate 80% reduction required across the fleet by 2020. Retrofitting of vessels to meet the cold ironing rules has been a material capital expenditure and additional vessels need to be retrofitted to comply with these rules.

NISA was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. NISA established a ballast water management program for ships entering U.S. waters calling for voluntary mid-ocean ballast water exchange, ballast water exchange in waters where such exchange does not pose an environmental threat, or the use of environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. Mid-ocean ballast exchange is mandatory prior to calling at Californian ports and the mandatory keeping of records throughout the United States began as of January 2004. Other states could adopt additional regulations that could increase the cost of operating in state waters. In March 2012, the U.S. Coast Guard adopted new standards requiring, amongst other things, ship owners and operators to install, operate and maintain U.S. Coast Guard approved on-board ballast water management systems to meet the new treatment standards for living organisms in ballast water. This requirement applied to all new vessels constructed on or after December 1, 2013, and will apply to existing vessels with a ballast water capacity of less than 1500 cubic meters or more than 5000 cubic meters as of the first dry-docking after January 1, 2016. A ship may also use an alternative management system (approved by another flag state and meeting IMO BWM Convention criteria) for up to five years. In February 2004, an IMO diplomatic conference adopted a convention on ballast water controls (the “**BWM Convention**”) that sets forth worldwide rules that will take effect twelve months after ratification by 30 member states that collectively represent 35% of the world’s shipping tonnage. As of September 8, 2016, the convention has been ratified by 52 member states, representing 35.14% of the gross tonnage of the world’s merchant shipping. The BWM Convention will enter into force on September 8, 2017, which will result in additional costs for us required to comply with the BWM Convention. This effect could be exacerbated if certain proposed rules in the United States for ballast water management and treatment are adopted. New York and California, for example, are implementing legislation that is much more stringent than current international and U.S. legislation. Additionally, the U.S. Coast Guard is continuing to evaluate stricter standards for ballast water treatment and a broader application of the 2012 rule. While classification is still ongoing, these inconsistencies may cause additional costs.

## MANAGEMENT

### Hapag-Lloyd Aktiengesellschaft

#### Overview

The corporate bodies of the Hapag-Lloyd AG are the executive board (*Vorstand*), the supervisory board (*Aufsichtsrat*) and the general meeting (*Hauptversammlung*). Their competencies are laid down in the German Stock Corporation Act (*Aktiengesetz*) and the Issuer's articles of association (*Satzung*) (the "**Articles of Association**"), as well as in the rules of procedure (*Geschäftsordnungen*) of the executive board and the supervisory board.

In general, the executive board is responsible for conducting the Issuer's business in accordance with the law, the Articles of Association and its own rules of procedure. It represents the Issuer in its dealings with third parties.

The executive board is responsible for the management of the Issuer and decides on fundamental questions of business policy, company strategy and on annual long-term planning. The executive board must further ensure appropriate management and control of risk within the Issuer and its subsidiaries in order to identify at an early stage any developments jeopardizing the Issuer's future as a going concern. The executive board is also obliged to report to the supervisory board on a regular and at least quarterly basis on the course of business, with particular reference to revenue, profitability and the situation of the Issuer and of its subsidiaries, and at the supervisory board's final meeting of the financial year to report on its planned business policy and other fundamental issues relating to corporate planning (including financial, investment and personnel planning).

The executive board is also obliged to duly report to the supervisory board such transactions as may be of considerable importance to the Issuer's profitability (in particular the return on equity) or liquidity, so that the supervisory board may have an opportunity to express its opinion on such transactions before they are concluded. The supervisory board may also request a report at any time on matters concerning the Issuer, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Issuer's situation.

The supervisory board determines the exact number of members of the executive board, appoints the members of the executive board and is entitled to dismiss them for good cause (*aus wichtigem Grund*). The supervisory board advises the executive board on the management of the Issuer and monitors its conduct of business. Under the German Stock Corporation Act, the supervisory board is not authorized to exercise management functions.

Simultaneous membership of the executive board and the supervisory board is generally prohibited in companies under German law. However, simultaneous membership that results from a member of the supervisory board taking a seat on the executive board of the same German stock corporation for a maximum period of one year is permissible in exceptional cases. During this period, such individual may not perform any duties for the supervisory board.

As set out in the German Stock Corporation Act (*Aktiengesetz*), the supervisory board advises on, and oversees, the executive board's management of the Issuer, but is not itself authorized to manage it. The Articles of Association or the by-laws of the supervisory board or executive board must, however, designate the types of transactions that may only be made with the approval of the supervisory board unless the delay of such transactions until the approval of the supervisory board has been granted would involve significant disadvantages for the company or its subsidiaries. The supervisory board may issue a general authorization for a specific type of business in advance.

The members of the executive board and of the supervisory board have duties of loyalty and care towards the Issuer. In discharging those duties, the members of these corporate bodies must consider a wide range of interests, in particular and foremost those of the Issuer, then of its shareholders, employees and creditors. The executive board must also take due account of the shareholders' right to equal treatment and equal information. The members of the executive board or of the supervisory board shall be jointly and severally liable to the Issuer for any damages that may arise if they fail to discharge their duties.

Shareholders may generally not bring an action in court against members of the executive board or members of the supervisory board for breaches of their duties towards the Issuer. Only the Issuer itself normally has the right to bring a claim for damages against members of the executive board or

members of the supervisory board, whereby the Issuer is represented by the executive board when bringing claims against a supervisory board member and by the supervisory board when bringing claims against an executive board member. Pursuant to a ruling by the German Federal Court of Justice, the supervisory board is obliged to bring potentially enforceable claims against the executive board unless material considerations pertaining to the interests of the corporation outweigh or are at least equivalent to those in favor of such a claim. Despite a refusal of the supervisory board to pursue a claim for damages, such a claim may be enforced (i) upon a resolution of the general meeting, (ii) upon a petition with the competent court by minority shareholders meeting certain minimum requirements as to their stake in the Issuer, or (iii) by the Issuer's creditors whose claims could not have been settled by the Issuer.

Under German law, no individual shareholder (or any other person) may exert its influence in the Issuer, to cause a member of the executive board or the supervisory board to engage in any act detrimental to the Issuer. Shareholders with a controlling interest may not use it to cause the Issuer to act against its own interests unless the prejudice to its interests is compensated for. Anyone using their interest in the Issuer to cause a member of the executive board, a member of the supervisory board or a person who holds a power of attorney or is authorized to act for the Issuer to engage in any act detrimental to the Issuer or to our shareholders must compensate the Issuer and the shareholders for any loss sustained thereby.

### ***Executive Board***

#### *Current Composition of the Executive Board*

The Issuer's Articles of Association stipulate that the executive board is to be composed of at least two persons. The supervisory board determines how many members sit on the executive board and appoints the members of the executive board. It may also appoint the chairman and deputy chairmen of the executive board.

The members of the executive board are appointed by the supervisory board for a term not exceeding five years. They may be reappointed or their term of office may be extended, in each instance for a period of up to five years. The supervisory board may revoke the appointment of a member of the executive board before the end of their term of office for good cause, such as gross breach of duty or if the general meeting no longer has confidence in them. The position established by the appointment of an executive board member is distinct from the member's employment relationship with the Issuer. The latter also has a maximum term of five years.

The executive board has overall responsibility for the Issuer's business. In accordance with the executive board's rules of procedure, each member of the executive board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the executive board, each member of the executive board is responsible for the area allocated to him. Pursuant to the rules of procedure of the executive board, certain management actions may only be taken and certain types of transactions may only be concluded with the approval of the supervisory board or of a competent committee of the supervisory board. Meetings of the executive board shall be held every two weeks. According to the provisions of the rules of procedure for the executive board, the executive board has a quorum when at least half of its members are present at the executive board's meeting. In case of resolutions passed outside of meetings of the executive board, the executive board has a quorum when at least half of its members vote on the resolution. Resolutions by the executive board are adopted by simple majority. Should a vote by the executive board result in a tie, the vote of the chairman of the executive board decides if the executive board consists of more than two members.

The Issuer is represented by two members of the executive board or by one member of the executive board together with an authorized officer (*Prokurist*).

#### *Members of the Executive Board*

The persons set forth below are the current members of the executive board.

<u>Name</u>	<u>Age</u>	<u>Member since</u>	<u>Appointed until</u>	<u>Current Responsibility</u>
Rolf Habben Jansen . . . . .	50	April 1, 2014	March 31, 2019	Chief Executive Officer
Anthony James Firmin . . . .	63	July 1, 2014	June 30, 2017	Chief Operating Officer
Nicolás Burr . . . . .	41	March 26, 2015	February 28, 2018	Chief Financial Officer
Thorsten Haeser . . . . .	48	October 1, 2015	September 30, 2018	Chief Commercial Officer

The members of the executive board of the Issuer can be contacted at the Issuer's business address: Ballindamm 25, 20095 Hamburg, Germany.

The following description provides summaries of the *curricula vitae* of the current members of the Issuer's executive board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Issuer.

**Rolf Habben Jansen:** Rolf Habben Jansen was born in Spijkenisse near Rotterdam on August 27, 1966. He graduated in economics from the Erasmus University in Rotterdam in 1991. In the same year, he embarked on his career as a trainee at the former Dutch shipping company Royal Nedlloyd. He held a number of different positions both there and at the Swiss logistics firm Danzas, before the latter merged with DHL, a subsidiary of Deutsche Post AG. From 2001, he was responsible at DHL for contract logistics for large parts of Europe, and from 2006 he was in charge of the services group's 100 most important customers as Head of Global Customer Solutions. As Chief Executive Officer from 2009, he spent five years heading up the global logistics company Damco. Rolf Habben Jansen has been a member of Hapag-Lloyd AG's executive board since April 2014, and took office as Chief Executive Officer on July 1, 2014.

Alongside his office as chairman of the executive board and Chief Executive Officer, Mr. Habben Jansen is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- World Shipping Council (Board Member)
- Stolt-Nielsen Ltd (Board Member)

**Previously:**

- DAMCO NV (Chief Executive Officer)

Other than listed above, Mr. Habben Jansen has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Anthony James Firmin:** Anthony James Firmin was born in England on December 17, 1953. He joined Hapag-Lloyd in 1995 as Finance Director of Hapag-Lloyd America Inc. responsible for the regions USA, Canada and Latin America. Prior to that the business administration graduate had been Head of accounting at Sharp Electronics, Hamburg, and Chief Financial Officer of Johnson & Johnson Professional Products in Hamburg. In 2000, he was appointed managing director of Hapag-Lloyd Container Line GmbH responsible for worldwide business administration. In 2005, he took over responsibility for ship and container management, co-operations and purchasing from Ulrich Kranich. Since June 2009 he is Managing Director of Yield Management & Network. With effect from July 1, 2014, Mr. Firmin has been appointed as member of the executive board as Chief Operating Officer.

Alongside his office as member of the executive board and Chief Operating Officer, Mr. Firmin is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- Frank-Gruppe (Member of the advisory board)
- The Britannia Steam Ship Insurance Association Ltd. (Member of the executive committee)
- HHLA Container Terminals GmbH, HHLA Container Terminal Altenwerder GmbH, Service Center Altenwerder GmbH (Member of the supervisory board)
- Through Transport Mutual Insurance Association Ltd. (Member of the executive committee)

**Previously:**

- None

Other than listed above, Mr. Firmin has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.



**Nicolás Burr** was born in Madrid, Spain on November 9, 1975 and holds Chilean citizenship. He studied Industrial Engineering at Universidad Católica in Santiago de Chile. In 2005 he received an MBA with focus on Finance from MIT Sloan School of Management in Cambridge/MA (USA). He held management positions at a number of companies in Santiago de Chile, Buenos Aires and Wilmington, USA. From 2012 until 2015, he was the Chief Financial Officer of CSAV. In March 2015, Nicolás Burr was appointed member of the executive board of Hapag-Lloyd AG as Chief Financial Officer.

Alongside his office as member of the executive board and Chief Financial Officer, Mr. Burr is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- Hapag-Lloyd Grundstücksholding GmbH (Managing Director)

**Previously:**

- Madeco Mills S.A. (Chief Financial Officer)
- Indalum S.A. (Chief Executive Officer)

Other than listed above, Mr. Burr has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Thorsten Haeser** was born in Germany on May 1, 1968. He studied law at the Universities of Freiburg i.Br., Bonn and Munich, finalizing his training at the Regional Court of Munich (*Landgericht München*) and graduating by passing the “Assessor” examination. Until his appointment as a member of the executive board of Hapag Lloyd AG, Thorsten Haeser was Managing Director of Versatel GmbH, a company owned by United Internet AG. As Chief Commercial Officer he was responsible for all sale activities of Versatel GmbH. Prior to that, he held various management positions at Sixt SE (previously Sixt AG), Telefonica O2 and Wiest AG. Thorsten Haeser joined the executive board of Hapag-Lloyd on October 1, 2015 as Chief Commercial Officer.

Alongside his office as member of the executive board and Chief Commercial Officer, Mr. Haeser is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- Hapag-Lloyd Grundstücksholding GmbH (Managing director)

**Previously:**

- Sixt SE (previously Sixt AG) (Member of the management board)
- Versatel GmbH (Managing director)
- Telefonica O2 (Managing director sales, Member of the board)
- Wiest AG (Member of supervisory board)

Other than listed above, Mr. Haeser has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

*Compensation and Other Benefits of the Executive Board Members*

The compensation of the members of the executive board consists of fixed and variable, performance-based components: (i) annual fixed salary, which amounts to €750,000 for Mr. Habben Jansen as Chief Executive Officer, €441,667 for Mr. Firmin as Chief Operating Officer, €375,000 for Mr. Burr as Chief Financial Officer and €112,500 for Mr. Haeser as Chief Commercial Officer; (ii) an annual bonus, which is linked to achievements in the most recently completed financial year of €976,480 and (iii) a long-term variable component based on virtual shares (“LTIP”), to be granted only if the term of office has lasted at least four years. Under 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 Issuer 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. After four years at the earliest, the executive board member is entitled to the amount equaling the number of virtual shares granted multiplied by the Issuer's share price. The concrete number of virtual shares relevant for the payment is finally determined based on the performance of the Issuer's share price in comparison with the average MDAX share price performance. The number of virtual shares 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. In the event that the service contract with the executive board member expires, is cancelled for reasons of incapacity of the executive board member or retirement, then the waiting period ends with the date of such expiration, cancellation or retirement, *i.e.* prior to the expiration of four years.

Moreover, the members of the executive board are entitled to further benefits such as severance payments in certain events, usage of company cars, lease of apartments, and continued payment of fixed salary in case of sickness, disability or death as well as health benefits.

In the financial year ended December 31, 2015, the total compensation of the members of Hapag-Lloyd's executive board amounted to €5.6 million (2014: €4.9 million).

The members of the executive board active in 2016 received the following compensation payments in the financial year ended December 31, 2015.

<u>Executive Board Member</u>	<u>Fixed compensation</u>	<u>Bonus payment</u>	<u>Fringe benefits</u>	<u>Components with long-term incentive effects ("Virtual Shares")<sup>(5)</sup></u>	<u>Payments for board mandates within the Group</u>	<u>Total</u>
<i>(in €)</i>						
Rolf Habben Jansen <sup>(1)</sup> . . . . .	750,000	381,274	172,041	700,000	—	2,003,315
Anthony James Firmin <sup>(2)</sup> . . . . .	441,667	220,206	21,641	500,000	—	1,183,514
Nicolás Burr <sup>(3)</sup> . . . . .	375,000	300,000	298,711	500,000	—	1,473,711
Thorsten Haeser <sup>(4)</sup> . . . . .	112,500	75,000	37,891	500,000	—	725,391

(1) Mr. Habben Jansen is a member of the executive board since April 1, 2014.

(2) Mr. Firmin is a member of the executive board since July 1, 2014.

(3) Mr. Burr is a member of the executive board since March 26, 2015.

(4) Mr. Haeser is a member of the executive board since October 1, 2015.

(5) In the financial year ended December 31, 2015, the members of the executive board were allocated the following number of virtual shares: Mr. Habben Jansen (35,822), Mr. Firmin (25,588), Mr. Burr (25,588) and Mr. Haeser (25,588). The total value of the allotment is based on a fair value per virtual share on the date of allotment of €19.54, rounded up to the nearest whole number.

Pension provisions recognized for current and former members of the executive board amounted to €13.0 million as of December 31, 2015.

The members of the executive board are also covered by directors and officers insurance ("D&O-Insurance") policies with a limitation of the indemnity of €200 million (per claim and for all claims during the policy period) for all of the Issuer's members of the executive board in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*). The D&O-Insurance policies cover financial losses arising from a breach of duty on part of the members of the executive board in the course of their duties.

#### *Shareholdings of Executive Board Members*

As of the date of this Offering Memorandum, members of the executive board hold the following numbers of shares in the Issuer:

<u>Executive Board Member</u>	<u>Number of Shares</u>
Rolf Habben Jansen . . . . .	11,000
Anthony James Firmin . . . . .	500
Nicolás Burr . . . . .	2,500
Thorsten Haeser . . . . .	5,000

Other than as disclosed above, no other members of the executive board of Hapag-Lloyd AG hold any shares in the Issuer as of the date of this Offering Memorandum.

### **Supervisory Board**

#### *Current Composition of the Supervisory Board*

The current composition of the supervisory board of the Issuer is regulated in its Articles of Association: pursuant to Section 9.1 of the Articles of Association the supervisory board shall consist of twelve members; six are elected by the general meeting (representatives of the shareholders), and six are elected in accordance with the German Act on Company Co-Determination (*Mitbestimmungsgesetz—MitbestG*) (representatives of the employees). Following the UASC Business Combination, we expect that our supervisory board will consist of sixteen members and QH and PIF will be represented by one seat each.

Insofar as the general meeting does not decide on a shorter term of office for prospective members at the time of the election or for all the members of the supervisory board, the members of the supervisory board are elected in accordance with the Articles of Association for the term ending upon conclusion of the general meeting at which the supervisory board is discharged of its duties for the fourth financial year following commencement of the term of office (Section 9.2 Articles of Association). The financial year in which the term of office commences is not counted.

In accordance with the Articles of Association, any member of the supervisory board may resign at any time without providing a reason for doing so. Generally, two weeks' notice must be given, except when resigning due to extraordinary reasons.

According to Article 5.4 of the rules of procedure for the supervisory board, the supervisory board has a quorum when at least half of the members appointed to the supervisory board vote on the resolution. Unless otherwise required by law, resolutions by the supervisory board are adopted by simple majority. Should a vote by the supervisory board result in a tie, a second vote shall take place immediately afterwards. In the event of a second tie, the chairman of the supervisory board shall have the casting vote.

The supervisory board shall normally hold one meeting every quarter and at least one meeting every half year. The supervisory board issues its rules of procedure in accordance with Article 11.1 of the Articles of Association. The supervisory board has issued rules of procedure by resolution passed on January 26, 2015.

#### *Members of the Supervisory Board*

The persons set forth below are the current members of the Issuer's supervisory board:

<u>Name</u>	<u>Age</u>	<u>Member since</u>	<u>Appointed until</u>	<u>Current Responsibility</u>	<u>Principal Activity</u>
Michael Behrendt . . . . .	65	December 3, 2014	2019 <sup>(1)</sup>	Chairman	Former Chairman of the Executive Board Hapag-Lloyd AG
Christine Behle . . . . .	48	August 26, 2016	2021	Deputy Chairwoman	Member of the Federal Executive Board of ver.di Dienstleistungsgewerkschaft
Oscar Eduardo Hasbún Martínez . . . . .	47	December 3, 2014	2019 <sup>(1)</sup>	Second Deputy Chairman	Chief Executive Officer of Compañía Sud Americana de Vapores S.A.
Jutta Diekamp . . . . .	62	October 12, 2004	2021 <sup>(1)(2)</sup>	Member	Deputy Chairwoman of the Marine Staff Committee Hapag-Lloyd AG
Nicola Gehrt . . . . .	46	August 26, 2016	2021	Member	Head of Investor Relations, TUI Group
Karl Gernandt . . . . .	56	March 23, 2009	2021	Member	Chairman of the Board of Directors Kuehne Holding AG

Name	Age	Member since	Appointed until	Current Responsibility	Principal Activity
Dr. Rainer Klemmt-Nissen . . .	62	March 22, 2011	2021 <sup>(1)</sup>	Member	Managing Director of HGV Hamburger Gesellschaft für Vermögens-und Beteiligungsmanagement mbH
Arnold Lipinski . . . . .	59	June 29, 2001	2021 <sup>(1)(2)</sup>	Member	Senior Director, Marine Personnel Hapag-Lloyd AG
Sabine Nieswand . . . . .	52	August 26, 2016 <sup>(2)</sup>	2021 <sup>(2)</sup>	Member	Chairwoman of the Works Council Hapag-Lloyd AG
José Francisco Pérez Mackenna . . . . .	58	December 3, 2014	2019 <sup>(1)</sup>	Member	Managing Director of Quiñenco S.A., Santiago de Chile
Klaus Schroeter . . . . .	57	August 26, 2016	2021 <sup>(2)</sup>	Member	Federal Group Leader Shipping of ver.di Vereinte Dienstleistungsgewerkschaft
Uwe Zimmermann . . . . .	53	August 26, 2016	2021 <sup>(2)</sup>	Member	Commercial Clerk Hapag-Lloyd AG

(1) Ending upon conclusion of the general meeting at which the supervisory board is discharged of its duties for the fourth financial year following commencement of the term of office. The financial year in which the term of office commences is not counted.

(2) Employee representative according to the German Co-determination Act (*Mitbestimmungsgesetz*).

The members of the supervisory board of the Issuer can be contacted at the Issuer’s business address: Ballindamm 25, 20095 Hamburg, Germany.

The following description provides summaries of the *curricula vitae* of the current members of the Issuer’s supervisory board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Issuer.

**Michael Behrendt** was born in Hamburg, Germany on June 19, 1951. He studied law at the University of Hamburg, finalizing his training at the Higher Regional Court of Hamburg (*Hanseatisches Oberlandesgericht*) and graduating by passing the “Assessor” examination. While a student, Mr. Behrendt gained practical experience at various companies in the U.S. He joined VTG Vereinigte Tanklager und Transportmittel GmbH in 1985 and was appointed Managing Director in 1994. Following the merger between VTG and Lehnkering AG, Mr. Behrendt was appointed Management Board Chairman of VTG Lehnkering AG and member of the Executive Board of Hapag-Lloyd AG in 1999. He served as Chairman of the Executive Board of Hapag-Lloyd AG between January 2002 and June 2014. Mr. Behrendt is President of the Übersee-Club in Hamburg and a member of various Supervisory and Advisory Boards. Michael Behrendt replaced Dr.-Ing. E.h. Jürgen Weber as chairman of the supervisory board after the closing of the Business Combination with CSAV/CCS.

Alongside his office as chairman of the supervisory board, Mr. Behrendt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- MAN SE (Member of the supervisory board)
- MAN Diesel & Turbo SE (Member of the supervisory board)
- MAN Truck & Bus AG (Member of the supervisory board)
- Barmenia Allgemeine Versicherungs-AG (Deputy chairman of the supervisory board)
- Barmenia Krankenversicherung a.G. (Deputy chairman of the supervisory board)
- Barmenia Lebensversicherung a.G. (Deputy chairman of the supervisory board)
- Esso Deutschland GmbH (Member of the supervisory board)
- ExxonMobil Central Europe Holding GmbH (Member of the supervisory board)
- RENK Aktiengesellschaft (Member of the supervisory board)

- Hamburgische Staatsoper GmbH (Member of the supervisory board)

**Previously:**

- Hapag-Lloyd AG (Chairman of the executive board)

Other than listed above, Mr. Behrendt has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Christine Behle** was born July 12, 1968 in Wuppertal, and received an education as a “*Stadtinspektorin*” for the city of Wuppertal. Since 1995, she has performed various functions at the ÖTV and ver.di unions, including regional trade union secretary and regional head of division. Since 2011 she has served as a member of the ver.di board.

Alongside her office as deputy chairwoman of the supervisory board, Ms. Behle is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Lufthansa AG
- Bremer Lagerhaus Gesellschaft AG
- Bochum-Gelsenkirchener Straßenbahnen AG
- ver.di Vereinte Dienstleistungsgewerkschaft (Member of the federal executive board)
- Vermögensverwaltungs Gesellschaft ver.di GmbH

Previously:

- Stadtwerke Köln GmbH
- Auto-Club Europa e. V.

Other than listed above, Ms. Behle has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Oscar Eduardo Hasbún Martínez** was born in Santiago de Chile, Chile on February 23, 1969. He graduated in Business Administration from Universidad Católica in Santiago. From 1998 to July 2002 he was a member of the Management Board of Michelin, Chile. In August 2002 he started working for the Luksic Group in several positions. He terminated his commitment with the Luksic Group in December 2014. Since May 2011 he is the CEO of Compañía Sud Americana de Vapores S.A. Since January 2015 he is a member of Hapag-Lloyd’s supervisory board and serves as a member of the Audit Committee. Furthermore, Mr. Hasbún Martínez is a member of the supervisory board of SM-SAAM.

Alongside his office as second deputy chairman of the supervisory board, Mr. Hasbún Martínez is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- Compañía Sud Americana de Vapores S.A. (Chief Executive Officer)
- SM-Sudamericana Agencias Aéreas y Marítimas S.A. (Member of the supervisory board)
- Signus Capital Investment (Chief Executive Officer)
- Inversiones Dalmacia Ltd. (Chief Executive Officer)

**Previously:**

- EXCELSA (Chief Executive Officer)
- Plava Laguna d.d. (Chairman of the Board and Board Member)
- Hotel Croatia d.d. (Chairman of the Board)
- Hotel Odisej d.o.o. (Vice-President of the Board and Board Member)
- Hotel Argentina d.d. (Member of the Board)



- ATLAS Real Estate d.d. (Chief Executive Officer and Board Member)
- SANDYPOINT México (Chairman of the Board)
- Quaestus Real Estate Fund (Member of the Board)

Other than listed above, Mr. Hasbún Martínez has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Jutta Diekamp** was born in Hamburg, Germany, on October 25, 1954 and grew up in California and Hawaii, USA. She trained to be an assistant nurse and commenced her career as a stewardess for the Krupp Reederei in October 1974. In 1979, she joined Hapag-Lloyd to pursue her stewardess career. Since 2002, she has been, among others, member to the worker's union ver.di and Chairwoman of Hapag-Lloyd AG's European Staff Committee (*Europäischer Betriebsrat*). Ms. Diekamp is Deputy Chairwoman of Hapag-Lloyd AG's Marine Staff Committee (*Seebetriebsrat*) and, since 2004, is an employee representative in the supervisory board of Hapag-Lloyd AG.

Ms. Diekamp has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Nicola Gehrt** was born on July 21, 1970 in Elmshorn, Germany. She graduated from the University of Applied Sciences in Munich with a degree in economics in 1995. She has held different management positions in corporate finance and investor relations. From 1998 to 2000, she worked for PricewaterhouseCoopers as a consultant in Munich. She then served as head of investor relations at CPU Softwarehouse AG in Augsburg from 2000-2001 and at IVU Technologies AG in Berlin in the same position from 2001 to 2002. She joined the investor relations department of TUI Group in 2003 where she is currently serving as the head of investor relations Continental Europe, Middle East and Asia.

Alongside her office as member of the supervisory board, Ms. Gehrt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- TUI Deutschland GmbH (Member of the Supervisory Board)

**Previously:**

- None

Other than listed above, Ms. Gehrt has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Karl Gernandt** was born in Bonn, Germany on July 21, 1960. After his training as a bank clerk at Deutsche Bank AG and completing his masters' degree in business administration at Hochschule St. Gallen, Switzerland, he started his career at Deutsche Bank where he held several positions between 1988 and 1996. From 1997 until 1999, he was part of the "Financial Institution Group" at A.T. Kearney GmbH, specializing in strategic planning. In 1999 and 2000, Karl Gernandt was appointed chief financial officer and chief executive officer, respectively, of Holcim Deutschland AG; in 2000, he was appointed to the European board of Holcim Ltd. and in 2007, he was appointed CEO of Holcim Region Western Europe. On October 1, 2008, Klaus-Michael Kühne, majority shareholder of Kuehne+Nagel-Group and president of the administrative board of Kuehne+Nagel International AG, appointed Karl Gernandt as his successor for important functions in his fields of interest. Karl Gernandt currently is the executive chairman of the administrative board of Kuehne Holding AG and vice chairman of Kuehne+Nagel International AG as well as the Kühne Foundation. In addition, he functions as a member of the management board of the Klaus-Michael Kühne Foundation and as member of the supervisory board of KLU Kühne Logistics University, Hamburg, Germany.

Alongside his office as member of the supervisory board, Mr. Gernandt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- Kühne Holding AG (Executive Chairman)

- KLU, Kühne Logistics University (Chairman of the Supervisory Board)
- Kühne Maritime GmbH (Managing Director)
- Kühne Immobilien GmbH (Managing Director)
- Kühne + Nagel AG, Luxembourg (Chairman of the Board)
- Kühne Stiftung (Member of the Foundation Board)
- Klaus-Michael Kühne Foundation (Member of the Board)
- HSV Fußball AG (Chairman of the Supervisory Board)
- Kühne Real Estate AG, Switzerland (Chairman of the Board)
- Kühne Real Estate Australia Pty Ltd. (Chief Executive Officer)
- Kühne Real Estate Canada Ltd. (Chief Executive Officer)
- VTG AG (Member of the Supervisory Board starting January 1, 2017)

Previously:

- Kühne + Nagel International AG (Executive Chairman)

Other than listed above, Mr. Gernandt has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Dr. Rainer Klemmt-Nissen** was born in Hamburg, Germany on March 16, 1954. After studying law and politics in Tübingen and Oxford, he completed his legal traineeship (*Referendariat*). In 1984, Dr. Rainer Klemmt-Nissen entered the public services of the Free and Hanseatic City of Hamburg and took over several positions in the Economic and Finance departments. He subsequently headed the Wealth and Investment Management Department of the fiscal authority. He was appointed as managing director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH in 2010.

Alongside his office as member of the supervisory board, Dr. Klement-Nissen is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- Hamburg Messe und Congress GmbH (Member of the supervisory board)
- Hamburger Hochbahn AG (Member of the supervisory board)
- HSH Nordbank AG (Member of the supervisory board)
- HSH Finanzfonds AG (Member of the board of the institutional authorities (*Anstaltsträgerversammlung*))
- Vattenfall Wärme Hamburg GmbH (Member of the supervisory board)

**Previously:**

- Flughafen Hamburg GmbH (Member of the supervisory board)
- Sprinkenhof AG (Member of the supervisory board)
- Hamburg Port Authority Anstalt des öffentlichen Rechts (Member of the supervisory board)
- Hamburger Hafen und Logistik AG (Member of the supervisory board)
- HHLA Container Terminals GmbH (Member of the supervisory board)

Other than listed above, Dr. Klemmt-Nissen has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Arnold Lipinski** was born in Stuhm, Germany, on July 20, 1957. Following his training (*Ausbildung*) as a deckhand at Hapag-Lloyd in 1976, he received his Navigator's Diploma in 1985.

Additionally, he completed his ship operation engineering marine engineering studies in 1991. Mr. Lipinski functioned as an officer and, later on, captain for Hapag-Lloyd's fleet until 2001. As of 2001, he is Hapag-Lloyd AG's Senior Director for Marine Personnel.

Other than listed above, Mr. Lipinski has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Sabine Nieswand** was born on June 25, 1964 in Bremen, Germany. After her apprenticeship as a legal assistant, she held several positions as a controller and accountant at Kühne + Nagel, Senator Lines, and DAL (*Deutsche Afrika Linie*). Since 2006, Ms. Nieswand is employed by Hapag-Lloyd as a controller. Since 2014, she is chairwoman of the works council in Hamburg.

Ms. Nieswand has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**José Francisco Pérez Mackenna** was born in Chile on March 16, 1958. He graduated in Business Administration from Universidad Católica in Santiago de Chile and holds an MBA degree from the University of Chicago. Since 1998 José Francisco Pérez MacKenna is Chief Executive Officer of Quiñenco S.A., Santiago de Chile, a shareholder of Compañía Sud Americana de Vapores S.A. Prior to joining Quiñenco S.A., between 1991 and 1998, he was Chief Executive Officer of CCU. Since December 2014 José Francisco Pérez MacKenna is member of the supervisory board of Hapag-Lloyd AG.

Alongside his office as member of the supervisory board, Mr. Pérez Mackenna is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

**Currently:**

- Agrícola Manantiales Limitada (Partner)
- Banchile Corredores de Seguros Limitada (Member of the management body)
- Banco de Chile (Member of the board of directors)
- Compañía Cervecerías Unidas Argentina S.A. (Member of the board of directors)
- Central Cervecera de Colombia S.A.S. (Alternate member of the board of directors)
- Cervecera CCU Chile LTDA. (Member of the management body)
- Compañía Industrial Cervecera S.A. (Member of the board of directors)
- Compañía Pisquera de Chile S.A. (Member of the board of directors)
- Compañía Sud Americana de Vapores S.A. (Chairman of the board of directors)
- Embotelladoras Chilenas Unidas S.A. (Member of the board of directors)
- Empresa Nacional de Energía Enx e Invesans (Chairman of the board of directors)
- Excelsa Establishment (Member of the board of directors)
- Hidrosur S.A. (Chairman of the board of directors)
- Invaxans S.A. (Chairman of the board of directors)
- Inversiones IRSA Limitada (Member of the management body)
- Inversiones y Rentas S.A. (Member of the board of directors)
- LQ Inversiones Financieras (Member of the management body)
- Inversiones LQ-SM Limitada (Member of the management body)
- Nexans S.A. (Member of the board of directors)
- Quiñenco S.A. (Managing Director)
- Sociedad Administradora de la Obligacion Subordinada SAOS S.A. (Member of the board of directors)
- Inversiones y Asesorías Manantiales S.A. (Shareholder)

- Sociedad Matriz del Banco de Chile S.A. (Member of the board of directors)
- Sudamericana Agencias Aéreas y Marítimas S.A (SAAM) (Board member, member of the Audit Committee)
- TechPack S.A. (Vice chairman of the board of directors, member of the audit committee)
- Viña San Pedro Tarapacá S.A. (Member of the board of directors)

**Previously:**

- Compañía Cervecerías Unidas (Chief Executive Officer)

Other than listed above, Mr. Pérez Mackenna has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Klaus Schroeter** was born in Hannover, Germany in 1959. He graduated with a degree in the social sciences before joining Germany’s Food, Beverages and Catering Union (“**NGG**”) in 1987. During his time with NGG, Mr. Schroeter served as executive secretary, national union officer and head of collective bargaining for the hotel and catering industry, as well as assistant to the union chairman.

In 2014, Mr. Schroeter joined German labor union ver.di where, beginning in 2017, he will coordinate collective bargaining on behalf of the union’s transport division. In addition, Mr. Schroeter was made head of the seafarers’ section of the International Transport Workers’ Federation flags of convenience campaign.

Other than listed above, Mr. Schroeter has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Uwe Zimmermann** joined Hapag-Lloyd in 1998 as manager of finance of Hapag-Lloyd Germany in Düsseldorf. Previously, Uwe Zimmermann worked as team leader in finance/accounting/controlling for LTK Travel in Düsseldorf, as commercial clerk in finance at Travel Agency Accounting in Bonn, and as an accountant at Lufthansa City Center finance department in Essen.

Mr. Zimmermann has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

**Supervisory Board Committees**

The Articles of Association stipulate that the supervisory board must form a mediation committee (*Vermittlungsausschuss*) pursuant to section 27(3) German Codetermination Act (*Mitbestimmungsgesetz*). The supervisory board may also form further committees comprising its members and set down its duties and powers. The supervisory board has established the committees provided for by its rules of procedure. In addition, the rules of procedure (*Geschäftsordnung*) of the supervisory board provide for three further committees to be formed of its members: the presidential and personnel committee (*Präsidential- und Personalausschuss*), the audit and finance committee (*Prüfungs- und Finanzausschuss*) and the nomination committee (*Nominierungsausschuss*).

*Mediation Committee*

The purpose of the mediation committee is to make proposals if, when an appointment to the executive board is made or revoked, a majority of at least two-thirds of the votes of the supervisory board is not reached. The mediation committee consists of the chairman of the supervisory board, the deputy chairman, one representative of the shareholders and one representative of the employees, each of them elected with the majority cast by the votes of the supervisory board members.

The current members of the mediation committee are:

Name	Position
Michael Behrendt	Chairman
Christine Behle	Member
Jutta Diekamp	Member
Francisco Pérez Mackenna	Member

### *Presidential and Personnel Committee*

Pursuant to Article 8.3 of the rules of procedure of the supervisory board, the presidential and personnel committee is responsible for the coordination of the activities of the supervisory board and the supervisory board committees and permanent contact with the executive board. It prepares the supervisory board's meetings and supervises the application of the supervisory board's resolutions.

The committee is responsible for the standing contact with the executive board as well as the ongoing advice of the executive board between the meetings of the supervisory board. The presidential and personnel committee selects prospective members of the executive board and prepares the appointment and dismissal of the members of the executive board.

The presidential and personnel committee, *inter alia*, decides on legal transactions with members of the executive board and the supervisory board (Article 10 of the rules of procedure of the supervisory board). In the case of urgent matters and if a decision of the supervisory board cannot be obtained on time, the executive and personnel committee may take resolutions instead of the supervisory board if necessary to avert material damage to the Issuer.

The presidential and personnel committee consists of the members of the mediation committee as well as one additional representative of the shareholders and one additional representative of the employees.

The current members of the presidential and personnel committee are:

<u>Name</u>	<u>Position</u>
Michael Behrendt . . . . .	Chairman
Christine Behle . . . . .	Member
Sabine Nieswand . . . . .	Member
Jutta Diekamp . . . . .	Member
Karl Gernandt . . . . .	Member
Dr. Rainer Klemmt-Nissen . . . . .	Member
Arnold Lipinski . . . . .	Member
Francisco Pérez Mackenna . . . . .	Member

### *Audit and Finance Committee*

The audit and finance committee is responsible for the preparation of advice and resolution of accounting matters (Article 9 of the rules of procedure of the supervisory board). This includes questions relating to accounting and risk management and the requisite independence of the external auditor and commissioning an external auditor to audit the annual financial statements of the Issuer. The audit and finance committee shall consist of six members, three of which are representatives of the shareholders and three of which are representatives of the employees. At least one member of the audit and finance committee shall be an independent member having expertise knowledge in the fields of accounting and annual auditing within the meaning of Section 107(4) German Stock Corporation Act (*Aktiengesetz*).

The current members of the audit and finance committee are:

<u>Name</u>	<u>Position</u>
Karl Gernandt . . . . .	Chairman
Dr. Rainer Klemmt-Nissen . . . . .	Member
Klaus Schroeter . . . . .	Member
Uwe Zimmermann . . . . .	Member
Oscar Hasbún Martínez . . . . .	Member
Arnold Lipinski . . . . .	Member

### *Nomination Committee*

The nomination committee is responsible for proposing to the supervisory board suitable candidates for recommendation to the shareholders' meeting for election (Article 10.1 of the rules of procedure of the supervisory board). The nomination committee consists of the representatives of the shareholders in the executive and personnel committee and the chairman of the audit and finance committee provided that this person is a representative of the shareholders; if this is not the case the longest serving representative of the shareholders is a member of the audit and finance committee.



The current members of the nomination committee are:

<u>Name</u>	<u>Position</u>
Michael Behrendt . . . . .	Chairman
Karl Gernandt . . . . .	Member
Dr. Rainer Klemmt-Nissen . . . . .	Member
Francisco Pérez Mackenna . . . . .	Member

*Compensation of the Members of the Supervisory Board*

Each ordinary member of the supervisory board receives a fixed remuneration in the amount of €50,000.00 for every full business year of its membership in the supervisory board (Art. 12.1 of the Articles of Association). The chairman of the supervisory board receives a fixed annual remuneration of €100,000.00. The deputy chairman of the supervisory board receives a fixed annual remuneration in the amount of €75,000.00. Members of supervisory board committee receive an additional remuneration of €10,000.00 (except for the membership in the mediation committee and the nomination committee), the chairman of a supervisory board committee receives an additional payment of €20,000.00 (except for the chairmen of the mediation committee and the nomination committee).

Additional remuneration for chairmen and members of the committees within the supervisory board is as follows:

	<u>Chairman</u>	<u>Members (including deputy chairman)</u>
	<i>(in €)</i>	
Mediation Committee . . . . .	0	0
Presidential and Personnel Committee . . . . .	20,000	10,000
Audit and Finance Committee . . . . .	20,000	10,000
Nomination Committee . . . . .	0	0

Additionally, the members of the supervisory board receive attendance fees and reimbursement of expenses. If a supervisory board member only serves for a part of the year as member of the supervisory board or in a certain function, the compensation is granted *pro rata temporis*.

The aggregate compensation paid to the members of the Issuer’s supervisory board amounted to €1.2 million in the financial year 2015 (2014: €1.2 million). No pensions are granted to members of the supervisory board in such function; thus, no provisions for pensions for members of the supervisory board are recognized. The members of the supervisory board are not entitled to any severance payments or other benefits at the end of their business relationship with the Company.

*Shareholdings of Supervisory Board Members*

As of the date of this Offering Memorandum, members of the supervisory board hold the following numbers of shares in the Issuer:

<u>Supervisory Board Member</u>	<u>Number of Shares</u>
Arnold Lipinski . . . . .	750
Sabine Nieswand . . . . .	10

Other than as disclosed above, no other members of the supervisory board of Hapag-Lloyd AG hold any shares in the Issuer as of the date of this Offering Memorandum.

**Certain Information Regarding the Members of the Executive Board and Supervisory Board**

During the last five years, no member of the executive board or supervisory board of Hapag-Lloyd AG has been convicted of any fraudulent offense. In addition, no member of either board has been publicly incriminated or sanctioned by statutory or regulatory authorities (including professional associations) or, acting in the capacity of a member of a management or supervisory entity or as founder of an issuer, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No member of the executive board or supervisory board has ever been deemed by a court to be unfit for membership in a management or supervisory entity of a company or to be unfit to exercise management duties for or manage the business of an issuer during the past five years.

There are no conflicts of interest or potential conflicts of interest between the duties of members of the executive board and duties of members of the supervisory board of the Issuer *vis-à-vis* the Issuer

and their private interests or other duties other than by virtue of Mr. Karl Gernandt, Dr. Rainer Klemmt-Nissen and Nicola Gehrt being employed by one of the Issuer's direct shareholders.

No member of the executive board or the supervisory board has entered into a service agreement with a company of Hapag-Lloyd that provides for special benefits, such as severance pay, at the end of the business relationship (other than pensions or compensation in the case of an early termination of the service agreement, which is determined on the basis of the remaining term of the agreement and the contractually agreed compensation). The members of the executive board are not bound by restrictive covenants and may therefore engage in competing activities following the end of their office.

There are no family relationships between the members of the executive board and those of the supervisory board, either among themselves or in relation to the members of the other body.

### **General Meeting**

Pursuant to Section 175 of the German Stock Corporation Act (*Aktiengesetz*), the annual general shareholders' meeting takes place within the first eight months of each financial year and, pursuant to the Articles of Association, has to be held at the Issuer's registered office or in another German city with more than 100,000 residents. Pursuant to the Articles of Association, the annual general shareholders' meeting must be called at least 30 days before the day of the meeting and the agenda must be published in the Federal Gazette (*Bundesanzeiger*). The general meeting is generally convened by the executive board. The supervisory board may call a general meeting if the wellbeing of the company so requires. Shareholders whose holdings together constitute at least 5% of the share capital may also call a general meeting.

Shareholders are entitled to participate in the general meeting and to exercise their voting rights if they are entered in the Issuer's share register and have given notification of attendance which must be received at least six days prior to the meeting.

Voting rights may be exercised by proxies. If neither a bank nor a shareholders' association is named as proxy, authority to attend and vote by proxy must be granted (i) in textual form (*Textform*) in accordance with Section 126b of the German Civil Code or via the internet or (ii) directly to the proxy in textual form (*Textform*) in accordance with Section 126b of the German Civil Code. If a proxy is instructed directly, the proxy will be required to produce documentation of its authority at the general meeting.

Each share entitles the shareholder who holds it to one vote at the general meeting. The general meeting adopts resolutions concerning, for example:

- appointment of members of the supervisory board;
- use of annual profit;
- relieving members of the executive board and the supervisory board;
- appointment of the auditor;
- capital procurement and reduction measures; and
- amendments to the Articles of Association.

Resolutions at the general meeting shall be passed by a simple majority of the votes cast, unless statutory law or the Issuer's Articles of Association stipulate otherwise. Under German company law, resolutions of fundamental importance require the approval of at least three quarters of the share capital represented at the vote. Resolutions of fundamental importance (*grundlegende Bedeutung*) include those relating to:

- changes in the corporate purpose;
- capital increases;
- amendments to the Articles of Association;
- reductions in capital;
- creation of authorized or conditional capital;
- transformations pursuant to the German Transformation Act (*Umwandlungsgesetz*), including mergers, divisions, transfer of assets (*Vermögensübertragung*) and changes in the legal form;

- sale of all or substantially all of the Issuer’s assets pursuant to Section 179a of the German Stock Corporation Act;
- conclusion of enterprise agreements (*Unternehmensverträge*), such as domination and profit and loss transfer agreements; and
- the dissolution of the Issuer.

Under Section 17.2 of the Issuer’s Articles of Association, resolutions on amendments to the Issuer’s Articles of Association require a majority of at least three fourths of the nominal capital represented when the resolution is adopted, provided that no mandatory statutory provisions prescribe a larger majority or in so far as the Issuer’s Articles of Association prescribe no other form of majority. Under Section 17.3 of the Articles of Association the amendment of certain provisions of the Articles of Association stipulating the Issuer’s legal seat, place of effective management (*Verwaltungssitz*), management (*Unternehmensleitung*), staff functions (*Stabsfunktionen*) and its essential business operations (*wesentlicher Geschäftsbetrieb*) requires a majority of at least 90% of the share capital represented at the general meeting at which the resolution is adopted. The same majority requirement applies to an amendment of Section 17.3 of the Articles of Association itself.

- Under section 17.4 of the Articles of Association the following resolutions require a majority of at least 75% of the share capital represented at the general meeting at which the resolution is adopted:
- transformations pursuant to Section 190 et seq. German Transformation Act (*Umwandlungsgesetz*);
- split-ups (*Aufspaltungen*) pursuant to Section 123 (1), 124 et. seq. of the German Transformation Act (*Umwandlungsgesetz*) or split-offs (*Abspaltungen*) pursuant to Section 123 (2), 124 et seq. German Transformation Act (*Umwandlungsgesetz*) in each case if the container shipping business is affected in part or total by the transformation;
- the obligation of the company to transfer substantially all of its corporate assets; and
- the conclusion of enterprise agreements (*Unternehmensverträge*) between the Issuer and one of its shareholders.

The same majority requirement applies for an amendment of Section 17.4 of the Articles of Association itself.

Neither German law nor the Articles of Association restrict the right of shareholders who are resident outside of Germany or possess foreign nationality to hold shares in the Issuer or exercise the voting rights the shares confer.

### **Corporate Governance**

The German Corporate Governance Code as amended on May 5, 2015 (entered into force upon publication in the Official Gazette on June 12, 2015; hereinafter referred to as the “**Code**”) provides recommendations (“should provisions”) and suggestions (“can provisions”) for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to make the German system of corporate governance and supervision transparent for investors. The Code includes recommendations and suggestions for management and supervision with regard to shareholders and shareholders’ meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, the German Stock Corporation Act (*Aktiengesetz*) only requires that the executive board and supervisory board of a German listed company to declare every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the executive board and the supervisory board do not/will not apply the recommendations that have not been or will not be applied. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed. The declaration of compliance must, however, be publicly available on the Issuer’s website at all times.

As of the date of this Offering Memorandum, the Issuer complies with, and after the listing of the Issuer's shares, intends to further comply with all recommendations in the Code apart from the following: No. 5.3.2 sentence 3 German Corporate Governance Code provides, *inter alia*, the recommendation that the chairman of the Audit Committee shall be independent. Currently, Mr. Karl Gernandt is the chairman of the Audit Committee and shall continue to be its chairman after envisaged listing. Mr. Gernandt is at the same time Managing Director of a main shareholder of Hapag-Lloyd. Therefore, within the meaning of no. 5.3.2 sentence 3 German Corporate Governance Code, Mr. Gernandt lacks the required independence.

## PRINCIPAL SHAREHOLDERS

### Shareholder Structure

The Issuer's share capital as of the date of this Offering Memorandum amounts to €118,110,917.00 divided into 118,110,917 ordinary registered shares with no par value (*Stückaktien*). Our largest shareholders as of the date of this Offering Memorandum, directly or indirectly, are CSAV (31.4%), HGV (20.6%), Kühne (20.2%) and TUI AG (12.3%).

Following the closing of the UASC Business Combination and the Capital Increase I, our shareholder structure will change. The following table provides an overview of the current shareholder structure as well as the planned changes following the UASC Business Combination and the Capital Increase I:

Name	Shareholder structure as of September 30, 2016		Post-UASC Business Combination and Capital Increase I shareholder structure	
	shares	percentage	shares	percentage
CSAV Germany Container Holding GmbH ("CG Hold Co") <sup>(1)</sup>	37,032,743	31.4%	37,032,743	22.6%
HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH ("HGV") <sup>(1)</sup>	24,363,475	20.6%	24,363,475	14.9%
Kühne Maritime GmbH and Kühne Holding AG ("Kühne") <sup>(1)</sup>	23,878,073	20.2%	23,878,073	14.6%
Qatar Holding LLC ("QH")	—	—	23,549,553	14.4%
The Public Investment Fund of the Kingdom of Saudi Arabia ("PIF")	—	—	16,561,123	10.1%
TUI-Hapag Beteiligungs GmbH	14,534,732	12.3%	14,534,732	8.9%
Freefloat	18,301,894	15.5%	24,123,241	14.7%
<b>Total</b>	<b>118,110,917</b>	<b>100%</b>	<b>164,042,940</b>	<b>100%</b>

(1) Pursuant to a shareholders' agreement, CG Hold Co, HGV and Kühne Maritime GmbH ("Kühne Maritime") have pooled voting rights in the Hamburg Container Lines Holding GmbH & Co KG. CG Hold Co, HGV and Kühne Maritime together hold 71.6% of the Issuer's shares as of the date of this Offering Memorandum (and prior to Capital Increase I) (see "Shareholders' Agreement").

The following is a brief description of each of our current and future main beneficial shareholders:

CSAV is a leading South American shipping line, operating car carrier, reefer and bulk services and is headquartered in Valparaíso, Chile.

HGV is the investment holding company of the City of Hamburg with a total asset value of approximately €12.1 billion in 2015. HGV owns controlling stakes in numerous regional utility, infrastructure, transportation and real estate companies.

Kühne Maritime is an investment vehicle of Klaus Michael Kühne, the majority shareholder of Kuehne+Nagel, a leading worldwide logistics provider. In 2015, Kuehne+Nagel had total turnover of approximately CHF 20.2 billion.

QH is a private equity firm specializing in strategic and direct investments in strategic private and public equity. It is a 100% subsidiary of Qatar's sovereign wealth fund, Qatar Investment Authority ("QIA").

PIF is a sovereign wealth fund owned by Saudi Arabia, founded for the purpose of investing funds on behalf of the Government of the Saudi Arabia.

TUI is Europe's leading travel group and is active in tour operating, airline, hotel and cruise activities. TUI generated revenues of approximately €20 billion and EBITDA of €1,069.0 million for the financial year ended September 30, 2015.

The major shareholders do not have different voting rights.

Pursuant to a shareholders' agreement among CG Hold Co, HGV and Kühne Maritime (as amended and acceded to by CSAV and Tollo on November 17, 2014 and further amended from time to time, the "Shareholders' Agreement"), CG Hold Co, HGV and Kühne Maritime have pooled voting rights in the Hamburg Container Lines Holding GmbH & Co KG (the "Consortium Company"). CG Hold Co, HGV and Kühne Maritime together hold 71.6% of the Issuer's shares as of the date of this Offering Memorandum (and prior to Capital Increase I). The following table sets forth certain information concerning the limited partners of the Consortium Company as of September 30, 2016.



<u>Shareholder</u>	<u>Aggregate amount of shares held at nominal value (€ millions)(*)</u>	<u>Total percentage of interests in capital (%)</u> (*)
CG Hold Co .....	37.032,743	31.35
HGV .....	24.363,475	20.63
Kühne Maritime .....	23.128,073	19.58

(\*) Contribution to capital and total percentage of interests in capital refer to the Issuer.

### ***Shareholders' Agreement***

On April 16, 2014, CG Hold Co, HGV and Kühne Maritime entered into a shareholders' agreement (as amended and acceded to by CSAV and Tollo Shipping Co. S.A. ("**Tollo**") on November 17, 2014 and further amended from time to time the "**Shareholders' Agreement**"), according to which the parties have agreed to pool voting rights through a consortium company, Hamburg Container Lines Holding GmbH & Co. KG (the "**Consortium Company**"). CG Hold Co holds a 50% interest and 50% of the voting rights in the Consortium Company while HGV and Kühne Maritime each hold a 25% interest and 25% of the voting rights. In the Shareholders' Agreement, among other provisions, each of CG Hold Co, HGV and Kühne Maritime have committed themselves to pool their voting rights on all decisions related to Hapag-Lloyd's business for a term of ten years. In order to pool their votes, the parties have each granted a voting proxy to the Consortium Company relating to a certain number of their shares in Hapag-Lloyd, currently representing approximately 45.3% of the shares issued by Hapag-Lloyd. CG Hold Co, HGV and Kühne Maritime have agreed to vote the shares that are not subject to the voting proxies, which currently represent approximately 26.3% of the issued shares in Hapag-Lloyd, in the same manner as the shares subject to the voting proxies.

CG Hold Co, HGV and Kühne Maritime's respective shares are subject to transfer restrictions with regard to the shares that are subject to the voting proxies. In relation to their residual shares, the parties have no transfer restrictions. After five years, HGV is also entitled to request the release of 50% of its shares in Hapag-Lloyd that are subject to the voting proxy for purposes of a sale.

It is the Shareholders' Agreement parties' aim that the voting rights shall be exercised uniformly in the general meeting of the Issuer at all times. In order to agree on a uniform voting in the general meeting, prior to the general meeting the parties shall adopt a resolution of the Consortium Company of how the pooled votes shall be cast in such general meeting. It shall be the parties' aim to resolve unanimously on the parties' position regarding all agenda items. If the parties cannot adopt an unanimous resolution for any agenda item, they shall refer such issue to the competent decision making bodies of the ultimate shareholders of the Shareholders' Agreement parties to resolve upon such issue prior to the respective general meeting of the Issuer.

If the ultimate shareholders of the parties cannot adopt a unanimous decision, the Consortium Company shall cast the votes represented by it (i) against the measure with regard to resolutions requiring a majority of at least 75% of the votes cast or the registered share capital present at the time of the adoption of the resolution pursuant to mandatory law or the Articles of Association of the Issuer, or (ii) according to instructions by each party regarding its respective shares with regard to resolutions requiring a simple majority of the votes cast pursuant to mandatory law or the Articles of Association of the Issuer.

Through the coordination of their voting rights, the shareholders will be in a position to exert substantial influence on the general shareholders' meeting and, consequently, on matters decided by the general shareholders' meeting, including the distribution of dividends, any proposed capital increase or the appointment of the supervisory board.

With respect to the dividend distributions, the parties of the Shareholders' Agreement have agreed to undertake to vote in favor of the distribution of the total balance sheet profit (*Bilanzgewinn*) of Hapag-Lloyd to the extent that such balance sheet profit is not required (i) to comply with equity or liquidity covenants under existing financing agreements of the Issuer with third parties or (ii) in order to realize the investment requirements of the Issuer. For further information on our dividend policy please see "Dividend Policy".

With respect to the composition of the supervisory board, it has been agreed in the Shareholders' Agreement that CG Hold Co shall nominate two members and HGV as well as Kühne Maritime shall

nominate one member each; CG Hold Co, HGV and Kühne Maritime shall jointly nominate one further member, such member being the designated chairman of the supervisory board.

One shareholder representative shall be elected by the general meeting without individual or joint nomination rights of the parties of the Shareholders' Agreement.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

*In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Issuer or that are in control of or controlled by the Issuer must be disclosed unless they are already included as consolidated companies in the Issuer's audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Issuer or, by virtue of an agreement, has the power to control the financial and operating policies of the Issuer's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Issuer's financial and operating policies, including close family members and intermediate entities. This includes the members of the executive board and supervisory board and close members of their families, as well as those entities over which the members of the executive board and supervisory board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.*

*Set forth below is a summary of such transactions with related parties for the financial years ended December 31, 2015, 2014 and 2013 up to and including the date of this Offering Memorandum. Further information, including quantitative amounts, of related party transactions are contained in the notes to the Issuer's audited consolidated financial statements as of and for the fiscal years ended December 31, 2015, 2014 and 2013, which are all included in "Index to Financial Information" of this Offering Memorandum on pages F-80, F153, F-218 et seq. Business relationships between companies of Hapag-Lloyd, which are consolidated in the consolidated financial statements, are not included. Those companies which are directly or indirectly controlled by the Issuer are listed under Section F-82, F-155, F-220 et seq. of the notes to the Issuer's audited consolidated financial statements as of and for the financial years ended December 31, 2015, 2014 and 2013.*

As part of its business, Hapag-Lloyd has entered into several transactions with related parties, including the Issuer's principal shareholders. All such transactions are on arm's length terms.

The following is a summary of the most significant transactions of Hapag-Lloyd with related parties for the financial years ended December 31, 2015, 2014 and 2013.

With regard to HGV and its shareholder, the Free and Hanseatic City of Hamburg, as well as its Group companies, the Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. There are loan relationships collateralized at standard market conditions with HSH Nordbank AG, a subsidiary of the Free and Hanseatic City of Hamburg.

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

	Delivered goods and services and other income as of and for the year ended December 31,			Goods and services received and other expenses as of and for the year ended December 31,		
	2013	2014	2015	2013	2014	2015
	<i>(in € million)</i>					
Shareholders .....	282.5	279.1	362.2	42.8	40.7	82.8
Associated companies .....	0.2	0.2	0.6	109.6	57.7	68.8
Other investments .....	5.2	5.5	8.8	1.3	2.2	2.3
<b>Total .....</b>	<b>287.9</b>	<b>284.8</b>	<b>371.6</b>	<b>153.7</b>	<b>100.6</b>	<b>153.9</b>
	Receivables			Liabilities		
	As of December 31,			As of December 31,		
	2013	2014	2015	2013	2014	2015
	<i>(in € million)</i>					
Shareholders .....	118.7	179.8	122.9	235.8	241.9	286.1
Affiliated non-consolidated .....	—	—	—	0.2	0.2	0.2
Associated companies .....	0.7	1.5	3.7	13.0	5.1	5.2
Other investments .....	1.0	1.1	1.7	0.3	0.3	0.4
<b>Total .....</b>	<b>120.4</b>	<b>182.4</b>	<b>128.3</b>	<b>249.3</b>	<b>247.5</b>	<b>291.9</b>

The amounts arising from transactions with related parties contained in the above table result from services rendered (2015: €369.9 million; 2014: €284.0 million; 2013: €287.5 million), interest income (2015: €0.1 million ; 2014: €0.4 million; 2013: €0.2 million) and other services (2015: €1.6 million; 2014: €0.4 million; 2013: €0.2 million).

Of the expenses shown above, €127.5 million result from operating services (2014: €80.6 million; 2013: €135.0 million), €13.3 million relate to interest expenses (2014: €16.8 million; 2013: €18.6 million), and €13.1 million are from other services (2014: €3.2 million; 2013: €0.1 million).

Except as mentioned above and for transactions in the ordinary course of business, there have been no material transactions with related parties since December 31, 2015.

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the active members of the executive board and supervisory board of Hapag-Lloyd. For further information on the remuneration of the members of the executive board and supervisory board see “Management—Hapag-Lloyd Aktiengesellschaft—Executive board”, “Management—Hapag-Lloyd Aktiengesellschaft—Supervisory Board”, as well as the notes to the Issuer’s audited consolidated financial statements as of and for the fiscal years ended December 31, 2015, 2014 and 2013, which are all included in the Section “*Financial Information*” of this Offering Memorandum on page F-1 et seq.

Members of our management, our supervisory board and certain of our shareholders may place orders for and purchase Notes.

On April 16, 2014, Hapag-Lloyd AG, Compañía Sud Americana de Vapores S.A. (“**CSAV**”), HGV, Kühne Maritime GmbH (“**Kühne Maritime**”) and CSAV Germany Container Holding GmbH (“**CG Hold Co**”) entered into a business combination agreement (as amended and acceded by Tollo Shipping Co. S.A. (“**Tollo**”) on November 17, 2014 and further amended from time to time, the “**CCS Activities BCA**”).

On July 15, 2016, Hapag-Lloyd AG and UASC (S.A.G.) entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”). Under the terms of the UASC BCA and the shareholder support agreement among Hapag-Lloyd AG, UASC (S.A.G.), CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne Maritime**”) (together, the “**HL BCA Controlling Shareholders**”), along with Qatar Holding LLC (“**QH**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”) (the “**SSA**”), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. The HL BCA Controlling Shareholders will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital to be created at either an extraordinary general meeting of Hapag-Lloyd AG to be held shortly after closing of the UASC Business Combination or at Hapag-Lloyd AG’s regular annual general meeting to be held in 2017.

## DESCRIPTION OF CERTAIN HAPAG-LLOYD FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which we and certain of our subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, see “Use of Proceeds”, “Capitalization”, and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”.

### Overview of our Financing Arrangements

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
1. Hapag-Lloyd AG	On October 8, 2010, Hapag-Lloyd AG issued US\$250 million aggregate principal amount of its 9.75% Senior Notes due 2017 under an indenture dated October 8, 2010 among Hapag-Lloyd AG, Deutsche Trustee Company Limited, Deutsche Bank Trust Company Americas, Deutsche Bank Luxembourg S.A. and Deutsche Bank AG, London Branch.	Bond financings for general corporate purposes.	—	9.75% in relation to the notes issued in 2010.	US\$250,000,000 in relation to the notes issued in 2010.	US\$125,000,000 in relation to the notes issued in 2010.
	On September 27, 2013, Hapag-Lloyd AG issued €250 million aggregate principal amount of its 7.75% Senior Notes due 2018 under an indenture dated September 27, 2013 among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited. On October 23, 2013, Hapag-Lloyd AG issued an additional €150 million aggregate principal amount of its 7.75% Senior Notes due 2018 under the 2013 Notes Indenture.			7.75% in relation to the notes issued in 2013.	€400,000,000 in relation to the notes issued in 2013.	€400,000,000 in relation to the notes issued in 2013.
	On December 4, 2014, Hapag-Lloyd AG issued €250 million aggregate principal amount of its 7.50% Senior Notes due 2019 under an indenture			7.50% in relation to the notes issued in 2014.	€250,000,000 in relation to the notes issued in 2014.	€250,000,000 in relation to the notes issued in 2014.



Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	dated December 4, 2014 among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited.					
2. Hapag-Lloyd AG	K-Sure I Financing. An US\$660,000,000 loan agreement (subsequently reduced to US\$550,000,000) originally dated November 12, 2007 (as amended and/or restated from time to time) between Hapag-Lloyd AG as borrower and certain banks and financial institutions as listed in Schedule 1 of the loan agreement as lenders, KfW IPEX-Bank GmbH as agent, Citibank, N.A. as security trustee and Citibank, N.A. and KfW IPEX-Bank GmbH as mandated lead arrangers.	The financing of six 8,749 TEU container vessels to be constructed by Hyundai Heavy Industries Co., Ltd. of Korea.	Export credit insurance cover for part of the K-Sure I Financing issued by the Korea Trade Insurance Corporation and refund guarantees issued by the Export Import Bank of Korea.  Guarantee by TUI.  Asset security customary for this type of vessel financings.	2.615%	US\$660,000,000	€196.50 million (US\$219.40 million)
3. Hapag-Lloyd AG	K-Sure II Financing. A US\$925,000,000 loan agreement dated April 7, 2011 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower and certain banks and financial institutions as listed in Schedule 1 of the loan agreement as lenders, KfW IPEX-Bank GmbH as K-sure agent and as security agent and Citibank Europe plc., Deutsche Bank AG Hong Kong Branch, KfW IPEX-Bank GmbH, HSBC Bank plc. and UniCredit Bank AG as initial joint mandated lead arrangers.	The financing of the acquisition of ten container vessels, each at a size of approximately 13,200 TEU.	Export credit insurance cover for part of the K-Sure II Financing issued by the Korea Trade Insurance Corporation and refund guarantees issued by the Export Import Bank of Korea.  Asset security customary for this type of vessel financings.	2.689%	US\$925,000,000	€613.48 million (US\$684.95 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
4. Hapag-Lloyd AG	K-Sure III Financing. A US\$372,400,000 credit facility dated September 30, 2015 (as amended from time to time), with UniCredit Luxembourg S.A as facility agent and security agent, Citibank, N.A., London Branch, Crédit Agricole Corporate and Investment Bank, DNB Bank ASA, UniCredit Bank AG, KEXIM and others as lenders for the purposes of post-delivery financing (i) part of the purchase price of five TEU 10,500 newbuild container vessels ordered at Hyundai Samho Heavy Industries Limited, Korea and (ii) the K-Sure and KEXIM premiums relating to each vessel.	Post-delivery financing part of the purchase price of five TEU 10,500 newbuild container vessels.	Export credit insurance cover for part of the K-Sure III Financing issued by the Korea Trade Insurance Corporation and guarantees issued by the Export Import Bank of Korea.  Asset security customary for this type of vessel financings.	—	US\$372,400,000	—
5. Hapag-Lloyd AG	Fleet Refinancing 2012. An US\$160,000,000 (senior tranche) and US\$129,000,000 (junior tranche) loan agreement dated December 20, 2012 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower and HSH Nordbank AG as lender.	The refinancing of MV Colombo Express, MV Chicago Express, MV Ningbo Express (fka Hong Kong Express), MV Kyoto Express and MV Berlin Express.	Asset security customary for this type of vessel financings.	5.008%	US\$289,000,000	€138.74 million (US\$154.90 million)
6. Hapag-Lloyd AG	Quartet Financing (also known as Fleet Financing 2013). An US\$165,000,000 loan agreement dated August 2, 2013 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower and Crédit Agricole Corporate and Investment Bank, KfW IPEX-Bank	The refinancing of the four container vessels MV Osaka Express, MV Tsingtao Express, MV Kuala Lumpur Express and MV Hanover Express.	Asset security customary for this type of vessel financings.	4.009%	US\$165,000,000	€76.13 million (US\$85 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	GmbH and UniCredit Bank AG as bookrunners, UniCredit Luxembourg S.A. as agent, UniCredit Bank AG as documentation agent and KfW IPEX-Bank GmbH as security agent.					
7. Hapag-Lloyd AG, Chacabuco Shipping Limited, Limari Shipping Limited, Longavi Shipping Limited, Palena Shipping Limited	HSH Vessel Financings. Four term loan facility agreements in an aggregate principal amount of US\$184,095,000 dated on June 22, 2006, May 25, 2005, May 2, 2006 and December 11, 2006 (as amended from time to time) with HSH Nordbank AG and Bremer Landesbank Kreditanstalt Oldenburg—Girozentrale as lenders.	The part financing of the vessels “MV Palena”, “MV Longavi”, “MV Limari”, “MV Chacabuco”.	Four guarantee agreements, each dated December 2, 2014 by Hapag-Lloyd AG as (parent) guarantor, guaranteeing the payment obligations of the borrowers under the relevant HSH Vessel Financings.  Asset security customary for this type of vessel financings.	3.444%	US\$184,095,000	€26.99 million (US\$30.13 million)
8. Hapag-Lloyd AG, HULL 1975 Co. Ltd., HULL 1976 Co. Ltd.	DVB Vessel Financing. An US\$90,000,000 credit facility originally dated June 7, 2012 (as amended and restated from time to time), with DVB Bank America N.V. as security agent, agent and lender.	The financing of the vessels “MV Tolten” and “MV Tirua”.	The DVB Vessel Financing includes a guarantee by Hapag-Lloyd AG as (parent) guarantor. Export credit insurance cover for part of DVB Vessel Financing issued by the Korea Trade Insurance Corporation.  Asset security customary for this type of vessel financings.	3.254%	US\$90,000,000	€52.90 million (US\$59.06 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
9. First CSAV Ships Germany GmbH, HULL 1794 Co. Ltd., HULL1796 Co. Ltd., HULL 1798 Co. Ltd., HULL 1800 Co. Ltd., HULL 1906 Co. Ltd.	BNPP 1 Vessel Financing. An US\$437,500,000 credit facility originally dated April 29, 2008 (as amended and restated from time to time) with BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders.	The financing of (i) certain pre-delivery payments to the builder for constructing and delivering the vessels "MV Teno", "MV Tubul", "MV Tempanos", "MV Torrente" and "MV Tucapel", (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans and (iii) partial payment of installments of principal due under the post-delivery facility in respect of the container vessels.	Guarantee agreement, dated December 2, 2014 by Hapag-Lloyd AG as (parent) guarantor guaranteeing the payment obligations of the borrowers under the BNPP 1 Vessel Financing.  Refund guarantees issued by the Export-Import Bank of Korea, National Agricultural Cooperative Federation and Calyon.  Asset security customary for this type of vessel financings.	4.699%	US\$437,500,000	€177.02 million (US\$197.644 million)
10. Second CSAV Ships Germany GmbH, CSBC HULL 898 Limited	BNPP 2 Vessel Financing. An US\$119,770,000 credit facility originally dated April 29, 2008 (as amended and restated from time to time) with BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders.	The financing of (i) certain pre-delivery payments to the builder for constructing and delivering the vessel "MV Maipo" and (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans.	Guarantee agreement, dated December 2, 2014 by Hapag-Lloyd AG as (parent) guarantor guaranteeing the payment obligations of the borrowers under the BNPP 2 Vessel Financing.  Refund guarantees issued by Calyon, Taepei branch.  Asset security customary for this type of vessel financings.	4.749%	US\$119,770,000	€22.09 million (US\$24.67 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
11. Hapag-Lloyd AG Third CSAV Ships Germany GmbH, HULL 2082 Co. Ltd., HULL 2083 Co. Ltd., HULL 2084 Co. Ltd., HULL 2085 Co. Ltd., HULL 2086 Co. Ltd., HULL 2087 Co. Ltd., HULL 2088 Co. Ltd.	ABN Amro Fleet Financing. A US\$396,000,000 credit facility originally dated December 1, 2016 (as amended and restated from time to time) with ABN Amro Bank N.V. as initial mandated lead arranger and bookrunner, mandated lead arranger, original lender, agent and security agent and BNP Paribas, Citigroup Global Market Limited, Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW IpeX-Bank GmbH and Unicredit AG as mandated lead arrangers and BNP Paribas, Citigroup North America, Inc., Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW IpeX-Bank GmbH and Unicredit AG as original lenders and UniCredit Bank AG as documentation agent.	The refinancing of the Santander Vessel Financing (as described below) and of previous investments made by Hapag-Lloyd AG and its subsidiaries in the acquisition and financing of the vessels listed below under the Santander Vessel Financing	The ABN Amro Fleet Financing includes guarantees by HULL 2082 Co. Ltd., HULL 2083 Co. Ltd., HULL 2084 Co. Ltd., HULL 2085 Co. Ltd., HULL 2086 Co. Ltd., HULL 2087 Co. Ltd., HULL 2088 Co. Ltd. and HULL 2088 Co. Ltd.	N/A	US\$396,000,000	N/A
12. Hapag-Lloyd AG, CSBC Hull 900 Limited	Fleet Financing 2015. US\$115,000,000 term loan facility agreement dated December 16, 2015 between, amongst others, Hapag-Lloyd AG as borrower and CSBC HULL 900 Limited as obligor and DVB Bank SE and Bank of America Merrill Lynch International Limited as arrangers and lenders and DVB Bank SE as agent and security agent (as amended from time to time).	The refinancing of the four container vessels "MV Bremen Express", "MV Dalian Express", "MV Mehuin" and "MV Yantian Express".	All obligations under the Fleet Financing 2015 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Financing 2015 and assignments of rights and claims with respect to the vessels.	2.980%	US\$115,000,000	€86.60 million (US\$96.69 million)



Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
13. Hapag-Lloyd AG, CSAV Austral SpA	Fleet Financing 2016. US\$57,400,000 term loan facility agreement dated April 8, 2016 between, amongst others, Hapag-Lloyd AG as obligor and CSAV Austral SpA as borrower and obligor and ABN AMRO Bank N.V. as agent, security agent, arranger and lender (as amended from time to time).	The financing of part of the purchase price for two container vessels "MV San Antonio Express" and "MV Antofagasta Express".	All obligations under the Fleet Financing 2016 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Financing 2016 and assignments of rights and claims with respect to the vessels.	3.535%	US\$57,400,000	€50.01 million (US\$55.84 million)
14. Hapag-Lloyd AG	Container Finance 2011. US\$150,000,000 loan agreement dated August 9, 2011 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container Ltd. as legal owner and ING Bank N.V. as agent and lender and DVB Bank S.E. as security agent and lender.	The (re)financing of a portfolio of new containers, existing standard containers, reefer containers and old reefer containers.	Asset security customary for this type of vessel financings.	3.853%	US\$150,000,000	€49.76 million (US\$55.56 million)
15. Hapag-Lloyd AG	Container Finance 2012. An US\$165,000,000 loan agreement dated June 22, 2012 as amended by a first amendment request letter dated March 26, 2013 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container (No. 2) Ltd. as legal owner and ING Bank N.V. as agent, security agent and lender and ABN AMRO Bank N.V. as lender.	The (re)financing of a portfolio of new containers and certain existing containers.	Asset security customary for this type of vessel financings.	5.104%	US\$165,000,000	€85.59 million (US\$95.56 million)
16. Hapag-Lloyd AG	Montréal and Toronto Vessel Financing. A US\$33,468,750.17,	The financing of the purchase prices in connection with	Asset security customary for this type of	3.607%	US\$83,031,423	€49.16 million (US\$54.89 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	US\$33,468,750.17 and US\$16,093,923.59 term loan agreement originally dated February 21, 2012 (as amended and/or restated from time to time) with, amongst others, Hapag-Lloyd AG as borrower, and HSH Nordbank AG as lender.	the buyback of the vessels MV Montréal Express, MV Toronto Express and MV Wellington Express (sold in June 2015).	vessel financings.			
17. Hapag-Lloyd AG	Intermodal IV Lease Agreement. A purchase and sale agreement dated September 21, 2007 (as amended from time to time) between Intermodal Capital Deutschland GmbH as buyer and Hapag-Lloyd AG as seller and related containers operating lease agreement originally dated September 21, 2007 (as amended from time to time), between Intermodal Capital Deutschland GmbH as lessor and Hapag-Lloyd AG as lessee. Hapag-Lloyd AG agreed to lease the container units sold and transferred back.	Sale and lease back of certain marine container units.	—	1.568%	US\$22,675,447	€5.73 million (US\$6.4 million)
18. Hapag-Lloyd AG	Intermodal V Lease Agreement. A purchase and sale agreement dated December 17, 2007 (as amended from time to time) between Intermodal Capital Deutschland GmbH as buyer and Hapag-Lloyd AG as seller and related containers operating lease agreement originally dated December 17, 2007 (as amended from time to time), between Intermodal Capital Deutschland GmbH as lessor and Hapag-Lloyd AG as lessee. Hapag-Lloyd AG agreed to lease the container units sold and transferred back.	Sale and lease back Lease agreement of certain marine container units.	—	2.045%	US\$24,846,500	€6.85 million (US\$7.65 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
19. Hapag-Lloyd AG	Seaco Container Finance Leases. Three lease agreements (Seaco Container Finance Lease 114112, Seaco Container Finance Lease 114113 and Seaco Container Finance Lease 104707) dated December 15, 2013, December 20, 2013 and May 25, 2016 (in each case as amended from time to time) between Seaco Global Limited as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee.	Sale and lease back of certain marine containers.	—	8.266%	US\$43,374,902	€25.31 million (US\$28.26 million)
20. Hapag-Lloyd AG	Textainer Finance Lease Agreement 2013. A lease schedule dated December 20/23, 2013 and effective as of December 1, 2013 (as amended from time to time) to an agreement on general terms and conditions originally dated January 1, 1997 (as amended from time to time) with Textainer Equipment Management Limited as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee.	Lease of certain marine containers.	—	7.846%	US\$8,677,053	€6.32 million (US\$7.06 million)
21. Hapag-Lloyd AG	TAL Container Finance Lease December 2013. A lease addendum dated December 1, 2013 (as amended from time to time) to a master lease agreement originally dated July 1, 2000 (as amended from time to time) with TAL International Container Corporation as lessor and Hapag-Lloyd AG as lessee upon which	Lease of certain marine containers.	—	6.812%	US\$59,490,000	€42.12 million (US\$47.03 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	the lessor has agreed to deliver and lease certain marine containers to the lessee.					
22. Hapag-Lloyd AG	TAL Container Finance Lease July 2013. A lease addendum no. 2 dated July 8, 2013 (as amended from time to time) to a master lease agreement originally dated July 1, 2000 (as amended from time to time) with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee and related purchase order assignment agreement (as amended from time to time) dated July 8, 2013 between Hapag-Lloyd AG as assignor and TAL International Container Corporation as assignee whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation all of its right, title and interest to the purchase order of the relevant marine containers.	Sale and lease back of certain marine containers.	—	5.586%	US\$60,756,500	€36.31 million (US\$40.535 million)
23. Hapag-Lloyd AG	TAL Container Finance Lease September 2013. A lease addendum dated September 20, 2013 (as amended from time to time) to a master lease agreement originally dated July 1, 2000 (as amended from time to time) with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the	Sale and lease back of certain marine containers.	—	6.517%	US\$58,300,000	€37.28 million (US\$41.625 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	lessee and related purchase order assignment agreement (as amended from time to time) dated September 20, 2013 between Hapag-Lloyd AG as assignor and TAL International Container Corporation as assignee whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation and TAL International Container Corporation assumed all of its right, title and interest to the purchase order of the relevant marine containers.					
24. Hapag-Lloyd AG	SeaCube Container Finance Lease 2013. A lease addendum dated June 21, 2013 (as amended from time to time) to an agreement on general terms and conditions originally dated September 2, 1997 (as amended from time to time) with SeaCube Containers LLC as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee.	Lease of certain marine containers.	—	5.525%	US\$68,179,750	€45.68 million (US\$50.998 million)
25. Hapag-Lloyd AG	Dong Fang Container Finance Lease 2014. A lease addendum dated January 10, 2014 (as amended from time to time) to an agreement on general terms and conditions originally dated January 10, 2014 (as amended from time to time) between Dong Fang International Asset Management Limited as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to	Sale and lease back of certain marine containers.	—	5.674%	US\$19,800,000	€12.69 million (US\$14.165 million)



Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	deliver and lease certain marine containers to the lessee and related purchase order assignment agreement dated January 10, 2014 (as amended from time to time), whereupon Hapag-Lloyd assigned to Dong Fang International Asset Management Limited its purchase order in respect of certain marine containers.					
26. Hapag-Lloyd AG	Textainer Finance Leases 2015. Three purchase and sale agreements dated February 1, 2015, March 1, 2015 and May 7, 2015 (as amended from time to time, the "Textainer Tranche 1 Purchase and Sale Agreement", the "Textainer Tranche 2 Purchase and Sale Agreement" and the "Textainer Tranche 3 Purchase and Sale Agreement") with TW CONTAINER LEASING, LTD as buyer and appendix containers lease agreement dated February 1, 2015 (as amended from time to time) based on the general terms and conditions originally dated January 1, 1997 (as amended from time to time) between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee. Pursuant to the Purchase and Sale Agreement, Hapag-Lloyd AG agreed to lease the container units sold and transferred back.	Sale and lease back of certain marine containers.	—	4.760%	US\$48,146,000	€36.15 million (US\$40.358 million)
27. Hapag-Lloyd AG	Japanese Operating Leases. Equipment purchase agreements in the period of time from 2013 to 2016	Sale and lease back of certain cargo maritime containers.	—	3.826%	US\$278,951,000	€228.88 million (US\$255.54 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	with CLIP No. 74 Co., Ltd, CLIP No. 73 Co., Ltd, CLIP No. 71 Co., Ltd, CLIP No. 93 Co., Ltd, CLIP No. 94 Co., Ltd, CLIP No. 84 Co., Ltd, CLIP No. 85 Co., Ltd, CLIP No. 78 Co., Ltd, CLIP No. 79 Co., Ltd, CLIP No. 98 Co., Ltd, CLIP No. 112 Co., Ltd, CLIP No. 122 Co., Ltd, as purchasers in relation to the sales and transfers of title to certain container units (as amended from time to time) and related equipment operating lease agreements, between the relevant purchasers as lessors and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units (as amended from time to time).					
28. Hapag-Lloyd AG	Vessel Finance Lease Contracts.  Dublin Express Lease Agreement. Lease agreement in respect of container vessel "Dublin Express" originally dated December 20, 2006 (as amended from time to time) between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor.	Lease of container vessel "Dublin Express".	—	5.782%	US\$49,920,000	€16.65 million (US\$18.59 million)
	Glasgow Express Lease Agreement. Lease agreement in respect of container vessel "Glasgow Express" originally dated December 20, 2006 (as amended from time to time) between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor.	Lease of container vessel "Glasgow Express".	—	5.782%	US\$49,920,000	€16.65 million (US\$18.59 million)
	Liverpool Express Lease Agreement. Lease agreement in respect of container vessel "Liverpool Express".	Lease of container vessel "Liverpool Express".	—	5.782%	US\$49,920,000	€16.65 million (US\$18.59 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	Express", originally dated December 20, 2006 (as amended from time to time) between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor.					
29. Hapag-Lloyd AG	Secured Revolving Credit Facility. Originally US\$360,000,000 (reduced to US\$95,000,000 and subsequently, upon the effectiveness of the last amendment, increased to US\$200,000,000) secured revolving facility agreement originally dated October 1, 2010 and as amended from time to time (including as last amended as of September 30, 2015) for Hapag-Lloyd AG as borrower with, amongst others, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank GmbH, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG as mandated lead arrangers and UniCredit Luxembourg S.A. as agent and security agent, certain banks and financial institutions (including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank	Financing for general corporate purposes, except for certain defined purposes.	First and second ranking pledges of Hapag-Lloyd AG's shares in CTA. Hapag-Lloyd AG has granted a guarantee for its own obligations under the Secured Revolving Credit Facility.	4.658%	US\$200,000,000	€111.96 million (US\$125.0 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
	GmbH, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG) as lenders.					
30. Hapag-Lloyd AG	Unsecured Revolving Credit Facility. Up to US\$125,000,000 unsecured revolving facility agreement dated October 14, 2015 for Hapag-Lloyd AG as borrower with, amongst others, Deutsche Bank Luxembourg S.A. Goldman Sachs Bank USA and Joh. Berenberg, Gossler & Co. KG as lenders.	The financing for general corporate purposes, except for the acquisition of companies or businesses.	—	4.150%	US\$125,000,000	€111.96 million (US\$125.0 million)
31. Hapag-Lloyd AG	Container Finance 2015. A US\$135,000,000 revolving loan agreement dated August 6, 2015 relating to the (re)financing of a portfolio of new containers and certain existing containers with, amongst others, Hapag-Lloyd AG as borrower and beneficial owner of the containers, Hapag-Lloyd Container (No. 3) Ltd. as legal owner of the containers and ING Bank N.V. as agent and security agent and ING Belgium SA/NV and NIBC Bank N.V. as lenders and ING Belgium SA/NV as original hedging bank (as amended from time to time).	The (re)financing of a portfolio of new containers and certain existing containers.	Asset security customary for this type of vessel financings.	3.038%	US\$135,000,000	€120.91 million (US\$135.0 million)
32. Hapag-Lloyd AG	Bladex Credit Facility. An US\$100,000,000 credit facility agreement originally dated November 26, 2013 (and as amended from time to time) with Hapag-Lloyd AG as borrower and Banco Latinoamericano de Comercio Exterior, S.A. as lender.	An unsecured credit facility to finance working capital transactions.	—	5.352%	US\$100,000,000	€89.57 million (US\$100 million)
33. Hapag-Lloyd Special Finance Limited (after its conversion into a	Asset Backed Securities Program. An up to US\$350,000,000 loan and servicing	Sale, assignment and transfer to the purchaser of certain freight	The borrower's obligations under the Loan and Servicing	2.050%	US\$350,000,000	€223.87 million (US\$249.96 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per September 30, 2016	Financial indebtedness (original amount)	Financial indebtedness outstanding as per September 30, 2016
designated activity company to be established as Hapag-Lloyd Special Finance DAC)	agreement among Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower, Hapag-Lloyd AG as servicer, Hannover Funding Company LLC as conduit lender and Norddeutsche Landesbank Girozentrale as agent originally dated April 7, 2011 (as amended and/or restated from time to time). The lender agreed to make available to the borrower funds to finance the acquisition of freight receivables.	receivables owed by debtors resident in, or organized under the laws of any state or province of the United States or Canada.	Agreement are secured by security interests the borrower granted in favor of the agent over all transferred receivables, related rights and the Receivable Purchase and Sale Agreement.			
34. Hapag-Lloyd AG	OPFFAS. Several committed or uncommitted bilateral option premium finance framework agreements with several banks as lenders (as amended from time to time). The OPFFAS serve the purpose of (pre-) financing any premium to be paid in connection with derivative instruments (e.g., FX, Bunker options) or similar agreement entered into or to be entered into by the respective lender and Hapag-Lloyd AG as borrower for the purpose of hedging against bunker and/or foreign exchange rate risks.	Committed or, as the case may be, uncommitted bilateral option premium finance framework agreements.	—	5.363%	US\$193,631,500	€8.38 million (US\$9.36 million)
35. Hapag-Lloyd Grundstücksholding GmbH, a 94.9% subsidiary of Hapag-Lloyd AG and 5.1% subsidiary of Hapag-Lloyd Stiftung	Ballindamm Refinancing 2016. An €85,000,000 credit agreement dated August 23, 2016 as borrower with Deutsche Genossenschafts-Hypothekenbank AG as lender.	Refinancing financial indebtedness incurred for the acquisition of the property Ballindamm 25/Ferdinandstrasse 56, 58, 62/Gertrudenstrasse 17, 20095 Hamburg.	Several land charges over the financed property, abstract acknowledgement of debt by the borrower, in an amount of €85,000,000 and assignment of rental income.	2.700%	€85,000,000	€84.79 million (US\$94.67 million)



## Hapag-Lloyd's Financing Arrangements

### Senior Notes

On October 8, 2010, Hapag-Lloyd AG issued US\$250,000,000 aggregate principal amount of its 9.75% Senior Notes due 2017 (the “**Existing 2010 Dollar Notes**”) under an indenture dated October 8, 2010 (the “**Existing 2010 Dollar Notes Indenture**”) among Hapag-Lloyd AG, Deutsche Trustee Company Limited, Deutsche Bank Trust Company Americas, Deutsche Bank Luxembourg S.A. and Deutsche Bank AG, London Branch.

On September 27, 2013, Hapag-Lloyd AG issued €250,000,000 aggregate principal amount of its 7.75% Senior Notes due 2018 (the “**Original 2013 Notes**”) under an indenture dated September 27, 2013 (the “**Existing 2013 Notes Indenture**”) among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited. On October 23, 2013, Hapag-Lloyd AG issued an additional €150,000,000 aggregate principal amount of its 7.75% Senior Notes due 2018 (the “**Additional 2013 Notes**” and, together with the Original 2013 Notes, the “**Existing 2013 Notes**”) under the Existing 2013 Notes Indenture.

On December 4, 2014, Hapag-Lloyd AG issued €250,000,000 aggregate principal amount of its 7.50% Senior Notes due 2019 (the “**Existing 2014 Notes**” and, together with the Existing 2010 Dollar Notes and the Existing 2013 Notes, the “**Existing Notes**”) under an indenture dated December 4, 2014 (the “**Existing 2014 Notes Indenture**” and, together with the Existing 2010 Dollar Notes Indenture and the Existing 2013 Notes Indenture, the “**Existing Notes Indentures**”) among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited.

As of September 30, 2016, an aggregate principal amount of US\$125 million of the Existing 2010 Dollar Notes was outstanding, an aggregate principal amount of €400 million of the Existing 2013 Notes was outstanding and an aggregate principal amount of €250 million of the Existing 2014 Notes was outstanding.

Set forth below is a description of the principal terms of the Notes.

### Maturity and Interest

The Existing 2010 Dollar Notes will mature on October 15, 2017 and accrue interest at a rate of 9.75% per annum, payable semi-annually on April 15 and October 15 of each year.

The Existing 2013 Notes will mature on October 1, 2018 and accrue interest at a rate of 7.75% per annum, payable semi-annually on January 15 and July 15 of each year.

The Existing 2014 Notes will mature on October 15, 2019 and accrue interest at a rate of 7.50% per annum, payable semi-annually on April 15 and October 15 of each year.

### Ranking

The Notes are senior obligations of Hapag-Lloyd AG and rank *pari passu* in right of payment with any existing and future indebtedness of Hapag-Lloyd AG that is not subordinated in right of payment to the Notes.

### Optional redemption

#### Existing 2010 Dollar Notes

We may redeem all or part of the Existing 2010 Dollar Notes at the following redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 104.8750% for redemptions during the 12-month period commencing on October 15, 2014, 102.4375% for redemptions during the 12-month period commencing on October 15, 2015, and 100.0000% for redemptions thereafter.

#### Existing 2013 Notes

We may redeem all or part of the Existing 2013 Notes at the following redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 101.938% for redemptions during the 12-month period commencing on October 1, 2016, and 100.000% for redemptions thereafter.

### *Existing 2014 Notes*

We may redeem all or part of the Existing 2014 Notes at the following redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 103.750% for redemptions during the 12-month period commencing on October 15, 2016, 101.875% for redemptions during the 12-month period commencing on October 15, 2017, and 100.000% for redemptions thereafter.

### *Covenants*

The Existing Notes Indentures contain a number of affirmative and negative covenants that restrict, among other things, our ability to:

- incur additional indebtedness;
- declare and pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments and investments;
- create certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments;
- transfer or sell assets;
- merge or consolidate with other entities;
- enter into transactions with affiliates;
- provide guarantees of other debt; and
- engage in certain activities.

Although the Existing Notes Indentures do not generally require us to maintain certain financial ratios, we must comply with certain ratios in order to take certain actions that are restricted under the Existing Notes Indentures. In particular, and subject to a number of exceptions, the covenants restrict our ability to incur additional indebtedness, if, on the date of such incurrence and after giving *pro forma* effect to such incurrence, our Consolidated Fixed Charge Coverage Ratio (which is, simplified, the ratio of our consolidated EBITDA to the sum of consolidated net interest expense and cash and non-cash dividends on redeemable capital and preferred stock for the four most recent fiscal quarters) is not greater than 2.0.

Subject to certain exceptions, we may declare and pay dividends, redeem or repurchase our capital stock and make certain other restricted payments and investments only if no default or event of default has occurred under the respective Notes Indenture, the Consolidated Fixed Charge Coverage Ratio is greater than 2.0 and the aggregate amount of all dividends, repurchases and other restricted payments and investments made since the date of the respective Notes Indenture does not exceed the sum of 50% of our consolidated adjusted net income (as defined in the respective Existing Notes Indenture) on a cumulative basis since July 1, 2010 (in case of the Existing 2010 Dollar Notes Indenture), July 1, 2013 (in case of the Existing 2013 Notes Indenture) or October 1, 2014 (in case of the Existing 2014 Notes Indenture) (or, if such aggregate cumulative consolidated adjusted net income is a negative number, minus 100% of such negative amount), plus the aggregate net cash proceeds received by us from the issuance and sale of our common stock and certain other items. We are permitted to declare and pay dividends and make certain other restricted payments to the extent that the aggregate amount of all such payments does not exceed in any fiscal year the greater of (i) 5% of our market capitalization (provided that, after giving *pro forma* effect to such payment, our Consolidated Leverage Ratio (which is, simplified, the ratio of our consolidated indebtedness to our consolidated EBITDA for the most recent four consecutive quarters) would not exceed 2.0 to 1.0) and (ii) 6% of the net cash proceeds received from any public equity offering.

### *Change of Control*

Upon the occurrence of a change of control event, Hapag-Lloyd will be required to offer to repurchase the Existing Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest.

A change of control will be deemed to occur under the Existing Notes Indentures in the following circumstances:

- the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or group, other than one or more permitted holders (which comprise members of the Consortium and THB), is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of Hapag-Lloyd AG;
- the sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer of Hapag-Lloyd AG's voting stock) of all or substantially all the assets (other than capital stock, debt or other securities of any unrestricted subsidiary) of Hapag-Lloyd AG and its subsidiaries (other than unrestricted subsidiaries), taken as a whole, to any person other than to one or more permitted holders or, in the case of the sale, transfer, conveyance or other disposition of assets of Hapag-Lloyd AG or any restricted subsidiary, if any person or group other than one or more permitted holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of the transferee entity; or
- Hapag-Lloyd AG is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described in the respective Notes Indenture.

Unrestricted subsidiaries, as referred to in the second bullet point above, are certain subsidiaries, which the board of directors of Hapag-Lloyd AG may designate as such under certain circumstances and their respective subsidiaries. Unrestricted subsidiaries are not subject to the restrictive covenants under the Notes Indentures.

#### *Events of Default*

The Existing Notes Indentures contain customary events of default, including: (i) defaults in the payment of principal, premium or interest; (ii) defaults in the compliance with covenants contained in the respective Notes Indenture; (iii) cross acceleration and cross payment defaults on more than €35,000,000 of indebtedness; (iv) failure to pay judgments in an aggregate amount of more than €35,000,000 that have not been discharged or waived or stayed by appeal, waiver or otherwise; and (v) the occurrence of certain events of bankruptcy or insolvency

#### *Other Financing Agreements*

##### *Liabilities to Banks*

###### *K-Sure I Financing*

###### I. General

Hapag-Lloyd AG, as borrower, has entered into a credit facilities agreement originally dated November 12, 2007 (as amended from time to time, the "**K-Sure I Financing**") providing for term loan tranches in an aggregate principal amount of originally US\$660,000,000, subsequently reduced to US\$550,000,000 by KfW IPEX-Bank GmbH, Citibank N.A., London Branch, BNP Paribas (formerly Fortis Bank S.A./N.V.), Singapore Branch, HSBC Bank plc. Project and Export Finance, Nordea Bank, Danmark A/S and Credit Suisse AG as lenders, KfW IPEX-Bank GmbH as the agent, Citibank N.A. as security trustee for the purposes of financing part of the acquisition costs for six 8,749 TEU container vessels constructed by Hyundai Heavy Industries Co., Ltd. of Korea. The Korea Trade Insurance Corporation, Korea ("**K-Sure**") provided an export credit insurance cover for part of the K-Sure I Financing. The Export Import Bank of Korea provided refund guarantees ("**K-Sure I Refund Guarantee**").

The K-Sure I Financing will be further amended subject to the suspensive condition of the occurrence of completion of the combination of all activities, assets, liabilities, contractual relationships and employees of UASC (S.A.G.) and its subsidiaries (together "**UASC**") with Hapag-Lloyd AG (the "**UASC Business Combination**") in accordance with the consent request letter as of August, 2016 (the "**K-Sure I Amendment Effective Date**").

## II. Repayment / maturity

Each loan under the K-Sure I Financing matures on the twelfth (12th) anniversary of the actual delivery date of the relevant financed vessel and is to be repaid in twenty four (24) equal consecutive, semi-annual installments commencing on the date falling six months after the date of the disbursement of the relevant delivery tranche.

As of September 30, 2016, loans in a total principal amount of US\$219.40 million were outstanding under the K-Sure I Financing and a blended fixed interest rate of 2.615% per annum was payable on the outstanding loans.

## III. Undertakings and Financial Covenants

The K-Sure I Financing and related finance documents contain certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the K-Sure I Financing, restrictions on corporate and business acquisitions and reorganization measures (including an undertaking and related event-of-default-trigger not to change or permit to be changed Hapag-Lloyd AG's corporate structure), on distributions to shareholders and on the incurrence of financial indebtedness, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which require us to ensure that (on the level of Hapag-Lloyd AG and its respective subsidiaries): (i) equity on any testing date shall not be less than the higher of €2.75 billion and 30% of the total assets shown in the relevant consolidated financial statements of Hapag-Lloyd AG; and (ii) prior to the termination or expiry of the Secured Revolving Credit Facility, liquidity in an amount of US\$300,000,000 shall be maintained at all times and will be tested on each testing date and on or after the termination or expiry of the Secured Revolving Credit Facility, liquidity shall be the higher of (A) US\$300,000,000 and (B) 3% of the adjusted consolidated debt. The financial covenants are tested as of the last day of each financial quarter of Hapag-Lloyd AG (the "**Minimum Liquidity Covenant**"). Subject to the occurrence of the K-Sure I Amendment Effective Date our Minimum Liquidity Covenant will be modified to reflect the UASC Business Combination and be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

In addition the finance parties under the K-Sure I Financing benefit from any financial covenants that Hapag-Lloyd AG has granted to lenders under other debt facilities entered into after July 25, 2007 as long as such financial covenants are applicable under such other debt facilities.

The K-Sure I Financing and related finance documents permit distributions to shareholders only (i) if no actual or potential event of default under the K-Sure I Financing has occurred and is continuing or would result from such payment and (ii) after Hapag-Lloyd AG has proved by a compliance certificate that the liquidity covenant has been and, following and taking into account the distribution, will be observed.

## IV. Interest and fees

Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR (for U.S. dollar denominated loans), EURIBOR (for euro-denominated loans) and a fixed margin.

Hapag-Lloyd AG is required to pay customary fees under and in connection with the K-Sure I Financing.

## V. Mandatory Prepayments

The borrower is required to repay the entire outstanding principal of a particular loan relating to a vessel under the K-Sure I Financing if (i) the relevant vessel is sold to a purchaser which is not one of Hapag-Lloyd AG's subsidiaries, (ii) the K-Sure I Refund Guarantee for the relevant vessel is called and paid, (iii) the export credit insurance cover provided by K-Sure for the relevant vessel is cancelled, (iv) the shipbuilding contract relating to the relevant vessel is cancelled, rescinded or terminated for any reason other than the performance of its terms or ceases to be fully effective for any reason whatsoever or (v) it becomes unlawful or impossible under the laws governing the borrower or any of

the lenders, (A) for the borrowers to discharge its liability under the K-Sure I Financing or (B) for any of the lenders to exercise or enforce any right under the K-Sure I Financing.

In addition, the loans (together with all other amounts accrued) under the K-Sure I Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

#### VI. Loan to Value Ratio

If at any time the fair market value of a vessel falls below 120% of the relevant loan allocated to that vessel, Hapag-Lloyd AG shall promptly upon request of any of the lenders either (i) prepay such part of that loan in an amount equal to the shortfall, (ii) provide such additional security (with a market value equal to the shortfall) in favor of the lenders as acceptable to the lenders or the security trustee or (iii) effect a combination of (i) and (ii) above.

#### VII. Guarantees and Security

TUI has guaranteed all obligations under the K-Sure I Financing. Moreover, the obligations are secured, including by an assignment of the rights and claims of the borrower under certain shipbuilding contracts and Refund Guarantees, mortgages over the vessels financed by the K-Sure I Financing and an assignment of all rights and claims with respect to the vessels.

#### VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the K-Sure I Financing may be accelerated (in whole or in part) by the lenders (or the facility agent for the lenders) in case an event of default has occurred which is continuing.

The events of default are customary for this type of asset financing transaction but also include incurrence of non-permitted financial indebtedness and the occurrence of any event, or a series of events which might have a material adverse effect on (i) the business, assets or financial condition of Hapag-Lloyd AG and its subsidiaries, (ii) the ability of Hapag-Lloyd AG to comply with its obligations under the K-Sure I Financing and the therein referred other transaction documents, (iii) the ability of TUI to comply with its obligations under the guarantee provided by TUI in connection with the K-Sure I Financing, (iv) the ability of Hapag-Lloyd AG to comply with its obligations under certain undertakings in connection with the K-Sure I Financing or (v) the legality, validity or enforceability of the K-Sure I Financing or any other transaction document or the rights or remedies of any finance party thereunder.

### *K-Sure II Financing*

#### I. General

Pursuant to a K-Sure backed senior term loan facility agreement originally dated April 7, 2011 arranged by Citibank Europe plc., Deutsche Bank Aktiengesellschaft, Hong Kong Branch, HSBC Bank plc., KfW IPEX-Bank GmbH and UniCredit Bank Aktiengesellschaft and made by and between, amongst others, Hapag-Lloyd AG as borrower, UniCredit Luxembourg S.A. as agent and KfW IPEX-Bank GmbH as security agent and K-Sure agent, certain lenders agreed to make available term loan facilities of up to US\$925,000,000 to Hapag-Lloyd AG relating to, amongst other things, the financing of the acquisition of ten (10) container vessels, each at a size of approximately 13,200 TEU, ordered by Hapag-Lloyd AG, all of which have been delivered (as amended from time to time, the “**K-Sure II Financing**”).

The K-Sure II Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**K-Sure II Amendment Effective Date**”).

#### II. Repayment / maturity

Each loan under the K-Sure II Financing is to be repaid by twenty-four equal consecutive semi-annual installments; the first installment of each loan being due and payable 6 months after the utilization date for that loan and the last at the end of the term of that loan, being the twelfth (12th) anniversary of the utilization date of that loan. The K-Sure II Financing terminates on the earlier of twelve years falling after delivery of the last ship or April 22, 2026, whereupon all other sums accrued and owed under the K-Sure II Financing will become due and payable.



As of September 30, 2016, loans in a total principal amount of US\$684.95 million were outstanding under the K-Sure II Financing and a blended fixed interest rate of 2.689% per annum was payable on the outstanding loans.

### III. Interest and fees

Under the K-Sure II Financing, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR (for U.S. dollar-denominated loans), or EURIBOR (for euro-denominated loans) plus a fixed margin plus mandatory costs.

Customary fees are payable in connection with the K-Sure II Financing, including agency fees and security agency fees.

### IV. Mandatory Prepayment

Under the K-Sure II Financing, Hapag-Lloyd AG is required to prepay the loan allocated to that vessel, *inter alia*, if (i) the vessel becomes a total loss or (ii) the relevant vessel is sold. Additionally, if upon the occurrence of a reduction event (*i.e.*, being a cancellation of transfer of a shipbuilding contract pertaining to a financed vessel to a third party, the non-utilization of a loan for a vessel at the end of the relevant applicable availability period or the reduction of the contract price for a vessel) the aggregate amount of loans outstanding under the K-Sure II Financing after a reduction of the facility in accordance with the terms of the K-Sure II Financing exceed the maximum amount of the (reduced) facility, Hapag-Lloyd AG is required to make a pro rata prepayment of all loans outstanding under the K-Sure II Financing so that the then outstanding amount of each loan equals the amount that would be outstanding had only the reduced maximum amount of the facility been disbursed (the “**Reduction Event Prepayment**”).

In addition the loans (together with all other amounts accrued) under the K-Sure II Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

### V. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG that the ratio of the market value of the relevant K-Sure II vessel plus the net realizable value of any additional security is below 133% of the aggregate of the relevant outstanding loan amount for that vessel minus the amount of any deductible cash security previously provided, Hapag-Lloyd AG shall make a prepayment of the relevant loan, unless Hapag-Lloyd AG either provides additional security, additional cash security or deductible cash security in accordance with the relevant terms of the K-Sure II Financing, in each case in an amount (or with a net realizable value equal to an amount) being at least equal to the shortfall. Additional security (i) (if in cash) may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at any time (or, in the case of deductible cash security, will be so applied within twelve months of initial provision) and (ii) it will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the market value of the relevant K-Sure II vessel (plus the net realizable value of any additional security) as determined in accordance with the K-Sure II Financing is at least 133% the relevant outstanding loan amount for that vessel minus the amount of any deductible cash security which is not then repaid.

### VI. Security

All obligations under the K-Sure II Financing are secured by (including but not limited to) mortgages over the K-Sure II vessels and assignments of rights and claims with respect to such vessels.

Further, Korea Trade Insurance Corporation (“**K-Sure**”) agreed to provide an export credit insurance cover for part of the facilities under the K-Sure II Financing (the “**K-Sure II Financing Policy**”). The Export-Import Bank of Korea (“**KEXIM**”) also provided refund guarantees in respect of each financed K-Sure II vessel whereby the refund of the pre-delivery installments made in respect of the relevant vessel in case of a termination of the respective shipbuilding contract has been guaranteed in case that Hyundai fails to deliver the vessel (each a “**K-Sure II Financing Refund Guarantee**”).

### VII. Undertakings and Financial Covenants

The K-Sure II Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance,

ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the K-Sure II Financing and restrictions on reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants set out in the K-Sure II Financing which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, including, without limitation, the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the K-Sure II Amendment Effective Date.

In addition the lending parties under the K-Sure II-Financing benefit from any financial covenants that Hapag-Lloyd AG will grant to lenders under any other loan facility or facilities in an (aggregate) amount of at least €25,000,000 entered into after the date of the K-Sure II Financing as long as such parallel financial covenants are applicable under such other financing arrangement (such concept of the application of parallel financial covenants being referred to in the following as “**Most Favored Nation Position**”).

#### VIII. Events of Default

The total commitments may be cancelled and the utilizations under the K-Sure II Financing may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the K-Sure II Financing or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more (and such cross-default basket will be increased by an additional amount of €15,000,000 to an amount of €40,000,000, subject to the occurrence of the K-Sure II Amendment Effective Date (the “**Cross-Default Basket Increase**”) and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

#### *K-Sure III Financing*

##### I. General

By a US\$372,400,000 credit facility dated September 30, 2015 for Hapag-Lloyd AG as borrower, with UniCredit Luxembourg S.A as facility agent, as security agent and as agent, Citibank, N.A., London Branch, Crédit Agricole Corporate and Investment Bank, DNB Bank ASA, UniCredit Bank AG, KEXIM and others as lenders, the lenders have agreed to make available to the borrower secured term loan facilities for the purposes of post-delivery (re)financing (i) part of the purchase price of five 10,500 TEU newbuild container vessels ordered at Hyundai Samho Heavy Industries Limited, Korea, (ii) any other related acquisition costs and (iii) if Hapag-Lloyd AG so requests, the K-Sure and KEXIM premiums relating to the K-Sure III Financing Policy (as defined below) and the KEXIM Guarantees (as defined below) for each vessel (the “**K-Sure III Financing**”). The K-Sure III Financing consists of several tranches per vessel, the K-Sure insured tranche, the KEXIM guaranteed tranche, the KEXIM funded tranche and the commercial tranche. Korea Trade Insurance Corporation (“**K-Sure**”) will provide an export credit insurance cover (providing for political and commercial risk cover) in an amount of up to 95% of the amount of the relevant K-Sure insured tranches of the K-Sure III Financing (the “**K-Sure III Financing Policy**”). The Export Import Bank of Korea will provide guarantees to guarantee payment to the lenders under the relevant KEXIM guaranteed tranche of 100% of each KEXIM guaranteed tranches outstanding from time to time (“**K-Sure III Financing KEXIM Guarantees**”).

The K-Sure III Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**K-Sure III Amendment Effective Date**”).

The expected delivery dates of the vessels are scheduled for the period of time beginning from October 30, 2016 until April 28, 2017. The relevant utilizations under the K-Sure III Financing are due in each case two days prior to the respective delivery date of the relevant vessel.

## II. Repayment / maturity

The tranches outstanding under the K-Sure III Financing must be repaid by 48 equal consecutive quarterly installments down to zero, the first of which shall be repaid on the date falling on the first relevant date (being January 15, April 15, July 15 and October 15 of each year) after its relevant utilization date and the last on the relevant termination date in respect of that tranche. Repayments will be effected through advance monthly retention payments of certain specified portions of repayment installments and amounts of interest falling due on the relevant next 'relevant date' which will be made into a debt service account and be transferred to the agent for distribution to the lenders at the latest two business days prior to the 'relevant date' on which that payments fall due.

The K-Sure III Financing terminates in respect of each tranche on the date falling on the earlier of (i) twelve years after the utilization date in respect of the relevant tranche or (ii) November 22, 2029.

As of September 30, 2016, no loans were outstanding under the K-Sure III Financing.

## III. Undertakings and Financial Covenants

The K-Sure III Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the K-Sure III Financing and restrictions on reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants set out in the K-Sure III Financing which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the K-Sure III Amendment Effective Date.

In addition the lending parties under the K-Sure III Financing benefit from the Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants” above.

## IV. Interest and fees

Under the K-Sure III Financing, the borrowers are required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus certain fixed margins and any mandatory costs applicable to the relevant tranches. Customary fees are payable in connection with the K-Sure III Financing, including commitment fees (depending on the relevant undrawn and un-cancelled commitments under the relevant tranche), other fees and K-Sure and KEXIM premiums. Additionally, a KEXIM prepayment fee on the relevant prepaid/cancelled amounts under the KEXIM funded tranche is payable in the case of a voluntary prepayment or a mandatory prepayment due to a sale of a vessel financed under the K-Sure III Financing.

## V. Mandatory Prepayments

The K-Sure III Financing includes mandatory prepayment events customary for an asset financing facility of this nature, including, without limitation, mandatory prepayments of the loans outstanding under the applicable tranche on (i) a total loss of a vessel (upon the earlier of the date falling 180 days after the date the total loss occurred or the date of receipt by the security agent of the relevant insurance proceeds) or (ii) a sale of a vessel (on the date of the completion of the sale).

The K-Sure III Financing includes a mandatory prepayment of a certain lender's participation in the loans in the event that it becomes unlawful for a lender to perform any of its obligations or to fund or maintain its participation in any loan due to a violation of sanctions applicable to the relevant borrower on the last day of the term for each such loan occurring after the relevant commitments of such lender have been cancelled or, if earlier, the date specified by such lender (being no earlier than the later of the date on which date lender's commitments have been cancelled and the last day of any applicable grace period permitted by law).

Further mandatory prepayments of the relevant applicable tranches are required in the event of (i) a termination or cessation of the K-Sure III Financing Policy provided that KEXIM notified the parties that the K-Sure III Financing KEXIM Guarantee will also be terminated, (ii) a termination of the K-Sure III Financing KEXIM Guarantee provided that K-Sure notified the parties that the K-Sure III Financing Policy will also be terminated, in each case on the date falling no later than 30 days after Hapag-Lloyd AG receives notice of such termination.

In addition, the K-Sure III Financing includes mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

## VI. Security Cover

If at any time the fair market value of a vessel under the K-Sure III Financing falls below 145% of the aggregate of the tranches applicable to that vessel minus the amount of any specific cash security previously provided, the borrower shall promptly upon request of any of the agents either (i) prepay such part of the relevant tranches in an amount equal to the shortfall or (ii) provide, or ensure that additional cash security in the form of cash collateral is deposited on an account pledged to the security agent and the lenders in an amount at least equal to the shortfall. Any such additional cash security is to be released promptly at the request of the borrower if, on the next testing date, following the provision of such additional cash security a valuation evidences that the security cover ratio (not taking into account any additional cash security then released) is at least 145% of the aggregate of the tranches relating to that vessel.

## VII. Security

All obligations under the K-Sure III Financing are secured by asset security customary for this type of asset financing transaction. Further, K-Sure agreed to provide an export credit insurance cover and KEXIM provided K-Sure III Financing KEXIM Guarantees, in each case for a certain part of the tranches under the K-Sure III Financing.

## VIII. Events of Default

The total commitments may be immediately cancelled and the utilizations and all other amounts outstanding under the K-Sure III Financing may be accelerated (in whole or in part) by the agent in case an event of default has occurred which is continuing. The events of default include a Cross Default and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction and borrower structure.

### *Fleet Refinancing 2012*

#### I. General

Hapag-Lloyd AG has entered into a term loan agreement consisting of a US\$160,000,000 senior tranche and a US\$129,000,000 junior tranche originally dated December 20, 2012 with, amongst others, Hapag-Lloyd AG as borrower and HSH Nordbank AG as lender relating to the refinancing of MV Colombo Express, MV Chicago Express, MV Ningbo Express (fka Hong Kong Express), MV Kyoto Express and MV Berlin Express (as amended from time to time, the “**Fleet Refinancing 2012**”).

#### II. Repayment / maturity

The loan under the senior tranche of the Fleet Refinancing 2012 is to be repaid by twenty-eight consecutive quarterly installments since March 20, 2013, with the final installment being due at final maturity for the senior tranche, being December 20, 2019. The loan under the junior tranche is to be repaid by thirty-two consecutive quarterly installments since March 20, 2013 with the last installment being due at final maturity for the junior tranche, being December 21, 2020.

As of September 30, 2016, loans in a total principal amount of US\$154.90 million were outstanding under the Fleet Refinancing 2012 and a blended fixed interest rate of 5.008% per annum was payable on the outstanding loans.

### III. Interest and fees

Under the Fleet Refinancing 2012, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus certain fixed margins applicable to the respective tranches plus mandatory costs.

Hapag-Lloyd AG is required to pay customary fees under and in connection with the Fleet Financing 2012.

### IV. Mandatory Prepayments

Under the Fleet Refinancing 2012, Hapag-Lloyd AG is required to prepay loans under the junior and senior tranche (pro rata) in an amount being the higher of (i) the net proceeds (including sales and insurance proceeds) received in connection with a sale, or as the case may be, total loss of that vessel and (ii) the amount required to be prepaid to maintain the required loan to value ratio (as described under “—Loan to Value Ratio” below).

Upon the occurrence of a defined change of control (substantially as described under “Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” above), Hapag-Lloyd AG may request the lender(s) to, and the lenders shall then, enter into good faith negotiations for a period of up to 30 days after notification of the lenders of the change of control by Hapag-Lloyd AG with a view to agreeing on the continuation of the lenders in the relevant loan. To the extent no such agreement has been reached between Hapag-Lloyd AG and the lender(s), Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the last day of the negotiation period (whichever date is earlier). If no negotiations are requested within five business days following the notification of the lender(s) of the occurrence of a change of control, Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the notification of the lender(s) of such change of control by Hapag-Lloyd AG (whichever date is earlier).

Prepayments must also be made upon the occurrence of illegality.

### V. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG at any time from and after September 30, 2014 that the ratio of the aggregate amount of the loan outstanding under the senior tranche on the most recent appraisal date and the market value of certain vessels on that appraisal date plus the net realizable value of an additional security provided exceeds 60%, Hapag-Lloyd AG shall make a prepayment of such part of the loan as will be required to reduce the excess to zero into an interest bearing escrow account pledged to the lenders. On the date falling six months after the agent having notified Hapag-Lloyd AG of the breach of the loan to value ratio, the market value of the vessels shall again be tested and the loan to value ratio shall be re-calculated. In the event that the maximum loan to value ratio continues to be exceeded, such part of the funds standing to the escrow account as required to reinstate the maximum loan to value ratio shall be applied towards prepayment of the loan under the senior and any excess funds, provided that no event of default has occurred and is continuing, are to be released to Hapag-Lloyd AG.

The lenders may in their free discretion accept (i) either additional security or (ii) additional cash security in place of payments to the escrow account subject to certain application, release and repayment mechanisms.

### VI. Undertakings and Financial Covenants

The Fleet Refinancing 2012 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Fleet Refinancing 2012 and restrictions on reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of



US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon the occurrence of completion of the UASC Business Combination.

In addition the lending parties under the Fleet Refinancing 2012 benefit from the Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants” above.

## VII. Security

All obligations under the Fleet Refinancing 2012 are secured by (including but not limited to) mortgages over the vessels refinanced by the Fleet Refinancing 2012 and assignments of rights and claims with respect to the vessels.

## VIII. Events of Default

The loans under Fleet Refinancing 2012 may be immediately cancelled and the Fleet Refinancing 2012 may be terminated with immediate effect and immediate payment of all or part of the amounts may be demanded by the lenders in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Fleet Refinancing 2012 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

### *Quartet Financing (also known as Fleet Financing 2013)*

#### I. General

Hapag-Lloyd AG has entered into a US\$165,000,000 term loan facility agreement dated August 2, 2013 (including as last amended in accordance with the terms of a consent request letter dated March 26, 2014 with effect from December 2, 2014) between, amongst others, Hapag-Lloyd AG as borrower and Crédit Agricole Corporate and Investment Bank, KfW IPEX-Bank GmbH, Landesbank Hessen-Thüringen Girozentrale and UniCredit Bank AG as arrangers and original lenders, Crédit Agricole Corporate and Investment Bank, KfW IPEX-Bank GmbH and UniCredit Bank AG as bookrunners, UniCredit Luxembourg S.A. as agent, UniCredit Bank AG as documentation agent and KfW IPEX-Bank GmbH as security agent relating to the (re)financing of a portfolio of four (4) container vessels (“MV Hanover Express”, “MV Kuala Lumpur Express”, “MV Osaka Express” and “MV Tsingtao Express”) (as amended from time to time, the “**Quartet Financing**”).

The Quartet Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Quartet Amendment Effective Date**”).

#### II. Repayment / maturity

The loan is to be repaid by twenty seven (27) consecutive quarterly installments, beginning on November 2, 2013 and one final balloon installment on the final maturity date, being July 31, 2020.

As of September 30, 2016, a loan in a total principal amount of US\$85 million was outstanding under the Quartet Financing and a blended fixed interest rate of 4.009% per annum was payable on the outstanding loans.

#### III. Undertakings and Financial Covenants

The Quartet Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Quartet Financing and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, including,

without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Quartet Amendment Effective Date.

In addition the lending parties under the Quartet Financing benefit from the Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants” above, however with the modification that the benefit relates to any financial covenant concluded in any other financing prior to or after the date of the Quartet Financing.

#### IV. Interest and fees

Under the Quartet Financing, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) fixed margin plus (iii) mandatory costs of the lenders.

Customary fees are payable in connection with the Quartet Financing, including agency fees and security agency fees.

#### V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loan (in inverse order of maturity), *inter alia*, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the net proceeds of the sale.

In addition the loans (together with all other amounts accrued) under the Quartet Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

Prepayments must also be made upon the occurrence of illegality.

#### VI. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG after December 15, 2014 that the ratio of (i) the aggregate amount of the loan outstanding on the most recent appraisal date (minus amounts of deductible cash security and amounts standing to the credit of escrow accounts) to (ii) the market value of the (re)financed vessels on that appraisal date plus the net realizable value of any additional security provided exceeds (iii) at any time from December 15, 2014 until June 30, 2015, 70% and (iv) at any time on or after July 1, 2015, 65%, Hapag-Lloyd AG shall make a prepayment of such part of the loan as will be required to reduce the excess to zero, unless it either provides additional security, additional cash security or deductible cash security in accordance with the relevant terms of the Quartet Financing, in each case in an amount (or with a net realizable value equal to an amount) required to reduce the excess to zero. Additional security (i) (if in cash) may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at any time (or, in the case of deductible cash security, will be so applied within twelve months of initial provision) and (ii) will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the loan to value ratio is below the applicable maximum loan to value ratio.

#### VII. Security

All obligations under the Quartet Financing are secured by (including but not limited to) mortgages over the vessels financed by the Quartet Financing and assignments of rights and claims with respect to the vessels.

#### VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Quartet Financing may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Quartet Financing or any

related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more (it being noted that a Cross-Default Basket Increase will be effected subject to the occurrence of the Quartet Amendment Effective Date) and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

### *HSH Vessel Financings*

#### I. General

By a US\$46,710,000 term loan facility agreement originally dated June 22, 2006 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Chacabuco Shipping Limited) with HSH Nordbank AG as lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Chacabuco” (as amended from time to time, the “**Chacabuco Vessel Financing**”). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Chacabuco Shipping Limited under the Chacabuco Vessel Financing (the “**HLAG Chacabuco Guarantee**”). Subsequently, upon effectiveness of the merger between CSAV Germany Container GmbH and Hapag-Lloyd AG as surviving entity (the “**HLAG CC Co Merger**”) on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH’s position as borrower under the Chacabuco Vessel Financing.

By a US\$37,665,000 term loan facility agreement originally dated May 25, 2005 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Limari Shipping Limited) with HSH Nordbank AG as lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Limari” (as amended from time to time, the “**Limari Vessel Financing**”). With closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Limari Shipping Limited under the Limari Vessel Financing (the “**HLAG Limari Guarantee**”). Subsequently, (i) upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH’s position as borrower under the Limari Vessel Financing and (ii) on November 17, 2015, the initial borrower Limari Shipping Limited has been released as borrower from its obligations under the Limari Vessel Financing following transfer of legal title in the vessel to Hapag-Lloyd AG and a change of the vessel’s flag to German flag.

By a US\$37,665,000 term loan facility agreement originally dated May 2, 2006 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Longavi Shipping Limited) with HSH Nordbank AG as lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Longavi” (as amended from time to time, the “**Longavi Vessel Financing**”). With closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Longavi Shipping Limited under the Longavi Vessel Financing (the “**HLAG Longavi Guarantee**”). Subsequently, (i) upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG will assume CSAV Germany Container GmbH’s position as borrower under the Longavi Vessel Financing and (ii) on November 17, 2015 the initial borrower Longavi Shipping Limited has been released as borrower from its obligations under the Longavi Vessel Financing following transfer of legal title in the vessel to Hapag-Lloyd AG and a change of the vessel’s flag to German flag.

By a US\$62,055,000 term loan facility agreement originally dated December 11, 2006 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Palena Shipping Limited) with HSH Nordbank AG and Bremer Landesbank Kreditanstalt Oldenburg-Girozentrale as lenders, the lenders have agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Palena” (as amended from time to time, the “**Palena Vessel Financing**”) together with the Chacabuco Vessel Financing, the Limari Vessel Financing and the Longavi Vessel Financing, the “**HSH Vessel**

**Financings**”). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Palena Shipping Limited under the Palena Vessel Financing (the “**HLAG Palena Guarantee**”, together with the HLAG Chacabuco Guarantee, the HLAG Limari Guarantee and the HLAG Longavi Guarantee, the “**HLAG HSH Financing Guarantees**”). Subsequently, upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH’s position as borrower under the Palena Vessel Financing.

## II. Repayment / maturity

Each relevant tranche under the HSH Vessel Financings is to be repaid in twenty-four consecutive semi-annual installments; the first installment in each case being due and payable six months after the utilization date for the relevant tranche.

The final maturity dates of the HSH Vessel Financings are (i) July 7, 2018 in respect of the Chacabuco Vessel Financing, (ii) May 28, 2017 in respect of the Limari Vessel Financing, (iii) May 10, 2018 in respect of the Longavi Vessel Financing and (iv) December 16, 2018 in respect of the Palena Vessel Financing.

As of September 30, 2016, loans in an aggregate principal amount of US\$30.13 million outstanding under the HSH Vessel Financings and a blended fixed interest rate of 3.444% per annum was payable on the outstanding loans.

## III. Undertakings and financial covenants

Each of the HSH Vessel Financings contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants, negative pledge in relation to assets subject to transaction security in connection with the HSH Vessel Financing and general undertakings in each case customary for an asset financing facility of this nature, including restrictive covenants specifically addressed only to the existing borrowers as customary for loans to single special purpose ship companies (including, without limitation, restrictions on financial indebtedness, changes to shareholdings, disposals) and restrictions on reorganization measures, in each case subject to agreed exceptions.

The financial covenants are tested on Hapag-Lloyd AG’s level substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

In addition the lending parties under the HSH Vessel Financings benefit from the Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants” above.

## IV. Interest and fees

Under the HSH Vessel Financings, interest will be payable to the relevant lenders at a rate per annum equal to the aggregate of LIBOR plus the relevant applicable fixed margin.

Customary fees are required to be paid under and in connection with the HSH Vessel Financings.

## V. Mandatory Prepayments

Each of the HSH Vessel Financings includes mandatory prepayment events customary for an asset financing facility of this nature, including, without limitation, mandatory prepayments of the loans outstanding under the relevant tranche on a total loss of a vessel (no later than the date falling 90 days after the date the total loss occurred).

In addition, each of the HSH Vessel Financings includes mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

## VI. Security Cover

If the agent or, as applicable, the lender notifies the borrower that the value of the relevant vessel is at any time less than 111% (minimum security cover ratio) of the aggregate amount of the relevant loan outstanding under the relevant HSH Vessel Financing, the relevant borrower shall either furnish the Lenders with such additional security in the lenders' sole discretion for the purpose of remedying such deficiency in security or prepay to the lenders (together with interest accrued thereon and any costs arising through such prepayment being made otherwise than at the end of the applicable interest period) such part of the loan or pay into an interest-bearing escrow account an amount as shall be necessary to re-establish the applicable minimum security cover ratio (*i.e.* reduce the shortfall to zero). On the date falling six months after the agent, or as applicable, the relevant lender having notified the relevant borrower of the breach of the security cover ratio, the market value of the vessels shall again be tested and the security cover ratio shall be re-calculated. In the event that the security cover ratio continues to fall short of the relevant applicable minimum security cover ratio, such part of the funds standing to the escrow account as required to reinstate the required minimum security cover ratio (and further amounts so required (if any)) shall be applied towards prepayment of the relevant loans. Any excess funds, provided that no event of default has occurred and is continuing, are to be released to the relevant borrower. The lenders may in their free discretion accept (i) either additional security or (ii) additional cash security in place of payments to the escrow account subject to certain application, release and repayment mechanisms.

## VII. Security

All obligations under the HSH Vessel Financings are secured by asset security customary for this type of asset financing transactions.

## VIII. Events of Default

All amounts outstanding under the HSH Vessel Financings become immediately due and payable and any obligation of the relevant lenders to make available the relevant loans shall cease in case an event of default has occurred. The events of default include a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transactions and borrower structure.

## IX. HLAG HSH Guarantees

Upon the occurrence of the closing of the CCS Activities Business Combination, Hapag-Lloyd AG entered into HLAG HSH Financing Guarantees, which include certain covenants of Hapag-Lloyd AG, including without limitation, compliance with financial covenants substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above and certain information undertakings as to the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries.

### *DVB Vessel Financing*

#### I. General

By a US\$90,000,000 credit facility originally dated June 7, 2012, as amended and restated from time to time, including as last amended by an amendment request letter dated August 10, 2015 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrowers), DVB Bank America N.V. as security agent, agent and lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessels m.v.s “Tolten” and “Tirua” (the “**DVB Vessel Financing**”). The Korea Trade Insurance Corporation, Korea (“**K-Sure**”) provided an export credit insurance cover for part of the DVB Vessel Financing. Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH acceded to the DVB Vessel Financing as a guarantor on December 2, 2014. Subsequently, upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH's position as borrower under the DVB Vessel Financing.



## II. Repayment / maturity

Each loan under the DVB Vessel Financing is to be repaid by forty-eight equal consecutive quarterly installments. The DVB Vessel Financing terminates in respect of each tranche on the earlier of twelve years falling after delivery of the relevant ship or August 31, 2024, whereupon all other sums accrued and owed under the DVB Vessel Financing will become due and payable.

As of September 30, 2016, loans in a total principal amount of US\$59.06 million were outstanding under the DVB Vessel Financing and a blended fixed interest rate of 3.254% per annum was payable on the outstanding loans.

## III. Undertakings and Financial Covenants

The DVB Vessel Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants, negative pledge in relation to assets subject to transaction security in connection with the DVB Vessel Financing and general undertakings in each case customary for an asset financing facility of this nature, including restrictive covenants specifically addressed only to the existing borrowers as customary for loans to single special purpose ship companies (including, without limitation, restrictions on financial indebtedness, changes to share capital, disposals) and restrictions on reorganization measures, in each case subject to agreed exceptions.

The financial covenants are tested on Hapag-Lloyd AG's level substantially as described under "—K-Sure I Financing—Undertakings and Financial Covenants" above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under "—K-Sure II Financing—Undertakings and Financial Covenants" above.

## IV. Interest and fees

Under the DVB Vessel Financing, the borrowers are required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus a fixed margin plus mandatory costs. Customary fees are payable in connection with the DVB Vessel Financing, including agency fees and prepayment fees on the amount prepaid depending on the relevant time the prepayment is made.

## V. Mandatory Prepayments

The DVB Financing includes mandatory prepayment events customary for a K-Sure policy backed asset financing facility of this nature, including, without limitation, mandatory prepayments of the relevant tranche on (i) a total loss (upon the earlier of the date falling 90 days after the date the total loss occurred or the date of receipt by the security agent of the relevant insurance proceeds) or (ii) a sale of a vessel (on the date of the completion of the sale) or (iii) termination of the K-Sure policy (on the date falling no later than 30 days after any finance party receives notice of such termination).

In addition, the DVB Vessel Financing includes mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under "—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayment" below, with the exception that in the event that no negotiations are requested, the borrowers may must repay the loans owing to all Requesting Lenders on the later of (i) the last day of the interest period that is current on the fifth business day after the Notification Date for the relevant loan and (ii) the date falling 30 days after the Notification Date.

## VI. Security Cover

If at any time the market value of a vessel subject to a mortgage plus the net realizable value of any additional security previously provided under the DVB Vessel Financing falls below 135% of the loan, the borrowers shall promptly upon request of any of the agents either (i) prepay such part of that loan in an amount equal to the shortfall or (ii) provide, or ensure that additional security including without limitation, cash collateral deposited on an account pledged to the security agent and the lenders) which has a net realizable value at least equal to the shortfall. Any such additional security is to be released promptly at the request of the borrower if, on the next testing date, following the provision of such additional security a valuation evidences that the security cover ratio (not taking into

account any additional security then released) is at least 135% of the aggregate of the tranches relating to that vessel.

## VII. Security

All obligations under the DVB Vessel Financing are secured by asset security customary for this type of asset financing transaction, including, in addition thereto (and without limitation), account pledges over certain accounts opened in connection with the DVB Vessel Financing and pledges over the shares in the existing borrowers. Further, K-Sure agreed to provide an export credit insurance cover for part of the facilities under the DVB Vessel Financing.

## VIII. Events of Default

The total commitments may be immediately cancelled and the utilizations and all other amounts outstanding under the DVB Vessel Financing may be accelerated (in whole or in part) by the agent in case an event of default has occurred which is continuing. The events of default include a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction and borrower structure.

### *BNPP 1 Vessel Financing*

#### I. General

By a US\$437,500,000 credit facility originally dated April 29, 2008, as amended and restated from time to time, including as last amended by a supplemental agreement dated September 19, 2014 for First CSAV Ships Germany GmbH as a new joint and several borrower and joint and several guarantor (in each case together with the existing borrowers), BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders, the lenders agreed to make available to the borrowers secured term loan facilities for the purposes of (directly or indirectly) financing (i) certain pre-delivery payments to the builder for constructing and delivering the vessels (“*pre-delivery loans*”), (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans (“*post-delivery loans*”), (iii) partial payment of installments of principal due under the post-delivery facility (post-delivery mismatch loans”) in respect of the container vessels m.v.s “Teno”, “Tubul”, “Tempanos”, “Torrente” and “Tucapel” (the “**BNPP 1 Vessel Financing**”). The Export Import Bank of Korea, National Agricultural Cooperative Federation and Calyon provided refund guarantees in respect of the vessels (“**Refund Guarantees**”). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new indirect shareholder of First CSAV Ships Germany GmbH acceded to the BNPP 1 Financing as a guarantor on December 2, 2014 and entered into a separate guarantee agreement dated December 2, 2014 in respect of the payment obligations of the borrowers under the BNPP 1 Vessel Financing (the “**HLAG BNPP 1 Guarantee**”). Subsequently, as a result of the effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG became the direct shareholder of First CSAV Ships Germany GmbH.

#### II. Repayment / maturity

Each loan under the BNPP 1 Vessel Financing is to be repaid in such amounts and on such dates as set out in the relevant repayment schedule attached to the BNPP 1 Vessel Financing Agreement and as updated and replaced in accordance with the requests of the agent from time to time.

The BNPP 1 Vessel Financing terminates in respect of each post-delivery loan and the relevant post-delivery mismatch loan on the date of twelve years falling after delivery of the relevant ship, whereupon all other sums accrued and owed under the BNPP 1 Vessel Financing will become due and payable.

As of September 30, 2016, loans in a total principal amount of US\$197.644 million were outstanding under the BNPP 1 Vessel Financing and a blended fixed interest rate of 4.699% per annum was payable on the outstanding loans.

#### III. Undertakings and Financial Covenants

The BNPP 1 Vessel Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to

insurance, ship covenants, negative pledge in relation to assets subject to transaction security in connection with the BNPP 1 Vessel Financing and general undertakings in each case customary for an asset financing facility of this nature, including restrictive covenants specifically addressed only to the existing borrowers and First CSAV Ships Germany GmbH as customary for loans to single special purpose ship companies (including, without limitation, restrictions on financial indebtedness, changes to ownership, disposals) and restrictions on reorganization measures, in each case subject to agreed exceptions.

The financial covenants are tested on Hapag-Lloyd AG's level and are substantially as described under "—K-Sure I Financing—Undertakings and Financial Covenants" above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under "—K-Sure II Financing—Undertakings and Financial Covenants" above.

#### IV. Interest and fees

Under the BNPP 1 Vessel Financing, the borrowers are required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus certain fixed margins applicable to the relevant loans. Customary fees are payable in connection with the BNPP 1 Vessel Financing, including agency fees.

#### V. Mandatory Prepayments

The BNPP 1 Vessel Financing includes mandatory prepayment events customary for an asset financing facility of this nature, including, without limitation, mandatory prepayments of the loans outstanding under the relevant tranche on (i) a total loss of a vessel (upon the earlier of the date falling 180 days after the date the total loss occurred or the date of receipt by the security agent of the relevant insurance proceeds) or (ii) a sale of a vessel (on or before the date of the completion of the sale) or (iii) termination of a time charter (on the date which falls 3 business days after such termination unless within such three business days a new time charter or another permitted charter has been entered into).

The BNPP 1 Vessel Financing includes a mandatory prepayment of a certain lender's participation in the loans in the event that it becomes unlawful for a lender to perform any of its obligations or to fund or maintain its participation in any loan due to a violation of sanctions applicable to the relevant borrower on the last day of the term for each such loan occurring after the relevant commitments of such lender have been cancelled or, if earlier, the date specified by such lender (being no earlier than the later of the date on which date lender's commitments have been cancelled and the last day of any applicable grace period permitted by law).

In addition, the BNPP 1 Vessel Financing includes mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under "—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayment" below.

#### VI. Security Cover

If at any time the market value of a vessel falls below an amount constituting 130% of the loan in respect of that vessel, the borrowers shall within 30 days of notice the facility agents either (i) prepay such part of that loan in an amount equal to the shortfall or (ii) provide, or ensure that additional security including, without limitation, deposits, letters of credit or other guarantees such that the 130% threshold is again met. Any such additional security is to be released promptly at the request of the borrower if, following the provision of such additional security, two valuations have been delivered to the facility agent stating that the ratio of the market value of that vessel plus the net realizable value of additional security previously provided (but not taking into account any additional security then released) is at least 130% of the loan in respect of that vessel.

#### VII. Security

All obligations under the BNPP 1 Vessel Financing are secured by asset security customary for this type of asset financing transaction, including, in addition thereto (and without limitation),

assignment of the Refund Guarantees, account pledges over certain accounts opened in connection with the BNPP 1 Vessel Financing and pledges over the shares in the existing borrowers and First CSAV Ships Germany GmbH.

#### VIII. Events of Default

The total commitments may be immediately cancelled and the utilizations and all other amounts outstanding under the BNPP 1 Vessel may be accelerated (in whole or in part) by the facility agent in case an event of default has occurred which is continuing. The events of default include a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction and borrower structure.

##### *BNPP 2 Vessel Financing*

#### I. General

By a US\$119,770,000 credit facility originally dated April 29, 2008, as amended and restated from time to time, including as last amended by a supplemental agreement dated September 25, 2014 for Second CSAV Ships Germany GmbH as a new joint and several borrower and joint and several guarantor (in each case together with the existing borrowers), BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders, the lenders agreed to make available to the borrowers secured term loan facilities for the purposes of (directly or indirectly) financing (i) certain pre-delivery payments to the builder for constructing and delivering the vessels (“*pre-delivery loans*”) and (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans (“*post-delivery loans*”) in respect of the container vessel “Maipo” (the “**BNPP 2 Vessel Financing**”). Calyon, Taipei branch provided refund guarantees in respect of the vessel (“**Refund Guarantees**”). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new indirect shareholder of Second CSAV Ships Germany GmbH acceded to the BNPP 2 Financing as a guarantor on December 2, 2014 and entered into a separate guarantee agreement dated December 2, 2014 in respect of the payment obligations of the borrowers under the BNPP 2 Vessel Financing (the “**HLAG BNPP 2 Guarantee**”). Subsequently, as a result of the effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG became the direct shareholder of Second CSAV Ships Germany GmbH.

#### II. Repayment / maturity

Each loan under the BNPP 2 Vessel Financing is to be repaid in such amounts and on such dates as set out in the relevant repayment schedule attached to the BNPP 2 Vessel Financing Agreement and as updated and replaced in accordance with the requests of the agent from time to time.

The BNPP 2 Vessel Financing terminates in respect of each post-delivery loan on the date of 10 years falling after delivery of the vessel, whereupon all other sums accrued and owed under the BNPP 1 Vessel Financing will become due and payable.

As of September 30, 2016, loans in a total principal amount of US\$24.67 million were outstanding under the BNPP 2 Vessel Financing and a blended fixed interest rate of 4.749% per annum was payable on the outstanding loans.

#### III. Undertakings and Financial Covenants

The BNPP 2 Vessel Financing contains certain information undertakings, general undertakings and specific undertakings, financial covenants and Most Favored Nation Position substantially as described under “—BNPP 1 Vessel Financing—Undertakings and Financial Covenants” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

#### IV. Interest and fees

Under the BNPP 2 Vessel Financing, the borrowers are required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus a fixed margin. Customary fees are payable in connection with the BNPP 2 Vessel Financing, including agency fees.

## V. Mandatory Prepayments

The BNPP 2 Vessel Financing includes mandatory prepayment events in all respects substantially as described under “—BNPP 1 Vessel Financing—Mandatory Prepayments” above.

## VI. Security Cover

The BNPP 2 Vessel Financing includes a security coverage covenants and remedy concept in all respects substantially as described under “—BNPP 1 Vessel Financing—Security Cover” above.

## VII. Security

All obligations under the BNPP 2 Vessel Financing are secured by asset security customary for this type of asset financing transaction, including, in addition thereto (and without limitation), assignment of the Refund Guarantees, account pledges over certain accounts opened in connection with the BNPP 2 Vessel Financing and pledges over the shares in the existing borrowers and Second CSAV Ships Germany GmbH.

## VIII. Events of Default

The BNPP 2 Vessel Financing includes events of default provisions in all respects substantially as described under “—BNPP 1 Vessel Financing—Events of Default” above.

### *ABN Amro Fleet Financing*

#### I. General

Hapag-Lloyd AG has entered into a US\$396,000,000 term loan facility agreement dated December 1, 2016 between, amongst others, Hapag-Lloyd AG as borrower and obligor, Third CSAV Ships Germany GmbH as disponent owner, Hull 2082 Co. Ltd, Hull 2083 Co. Ltd, Hull 2084 Co. Ltd, Hull 2085 Co. Ltd, Hull 2086 Co. Ltd, Hull 2087 Co. Ltd and Hull 2088 Co. Ltd as guarantors and obligors, ABN Amro Bank N.V as initial mandated lead arranger and bookrunner, mandated lead arranger, original lender, agent and security agent and BNP Paribas, Citigroup Global Market Limited, Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW Ipex-Bank GmbH and Unicredit AG as mandated lead arrangers and BNP Paribas, Citigroup North America, Inc., Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW Ipex-Bank GmbH and Unicredit AG as original lenders and UniCredit Bank AG as documentation agent relating to the refinancing of the Santander Vessel Financing in respect of the vessels “MV Copiapo”, “MV Cautin”, “MV Cochrane”, “MV Cauquenes”, “MV Corcovado”, “MV Cisnes” and “MV Coyhaique” (as amended from time to time, the “**ABN Amro Fleet Financing**”).

#### II. Repayment / maturity

The loans under the ABN Amro Fleet Financing are to be repaid by 31 equal consecutive quarterly installments, calculated on basis of a repayment profile of 8 years and a balloon instalment in the amount of the outstanding loans on the termination date. The first repayment instalment shall be repaid on 15 May 2017 and the subsequent on the subsequent termination dates.

As of December 20, 2016, a total principal amount of US\$ 396 million was outstanding under the ABN Amro Fleet Financing and a blended fixed interest rate of 3.69 % per annum was payable on the outstanding loans

#### III. Undertakings and Financial Covenants

The ABN Amro Fleet Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, vessel covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the finances vessels, related earning and any other assets being subject of any security provided in connection with the ABN Amro Fleet Financing and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.



In addition the lending parties benefit from the Most Favored Nation Position substantially as described under “—*K-Sure II Financing—Undertakings and Financial Covenants*” above.

#### IV. Interest and fees

Under the ABN Amro Fleet Financing, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin and (iii) mandatory costs.

Customary fees are payable in connection with the ABN Amro Fleet Financing, including commitment fees, participation fees and agency fees.

#### V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loans (in inverse order of maturity), *inter alia*, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the loan for that ship and, as the case may be, an additional prepayment depending on valuations to be provided.

In addition the loans (together with all other amounts accrued) under the ABN Amro Fleet Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, substantially as described under “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

Prepayments must also be made upon the occurrence of illegality.

#### VI. Security Cover

If at any time the market value of a vessel plus the net realizable value of any additional security previously provided under the ABN Amro Fleet Financing falls below 125% of the aggregate of the tranches applicable to that vessel, the borrowers shall promptly upon request of any of the agents either (i) prepay such part of the relevant tranches in an amount equal to the shortfall or (ii) provide, or ensure that additional security including without limitation, cash collateral deposited on an account pledged to the security agent and the lenders) which has a net realizable value at least equal to the shortfall. Any such additional security is to be released promptly at the request of the borrower if, on the next testing date, following the provision of such additional security a valuation evidences that the security cover ratio (not taking into account any additional security then released) is at least 125% of the aggregate of the loan relating to that vessel.

#### VII. Security

All obligations under the ABN Amro Fleet Financing are secured by (including but not limited to) mortgages over the vessels financed/refinanced by the ABN Amro Financing and assignments of rights and claims with respect to the vessels and insurances.

#### VIII. Events of Default

The total commitments may be immediately cancelled and the utilizations and all other amounts outstanding under the ABN Amro Fleet Financing may be accelerated (in whole or in part) by the agent (for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the ABN Amro Fleet Financing or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

#### *Fleet Financing 2015*

##### I. General

Hapag-Lloyd AG has entered into a US\$115,000,000 term loan facility agreement dated December, 16, 2015 between, amongst others, Hapag-Lloyd AG as borrower and obligor and CSBC

HULL 900 Limited as obligor and DVB Bank SE and Bank of America Merrill Lynch International Limited as arrangers and lenders and DVB Bank SE as agent and security agent relating to the refinancing of the four container vessels “MV Bremen Express”, “MV Dalian Express”, “MV Mehuin” and “MV Yantian Express” (as amended from time to time, the “**Fleet Financing 2015**”).

The Fleet Financing 2015 Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Fleet Financing 2015 Amendment Effective Date**”).

## II. Repayment / maturity

The loan is to be repaid by twenty eight (28) consecutive quarterly installments, beginning on April 15, 2016 and one final balloon installment on the final maturity date, being January 15, 2023.

As of September 30, 2016, a loan in a total principal amount of US\$96.69 million was outstanding under the Fleet Financing 2015 and a blended fixed interest rate of 2.980% per annum was payable on the outstanding loans.

## III. Undertakings and Financial Covenants

The Fleet Financing 2015 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Fleet Financing 2015 and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Fleet Financing 2015 Amendment Effective Date.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants” above, however with the modification that the benefit relates to any financial covenant concluded in any other financing after the date of the Fleet Financing 2015.

## IV. Interest and fees

Under the Fleet Financing 2015, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) fixed margin.

Customary fees are payable in connection with the Fleet Financing 2015, including agency fees and security agency fees.

## V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loan (in inverse order of maturity), *inter alia*, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the net proceeds of the sale.

In addition the loans (together with all other amounts accrued) under the Fleet Financing 2015 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

Prepayments must also be made upon the occurrence of illegality.

## VI. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG any time from and including the utilization date that the aggregate of (i) the amount of all loans outstanding on the most recent appraisal date, minus (ii) the amount of any prepayment amounts previously provided and standing to the credit of a designated deposit account and minus (iii) the aggregate amount of the loan outstanding on the most recent appraisal date as a percentage of the aggregate of the market values of the (re)financed vessels on that appraisal date (excluding amounts of prepayments previously made) on that appraisal date 66% at the utilization date and 80% at any time thereafter, Hapag-Lloyd AG shall make a prepayment of such part of the loan as will be required to reduce the excess to zero, unless it deposits the relevant prepayment amount on a designated deposit account in accordance with the relevant terms of the Fleet Financing 2015. Such cash deposit may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at the end of the relevant interest period or, provided that the relevant required prepayment amount does not exceed 50% of the loan at the relevant time, (i) Hapag-Lloyd AG may instruct the agent to apply such amount towards prepayment at any time but at the latest within twelve months of such amount having been credited to the deposit account or (ii) such amount will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the loan to value ratio is below the applicable maximum loan to value ratio.

## VII. Security

All obligations under the Fleet Financing 2015 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Finance 2015 and assignments of rights and claims with respect to the vessels.

## VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Fleet Financing 2015 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Fleet Financing 2015 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

### *Fleet Financing 2016*

#### I. General

Hapag-Lloyd AG has entered into a US\$57,400,000 term loan facility agreement dated April 8, 2016 between, amongst others, Hapag-Lloyd AG as obligor and CSAV Austral SpA as borrower and obligor and ABN AMRO Bank N.V. as agent, security agent, arranger and lender relating to the financing of part of the purchase price for two container vessels “MV San Antonio Express” and “MV Antofagasta Express” (as amended from time to time, the “**Fleet Financing 2016**”).

The Fleet Financing 2016 Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Fleet Financing 2016 Amendment Effective Date**”).

#### II. Repayment / maturity

The loan is to be repaid by twenty eight (28) consecutive quarterly installments, beginning on July 15, 2016 and one final balloon installment on the final maturity date, being April 15, 2023.

As of September 30, 2016, a loan in a total principal amount of US\$55.84 million was outstanding under the Fleet Financing 2016 and a blended fixed interest rate of 3.535% per annum was payable on the outstanding loans.

#### III. Undertakings and Financial Covenants

The Fleet Financing 2016 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance,

ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Fleet Financing 2016 and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Fleet Financing 2016 Amendment Effective Date.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants” above, however with the modification that the benefit relates to any financial covenant concluded in any other financing after the date of the Fleet Financing 2016.

#### IV. Interest and fees

Under the Fleet Financing 2016, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) fixed margin.

Customary fees are payable in connection with the Fleet Financing 2016, including agency fees and security agency fees.

#### V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loan (in inverse order of maturity), *inter alia*, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the net proceeds of the sale.

In addition the loans (together with all other amounts accrued) under the Fleet Financing 2016 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

Prepayments must also be made upon the occurrence of illegality.

#### VI. Security Cover

If the agent notifies the borrower that the aggregate market value of the relevant vessel plus the net realizable value of any additional security previously provided to recover the minimum security cover ratio is at any time less than 120% (minimum security cover ratio) of the aggregate amount of the relevant loan outstanding under the Fleet Financing 2016 minus the amount of deductible cash security previously provided, the borrower shall either prepay (together with interest accrued thereon and any costs arising through such prepayment being made otherwise than at the end of the applicable interest period) such part of the loan or pay into an interest-bearing escrow account an amount as shall be necessary to re-establish the applicable minimum security cover ratio (*i.e.* reduce the shortfall to zero). Such deductible cash security remain in place during the term of the Fleet Financing 2016 or applied towards prepayment or released to the borrower once the minimum security cover recovered, in each case in accordance with the terms of the Fleet Financing 2016.

#### VII. Security

All obligations under the Fleet Financing 2016 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Financing 2016 and assignments of rights and claims with respect to the vessels.

#### VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Fleet Financing 2016 may be accelerated (in whole or in part) by the lenders (or the agent for

the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Fleet Financing 2016 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

### *Container Finance 2011*

#### I. General

Hapag-Lloyd AG has entered into a US\$150,000,000 term loan agreement originally dated August 9, 2011 relating to the (re)financing of a portfolio of new containers, existing standard containers and existing reefer containers between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container Ltd. as legal owner of the containers and ING Bank N.V. as agent and lender and DVB Bank S.E. as security agent and lender (as amended from time to time, the “**Container Finance 2011**”).

The Container Finance 2011 will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Container Finance 2011 Amendment Effective Date**”).

Legal ownership of the containers has been transferred from, amongst others, Hapag-Lloyd AG to Hapag-Lloyd Container Ltd. in accordance with certain trust agreements, which have also been entered into for the benefit of the finance parties.

#### II. Repayment / maturity

The loans under the Container Finance 2011 are to be repaid by twenty-eight consecutive quarterly installments (including a balloon payment) since the date falling three months after the last day of the availability period and the last (as a balloon payment) at the end of the term, being September 28, 2018 the latest.

As of September 30, 2016, loans in a total principal amount of US\$55.56 million were outstanding under the Container Finance 2011 and a blended fixed interest rate of 3.853% per annum was payable on the outstanding loans.

#### III. Undertakings and Financial Covenants

The Container Finance 2011 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed containers, related leases and any other assets being subject of any security provided in connection with Container Finance 2011, restrictions on disposals of (re)financed containers and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants, which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Container Finance 2011 Amendment Effective Date.

In addition the lending parties under the Container Finance 2011 benefit from a Most Favored Nation Position as described under “—K-Sure II Financing—Undertakings and Financial Covenants”.

#### IV. Interest and fees

Under the Container Finance 2011, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin, plus (iii) mandatory costs of the lenders.



Customary fees are payable in connection with the Container Finance 2011, including agency fees and security agency fees.

#### V. Mandatory Prepayments

If the ratio of the outstanding net loan (as determined in accordance with the Container Finance 2011) to the aggregate depreciated value of the relevant containers (as set out in a spreadsheet attached to the Container Finance 2011) in any calendar year exceeds (pursuant to any relevant asset base certificate to be delivered quarterly under the Container Finance 2011) the respective percentage stipulated for that calendar year in the Container Finance 2011 (ranging from 65.75% (for the calendar year 2014) to 34.54% (for the calendar year 2018), Hapag-Lloyd AG must (in inverse order of maturity) prepay the loans in an amount as is required in order to reduce such excess to zero.

In addition the loans (together with all other amounts accrued) under the Container Finance 2011 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

Prepayments must also be made upon the occurrence of illegality.

#### VI. Security

All obligations under the Container Finance 2011 are secured by (including but not limited to) mortgages over the containers (re)financed by the Container Finance 2011 and assignments of rights and claims with respect to the containers as well as shares mortgages over the shares in Hapag-Lloyd Containers Limited, being the legal owner of the containers.

#### VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Container Finance 2011 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Container Finance 2011 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more (it being noted that a Cross-Default Basket Increase will be effected subject to the occurrence of the Container Finance 2011 Amendment Effective Date) and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

### *Container Finance 2012*

#### I. General

Hapag-Lloyd AG has entered into a US\$165,000,000 loan agreement originally dated June 22, 2012 relating to the (re)financing of a portfolio of new containers and certain existing containers between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container (No. 2) Ltd. as legal owner of the containers and ING Bank N.V. as agent, security agent and lender and ABN AMRO Bank N.V. as lender (as amended from time to time, the “**Container Finance 2012**”).

The Container Finance 2012 will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Container Finance 2012 Amendment Effective Date**”).

Legal ownership of the containers has been transferred from, amongst others, Hapag-Lloyd AG to Hapag-Lloyd Container (No. 2) Ltd. in accordance with certain trust agreements, which have also been entered to the benefit of the finance parties.

#### II. Repayment / maturity

The loans under the Container Finance 2012 are to be repaid by twenty-four consecutive quarterly installments (including a balloon payment) since the date falling three months after the last day of the availability period and the last (as a balloon payment) at the end of the term, being September 27, 2019 the latest.

As of September 30, 2016, loans in a total principal amount of US\$95.56 million were outstanding under the Container Finance 2012 and a blended fixed interest rate of 5.104% per annum was payable on the outstanding loans.

### III. Undertakings and Financial Covenants

The Container Finance 2012 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed containers, related leases and any other assets being subject of any security provided in connection with Container Finance 2012, restrictions on disposals of financed containers and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above including, without limitation, the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Container Finance 2012 Amendment Effective Date.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants” above.

### IV. Interest and fees

Under the Container Finance 2012, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin, plus (iii) mandatory costs of the lenders.

### V. Mandatory Prepayments

If the ratio of the outstanding net loan (as determined in accordance with the Container Finance 2012) to the aggregate depreciated value of the relevant containers (as set out in a spreadsheet attached to the Container Finance 2012) in any calendar year exceeds (pursuant to any relevant asset base certificate to be delivered quarterly under the Container Finance 2012) the respective percentage stipulated for that calendar year in the Container Finance 2012 (being 72.41% (for the calendar year 2014) to 40.72% (for the calendar year 2019)), Hapag-Lloyd AG must (in inverse order of maturity) prepay the loans in an amount as is required in order to reduce such excess to zero.

In addition the loans (together with all other amounts accrued) under the Container Finance 2012 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below.

Prepayments must also be made upon the occurrence of illegality.

### VI. Security

All obligations under the Container Finance 2012 are secured by (including but not limited to) mortgages over the containers (re)financed by the Container Finance 2012 and assignments of rights and claims with respect to the containers as well as shares mortgages over the shares in Hapag-Lloyd Containers (No. 2) Limited, being the legal owner of the containers.

### VII. Events of Default

The total commitments may be cancelled and the utilizations and other amounts outstanding under the Container Finance 2012 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Container Finance 2012 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of

€25,000,000 or more (it being noted that a Cross-Default Basket Increase will be effected subject to the occurrence of the Container Finance 2012 Amendment Effective Date) and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

#### *Montreal and Toronto Vessel Financing (formerly finance leases)*

##### I. General

For the purposes of the financing of the purchase prices in connection with the buyback of, amongst others, the vessels MV Montréal Express, MV Toronto Express and MV Wellington Express (the latter has been taken out of the financing in June 2015 due to a sale of the vessel) out of the relevant former finance leases at the termination of the relevant lease agreements in relation to these vessels, Hapag-Lloyd AG has entered into an initially US\$33,468,750.17 and US\$33,468,750.17 and US\$16,093,923.59 term loan agreement originally dated February 21, 2012 with, amongst others, Hapag-Lloyd AG as borrower, and HSH Nordbank AG as lender. These buybacks (and, thus, utilizations of the loans) have been scheduled for September 2014 (in respect of the MV Wellington Express, which was subsequently sold and the corresponding financing was repaid in full in June 2015) and September 2015 (in respect of the MV Montréal Express and the MV Toronto Express) (as amended from time to time), the “**Montréal and Toronto Vessel Financing**”).

##### II. Repayment / maturity

Each loan under the Montréal and Toronto Vessel Financing is to be repaid in twenty consecutive quarterly installments; the first installment of the relevant senior loan being due and payable three months after the utilization date for the relevant loan and the last at the end of the term of the relevant loan, being September 20, 2020.

As of September 30, 2016, loans in a total principal amount of US\$54.89 million were outstanding under the Montréal and Toronto Vessel Financing and a blended fixed interest rate of 3.607% per annum was payable on the outstanding loans.

##### III. Interest and fees

Under the Montréal and Toronto Vessel Financing, interest will be payable to the lenders at a rate per annum equal to the aggregate of LIBOR plus a fixed margin plus mandatory costs. Hapag-Lloyd AG is required to pay customary fees under and in connection with the Montréal and Toronto Vessel Financing.

##### IV. Mandatory Prepayments

Under the Montréal and Toronto Vessel Financing, Hapag-Lloyd AG is required to prepay the relevant loan allocated to that vessel, *inter alia*, if (i) the vessel becomes a total loss or (ii) the relevant vessel is sold.

Upon the occurrence of a defined change of control (substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below), Hapag-Lloyd AG may request the lender to, and the lenders shall then, enter into good faith negotiations for a period of up to 30 days after notification of the lenders of the change of control by Hapag-Lloyd AG with a view to agreeing on the continuation of the lenders in the relevant loan. To the extent no such agreement has been reached between Hapag-Lloyd AG and the lender, Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the last day of the negotiation period (whichever date is earlier). If no negotiations are requested within five business days following the notification of the lender of the occurrence of a change of control, Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the notification of the lender of such change of control by Hapag-Lloyd AG (whichever date is earlier).

Prepayments must also be made upon the occurrence of illegality.

##### V. Loan to Value Ratio

If the lender notifies Hapag-Lloyd AG at any time from and after December 31, 2017 that the ratio of the aggregate amount of the loans outstanding on the most recent appraisal date minus the amount of

any deductible cash security and minus any amount standing to the credit of the escrow account and the market value of the vessels on that appraisal date plus the net realizable value of any additional security provided exceeds 80%, Hapag-Lloyd AG must make a prepayment of the relevant loan as will be required to reduce the excess to zero, unless it either provides additional security, additional cash security or deductible cash security in accordance with the relevant terms of the Montréal and Toronto Vessel Financing in each case in an amount (or with a net realizable value equal to an amount) required to reduce the excess to zero. Additional security (i) (if in cash) may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at any time (or, in the case of deductible cash security, will be so applied within twelve months of initial provision) and (ii) will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the loan to value ratio is below or at the applicable maximum loan to value ratio.

## VI. Undertakings and Financial Covenants

The Montréal and Toronto Vessel Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Montréal and Toronto Vessel Financing and restrictions on reorganization measures, in each case subject to agreed exceptions. In addition the lending parties under the Montréal and Toronto Vessel Financing benefit from a Most Favored Nation Position substantially as described under “—K-Sure II Financing—Undertakings and Financial Covenants”.

Our financial condition is monitored by financial covenants which are in all respects substantially as described under “—K-Sure I Financing—Undertakings and Financial Covenants” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

## VII. Security

All obligations under the Montréal and Toronto Vessel Financing are secured by (including but not limited to) mortgages over the respective vessels refinanced by the Montréal and Toronto Vessel Financing and assignments of rights and claims with respect to the vessels.

## VIII. Events of Default

The loans under the Montréal and Toronto Vessel Financing may be immediately cancelled and the Montréal and Toronto Vessel Financing may be terminated with immediate effect and immediate payment of all or part of the amounts may be demanded by the lender in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Montréal and Toronto Vessel Financing or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

### *Finance Leases*

#### *Intermodal Container Lease IV*

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated September 21, 2007 with Intermodal Capital Deutschland GmbH as buyer in relation to the sale and transfer of title to certain marine container units at a purchase price in an aggregate amount of US\$22,675,447.57 (as amended from time to time, the “**Intermodal IV Purchase and Sale Agreement**”). Pursuant to the containers operating lease agreement originally dated September 21, 2007, between Intermodal Capital Deutschland GmbH as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Intermodal IV Purchase and Sale Agreement back on an “as is, where is” basis with no condition, warranty or representation of any kind of the lessor (as

amended from time to time, the “**Intermodal Container Lease IV**”). The Intermodal Container Lease provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, a corresponding liability for finance lease in an amount of US\$6.4 million was outstanding under the Intermodal Container Lease IV.

*Purchase and extension option* Hapag-Lloyd AG has made use of its right to extend the Intermodal Container Lease IV and to purchase all of the container units upon the expiration date, *i.e.* September 23, 2015 by irrevocable written notice to the lessor dated June 24, 2015. The term of the Intermodal Container Lease IV has been extended to March 23, 2017 on which date the purchase option price of US\$5,222,155.58 is payable to the lessor.

*Rental payments.* Until the extension date (*i.e.* March 23, 2017), Hapag-Lloyd AG is required to make certain rental payments to the Lessor. The rental payments are payable quarterly in arrears. For the month of September 2016, the relevant rent will sum up to US\$611,634.

*Undertakings.* The Intermodal Container Lease IV provides for certain information undertakings (including the provision of financial information of Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset operate lease agreement of this nature.

*Events of Default.* The lessor may, subject to applicable cure periods, terminate the Intermodal Container Lease IV in the case an event of default has occurred. The events of default include non-payment of any amount due and payable pursuant to the terms of the Intermodal Container Lease IV or any related document, breach of any other obligation (including non-compliance with information undertakings) as well as other events of default customary for this type of leasing transaction.

#### *Intermodal Container Lease V*

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated December 17, 2007 with Intermodal Capital Deutschland GmbH as buyer in relation to the sale and transfer of title to certain marine container units at a purchase price in an aggregate amount of US\$24,846,500.00 (as amended from time to time, the “**Intermodal V Purchase and Sale Agreement**”). Pursuant to the containers operating lease agreement originally dated December 17, 2007, between Intermodal Capital Deutschland GmbH as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Intermodal V Purchase and Sale Agreement back on an “as is, where is” basis with no condition, warranty or representation of any kind of the lessor (as amended from time to time, the “**Intermodal Container Lease V**”). The Intermodal Container Lease provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, a corresponding liability for finance lease in an amount of US\$7.650 million was outstanding under the Intermodal Container Lease V.

*Purchase and extension option.* Hapag-Lloyd AG has made use of its right to extend the Intermodal Container Lease V and to purchase all of the container units upon the expiration date by irrevocable written notice to the lessor dated June 24, 2015. The term of the Intermodal Container Lease V has been extended to June 28, 2017 on which date the purchase option price of US\$5,722,148.95 is payable to the lessor.

*Rental payments.* Until the extension date (*i.e.* June 28, 2017), Hapag-Lloyd AG is required to make certain rental payments to the Lessor. The rental payments are payable quarterly in arrears. For the month of September, 2016, the relevant rent will sum up to US\$679,705.

*Undertakings.* The Intermodal Container Lease V provides for certain information undertakings (including the provision of financial information of Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset operate lease agreement of this nature.

*Events of Default.* The lessor may, subject to applicable cure periods, terminate the Intermodal Container Lease V in the case an event of default has occurred. The events of default include non-payment of any amount due and payable pursuant to the terms of the Intermodal Container Lease V or any related document, breach of any other obligation (including non-compliance with information undertakings) as well as other events of default customary for this type of leasing transaction.



### *Seaco Container Finance Leases*

On December 20, 2013, Hapag-Lloyd AG as lessee entered into a lease agreement dated December 15, 2013 with Seaco Global Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$15,500,000 (as amended from time to time, the “**Seaco Container Finance Lease 114112**”). The Seaco Container Finance Lease 114112 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

On December 20, 2013, Hapag-Lloyd AG as lessee entered into a lease agreement dated December 15, 2013 with Seaco Global Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$17,700,000 (as amended from time to time, the “**Seaco Container Finance Lease 114113**”). The Seaco Container Finance Lease 114113 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

On May 25, 2016, Hapag-Lloyd AG as lessee entered into a lease agreement dated December 16, 2008 with Seaco Global Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$10,174,902 (as amended from time to time, the “**Seaco Container Finance Lease 104707**” and, together with the Seaco Container Finance Lease 114112 and the Seaco Container Finance Lease 114113, the “**Seaco Container Finance Leases**”). The Seaco Container Finance Lease 104707 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, corresponding liabilities for finance lease in an amount of US\$28.258 million were outstanding under the Seaco Container Finance Leases.

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of September, 2016 the aggregate amount of all rent will under the Seaco Container Finance Leases sum up to US\$540,682.

*Expiry Date.* The Seaco Container Finance Lease 114112 expires on December 31, 2022. The Seaco Container Finance Lease 114113 expires on December 31, 2025. The Seaco Container Finance Lease 104707 expires on December 31, 2020.

### *Textainer Finance Lease 2013*

On December 23, 2013, Hapag-Lloyd AG as lessee entered into a lease schedule number NEUR0268 (which is retroactively effective as of December 1, 2013) (as amended from time to time, the “**Textainer Schedule**”) to an agreement on general terms and conditions originally dated January 1, 1997 with Textainer Equipment Management Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$8,677,053 (as amended from time to time, the “**Textainer Finance Lease Agreement 2013**”). The Textainer Finance Lease Agreement provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, a corresponding liability for finance lease in an amount of US\$7.057 million was outstanding.

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated rate per container unit. For the month of September, 2016 the relevant rent will sum up to US\$98,376.

### *TAL Container Finance Leases*

Hapag-Lloyd AG as lessee entered into a lease addendum dated December 1, 2013 (as amended from time to time, the “**Lease Addendum December**”) to a master lease agreement originally dated July 1, 2000 with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$59.49 million (as amended from time to time, the “**TAL Container Finance Lease December 2013**”). The TAL Container Finance Lease December 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, a corresponding liability for finance lease in an amount of US\$47.025 million were outstanding under the TAL Container Finance Lease December 2013.

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of September, 2016 the relevant amount of rent under the TAL Container Finance Lease December 2013 is US\$677,082.

*Expiry Date and Purchase Obligation.* The TAL Container Finance Lease December 2013 expires on January 31, 2024.

Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

*Undertakings .* The TAL Container Finance Lease December 2013 contains certain undertakings customary for this type of transaction.

*Security.* Hapag-Lloyd AG as debtor agreed to grant security interests to TAL International Container Corporation in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

#### I. TAL Container Finance Lease July 2013

On July 23, 2013, Hapag-Lloyd AG as lessee entered into a lease addendum no. 2 dated July 8, 2013 (as amended from time to time, the “**Lease Addendum No. 2**”) to a master lease agreement originally dated July 1, 2000 with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$60,756,500.00 (as amended from time to time, the “**TAL Container Finance Lease July 2013**”). In this context Hapag-Lloyd AG as assignor and TAL International Container Corporation as assignee entered on July 23, 2013 into a purchase order assignment agreement dated July 8, 2013 whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation and TAL International Container Corporation assumed all of Hapag-Lloyd AG’s right, title and interest to the purchase order of the relevant marine containers, including without limitation the right to take title to such marine containers and be named as purchaser in the invoices to be delivered by the manufacturer of the said marine containers. The TAL Container Finance Lease July 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, corresponding liabilities for finance lease in an aggregate amount US\$40.535 million were outstanding under the TAL Container Finance Lease July 2013.

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of September, 2016 the relevant amount of rent under the TAL Container Finance Lease July 2013 is US\$777,150.

*Expiry Date and Purchase Obligation.* The TAL Container Finance Lease July 2013 expires on August 31, 2021.

Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

*Undertakings .* The TAL Container Finance Lease July 2013 contains certain undertakings customary for this type of transaction.

*Security.* Hapag-Lloyd AG as debtor agreed to grant security interests to TAL International Container Corporation in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

#### II. TAL Container Finance Lease September 2013

Hapag-Lloyd AG as lessee entered into a lease addendum dated September 20, 2013 (as amended from time to time, the “**Lease Addendum September**”) to a master lease agreement originally dated July 1, 2000 with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$58,300,000 (as amended from time to time, the “**TAL Container Finance Lease September 2013**”). In this context Hapag-Lloyd AG as assignor and TAL International Container

Corporation as assignee entered into a purchase order assignment agreement dated September 20, 2013 whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation and TAL International Container Corporation assumed all of Hapag-Lloyd AG's right, title and interest to the purchase order of the relevant marine containers, including without limitation the right to take title to such marine containers and be named as purchaser in the invoices to be delivered by the manufacturer of the said marine containers. The TAL Container Finance Lease September 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, corresponding liabilities for finance lease in an aggregate amount US\$41.624 million were outstanding under the TAL Container Finance Lease September 2013.

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of September, 2016 the aggregate amount of rent under all the TAL Container Finance Lease September 2013 is US\$772,350.

*Expiry Date and Purchase Obligation.* The TAL Container Finance Lease September 2013 expires on December 31, 2021.

Hapag-Lloyd AG agreed to purchase the leased equipment on an "as is where is" basis on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

*Undertakings.* The TAL Container Finance Lease September 2013 contains certain undertakings customary for this type of transaction.

*Security.* Hapag-Lloyd AG as debtor agreed to grant security interests to TAL International Container Corporation in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

#### *SeaCube Container Finance Lease 2013*

On June 21, 2013, Hapag-Lloyd AG as lessee entered into a lease addendum (as amended from time to time, the "**Lease Addendum**") to an agreement on general terms and conditions originally dated September 2, 1997 with SeaCube Containers LLC as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$68,179,750 (as amended from time to time, the "**SeaCube Container Finance Lease 2013**"). In this context Hapag-Lloyd AG as seller and SeaCube Containers LLC as purchaser entered on June 21, 2013 into a container sale and purchase agreement whereupon Hapag-Lloyd AG sold to SeaCube Containers LLC and to SeaCube Containers LLC purchased the relevant marine containers on an "as is where is" basis for a total purchase price in an amount of US\$68,179,750. The SeaCube Container Finance Lease 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, corresponding liabilities for finance lease in an aggregate amount of US\$50.998 million were outstanding under the SeaCube Container Finance Lease 2013.

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of September, 2016 the relevant rent will sum up to US\$731,453.

*Expiry Date and Purchase Obligation.* The SeaCube Container Finance Lease 2013 expires on July 30, 2021 at the latest. Hapag-Lloyd AG agreed to purchase the leased equipment on an "as is where is" basis on the relevant applicable expiry date for a certain leased group of marine containers and to pay to the lessor an aggregate purchase price of US\$17,044,937.50.

*Undertakings.* The SeaCube Finance Lease 2013 contains certain undertakings customary for this type of transaction.

*Security.* Pursuant to the Lease Addendum Hapag-Lloyd AG as debtor agreed to grant security interests to SeaCube Containers LLC in and to the relevant container units.

#### *Dong Fang Container Finance Lease 2014*

Hapag-Lloyd AG as lessee entered into a lease addendum dated January 10, 2014 (as amended from time to time, the "**Dong Fang Lease Addendum**") to an agreement on general terms and conditions originally dated January 10, 2014 with Dong Fang International Asset Management Limited

as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$19,800,000 (as amended from time to time, the “**Dong Fang Container Finance Lease 2014**”). In this context Hapag-Lloyd AG as assignor and Dong Fang International Asset Management Limited as assignee entered on January 10, 2014 into a purchase order assignment agreement whereupon Hapag-Lloyd AG assigned to Dong Fang International Asset Management Limited its purchase order in respect of certain marine containers entered in on November 22, 2013 between China International Marine Containers (Group) Ltd. as seller and Hapag-Lloyd AG as purchaser. The Dong Fang Container Finance Lease 2014 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, corresponding liabilities for finance lease in an aggregate amount US\$14.165 million were outstanding under the Dong Fang Container Finance Lease 2014

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated rate per container unit. For the month of September, 2016 the relevant rent will sum up to US\$252,747.

*Expiry Date and Purchase Obligation.* The Dong Fang Lease Addendum expires on January 31, 2022 at the latest. Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the relevant applicable on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

*Undertakings.* The Dong Fang Container Finance Lease 2014 contains certain undertakings customary for this type of transaction.

#### *Textainer Finance Leases 2015*

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated February 1, 2015 with TW CONTAINER LEASING, LTD as buyer in relation to the sale and transfer of title to certain marine container units with a purchase price of US\$16,450,000.00 (as amended from time to time, the “**Textainer Tranche 1 Purchase and Sale Agreement**”). Pursuant to schedule NEUR0305 to the Textainer Tranche 1 Purchase and Sale Agreement, a containers lease agreement dated February 1, 2015 based on the general terms and conditions originally dated January 1, 1997 between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Textainer Tranche 1 Purchase and Sale Agreement back on an “as is, where is” basis with no condition or representation of the lessor, except for the warrant to not interrupt the quite use, possession and enjoyment of the containers by the lessee for so long as no event of default has occurred (as amended from time to time, the “**Textainer Tranche 1 Finance Lease 2015**”). The Textainer Tranche 1 Finance Lease 2015 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated March 1, 2015 with TW CONTAINER LEASING, LTD as buyer in relation to the sale and transfer of title to certain marine container units with a purchase price of US\$6,975,000.00 (as amended from time to time, the “**Textainer Tranche 2 Purchase and Sale Agreement**”). Pursuant to schedule NEUL0306 to the Textainer Tranche 2 Purchase and Sale Agreement, a containers lease agreement dated March 1, 2015 based on the general terms and conditions originally dated January 1, 1997 between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Textainer Tranche 2 Purchase and Sale Agreement back on an “as is, where is” basis with no condition or representation of the lessor, except for the warrant to not interrupt the quite use, possession and enjoyment of the containers by the lessee for so long as no event of default has occurred (as amended from time to time, the “**Textainer Tranche 2 Finance Lease 2015**”). The Textainer Tranche 2 Finance Lease 2015 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated May 7, 2015 with TW CONTAINER LEASING, LTD as buyer in relation to the sale and transfer of title to certain marine container units with a purchase price of US\$24,721,000.00 (as amended from time to time, the “**Textainer Tranche 3 Purchase and Sale Agreement**”). Pursuant to schedule NEUL0307 to the Textainer Tranche 3 Purchase and Sale Agreement, a containers lease agreement dated May 7, 2015

based on the general terms and conditions originally dated January 1, 1997 between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Textainer Tranche 3 Purchase and Sale Agreement back on an “as is, where is” basis with no condition or representation of the lessor, except for the warrant to not interrupt the quiet use, possession and enjoyment of the containers by the lessee for so long as no event of default has occurred (as amended from time to time, the “**Textainer Tranche 3 Finance Lease 2015**” and, together with the Textainer Tranche 1 Finance Lease 2015 and the Textainer Tranche 2 Finance Lease 2015, the “**Textainer Finance Leases 2015**”). The Textainer Tranche 3 Finance Lease 2015 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of September 30, 2016, corresponding liabilities for finance lease in an aggregate amount US\$40.359 million were outstanding under the Textainer Finance Leases 2015.

*Rent.* The rent is payable on a monthly basis and is dependent on a US\$ denominated rate per container unit. For the month of September, 2016 the aggregate amount of rent under all Textainer Finance Leases will sum up to US\$596,083.

*Undertakings.* The Textainer Finance Leases 2015 provide for certain information undertakings (including the provision of financial information of Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance covenants and general covenants in each case customary for an asset lease agreement of this nature.

*Events of default.* The lessor may terminate the Textainer Finance Leases 2015 in the case an event of default has occurred. The events of default include occurrence of a material adverse change in the financial condition of the lessee and other events of default customary for this type of leasing transaction.

*Security.* Pursuant to the relevant Textainer Finance Lease 2015, Hapag-Lloyd AG has assigned its receivables pertaining to the relevant containers to the lessor to secure its obligations under such Textainer Finance Lease 2015.

#### *Japanese Operating Leases*

##### I. General

Hapag-Lloyd AG entered into several equipment purchase agreements in the period of time from 2013 to 2016 with CLIP No. 74 Co., Ltd, CLIP No. 73 Co., Ltd, CLIP No. 71 Co., Ltd, CLIP No. 93 Co., Ltd, CLIP No. 94 Co., Ltd, CLIP No. 84 Co., Ltd, CLIP No. 85 Co., Ltd, CLIP No. 78 Co., Ltd, CLIP No. 79 Co., Ltd, CLIP No. 98 Co., Ltd, CLIP No. 112 Co., Ltd, CLIP No. 122 Co., Ltd, as purchasers in relation to the sales and transfers of title to certain container units at purchase prices in an aggregate amount of US\$326.7 million (as amended from time to time, being referred together as the “**Equipment Purchase Agreements**”).

Pursuant to related equipment operating lease agreements, between the relevant purchasers as lessors and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the relevant Equipment Purchase Agreement back on an “as is, where is” basis with no condition, warranty or representation of any kind of the lessor (as amended from time to time, the “**JOL Agreements**”).

##### II. Maturity / rental payments

Until the relevant termination date (being January 30, 2017, January 30, 2018, September 28, 2017, September 28, 2018, July 18, 2021, August 20, 2021, September 26, 2021, October 23, 2022 and April 12, 2023 as applicable, as the case may be, unless, in each case, an early termination event occurred), Hapag-Lloyd AG is required to make certain rental payments to the lessees. The rental payments are in each case paid on a quarterly basis.

As of September 30, 2016, an aggregate amount of US\$255.54 million was outstanding under all JOL Agreements.



### III. Purchase option

Hapag-Lloyd AG has the right to purchase all of the container units upon the applicable termination date by irrevocable written notice to the lessor for a purchase price equal to the value at termination stipulated in the relevant JOL Agreement. The aggregate amount of all purchase prices in case of a regular termination is US\$136.1 million plus all rent and other amounts then due and payable.

### IV. Undertakings and Financial Covenants

The JOL Agreements contain certain information undertakings (including the provision of financial information of Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset operate lease agreement of this nature, including certain restrictive covenants such as a negative pledge in relation to the containers and monitoring equipment and restrictions on disposals of the containers and monitoring equipment, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under “Liabilities to Banks—K-Sure I Financing—Undertakings and Financial Covenants” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

### V. Events of Default

The lessor may terminate the JOL Agreements in the case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the JOL Agreements or any related document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to any financial indebtedness or commitment for financial indebtedness in an amount of €25,000,000 (set forth in the JOL Agreements concluded in the years 2013 and 2014) or, as applicable, €40,000,000 (set forth in the JOL Agreements concluded in the years 2015 and 2016) or, in each case, more, the occurrence of a specified change of control (substantially as described under “—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments” below) and occurrence of a Material Adverse Effect (substantially as defined under “—Liquidity Lines—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of leasing transaction.

### VI. Security

Hapag-Lloyd AG entered into several security assignment agreements of receivables pertaining to the relevant containers with the lessor as assignee to secure our obligations under the relevant JOL Agreement.

#### *3-Vessel Finance Lease Contracts*

Hapag-Lloyd AG has entered into vessel lease agreements which initially consisted of four vessel finance leases. After having cancelled the lease agreement in respect of the container vessel named “Canberra Express” lease agreement consists of the following three container vessels leases:

#### I. Dublin Express Lease Agreement

Lease agreement in respect of container vessel “Dublin Express”, originally dated December 20, 2006 between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor (as amended from time to time, the “**Dublin Express Lease Agreement**”). Rent is payable quarterly in arrears, with a rent of US\$1,210,409.33 as per June 30, 2015. The lease was originally expected to terminate on December 20, 2018, subject to the option of Hapag-Lloyd AG to exercise an early termination right and a purchase option in relation to the leased vessel. On February 21, 2012 (with retroactive economic effect as of January 1, 2012) Hapag-Lloyd AG waived (i) its early termination right and (ii) the purchase option of the vessel. In this context, Hapag-Lloyd AG and the lessor have agreed on an extension of the lease term until December 20, 2019 and further agreed on December 20, 2013 on certain down payments by Hapag-Lloyd AG to the lessor on (i) December 20, 2013 in an amount of US\$4,804,861.65 and (ii) December 20, 2014 in an amount of US\$4,788,709.77. Pursuant to a memorandum of agreement dated February 21, 2012, Hapag-Lloyd AG and the lessor agreed with retroactive economic effect as of January 1, 2012 that Hapag-Lloyd AG will purchase the vessel at the

termination of the Dublin Express Lease Agreement at a certain specified purchase price (depending on the actual date of the termination of the Dublin Express Lease Agreement). The expected final installment for the vessel as per December 20, 2019 amounts to US\$2,713,602.20.

As of September 30, 2016, a corresponding liability for finance lease in an amount of US\$18.588 million was outstanding.

## II. Glasgow Express Lease Agreement

Lease agreement in respect of container vessel “Glasgow Express” originally dated December 20, 2006 between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor (as amended from time to time, the “**Glasgow Express Lease Agreement**”). Rent is payable quarterly in arrears, with a rent of US\$1,210,409.33 as per June 30, 2015. The lease was originally expected to terminate on December 20, 2018, subject to the option of Hapag-Lloyd AG to exercise an early termination right and a purchase option in relation to the leased vessel. On February 21, 2012 (with retroactive economic effect as of January 1, 2012) Hapag-Lloyd AG waived (i) its early termination right and (ii) the purchase option of the vessel. In this context, Hapag-Lloyd AG and the lessor have agreed on an extension of the lease term until December 20, 2019 and further agreed on December 20, 2013 on certain down-payments by Hapag-Lloyd AG to the lessor on (i) December 20, 2013 in an amount of US\$4,804,861.85 and (ii) December 20, 2014 in an amount of US\$4,788,709.77. Pursuant to a memorandum of agreement dated February 21, 2012, Hapag-Lloyd AG and the lessor agreed with retroactive economic effect as of January 1, 2012 that Hapag-Lloyd AG will purchase the vessel at the termination of the Glasgow Express Lease Agreement at a certain specified purchase price (depending on the actual date of the termination of the Glasgow Express Lease Agreement). The expected final installment for the vessel as per December 20, 2019 amounts to US\$2,713,602.20.

As of September 30, 2016, a corresponding liability for finance lease in an amount of US\$18.588 million was outstanding.

## III. Liverpool Express Lease Agreement

Lease agreement in respect of container vessel “Liverpool Express”, originally dated December 20, 2006 between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor (as amended from time to time, the “**Liverpool Express Lease Agreement**”). Rent is payable quarterly in arrears, with a rent of US\$1,210,409.33 as per June 30, 2015. The lease was originally expected to terminate on December 20, 2018, subject to the option of Hapag-Lloyd AG to exercise an early termination right and a purchase option in relation to the leased vessel. On February 21, 2012 (with retroactive economic effect as of January 1, 2012) Hapag-Lloyd AG waived (i) its early termination right and (ii) the purchase option of the vessel. In this context, Hapag-Lloyd AG and the lessor have agreed on an extension of the lease term until December 20, 2019 and further agreed on December 20, 2013 on certain down payments by Hapag-Lloyd AG to the lessor on (i) December 20, 2013 in an amount of US\$4,804,861.85 and (ii) December 20, 2014 in an amount of US\$4,788,709.77. Pursuant to a memorandum of agreement dated February 21, 2012, Hapag-Lloyd AG and the lessor agreed with retroactive economic effect as of January 1, 2012 that Hapag-Lloyd AG will purchase the vessel at the termination of the Liverpool Express Lease Agreement at a certain specified purchase price (depending on the actual date of the termination of the Liverpool Express Lease Agreement). The expected final installment for the vessel as per December 20, 2019 amounts to US\$2,713,602.20.

As of September 30, 2016, a corresponding liability for finance lease in an amount of US\$18.588 million was outstanding.

## *Liquidity Lines*

### *Secured Revolving Credit Facility*

#### I. General

By an originally US\$360,000,000 (reduced to US\$95,000,000 and subsequently, upon the effectiveness of the last amendment, increased to US\$200,000,000) secured revolving facility agreement originally dated October 1, 2010 for Hapag-Lloyd AG as borrower with, amongst others, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank GmbH, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG as

mandated lead arrangers and UniCredit Luxembourg S.A. as agent and security agent. certain banks and financial institutions (including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank GmbH, M.M. Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG) as lenders have agreed to make available to Hapag-Lloyd AG a secured revolving credit facility in the total amount of up to US\$200,000,000 for general corporate purposes, except for certain defined purposes (as amended from time to time, the “**Secured Revolving Credit Facility**”).

The Secured Revolving Credit Facility will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**SRCF Amendment Effective Date**”).

## II. Repayment / maturity / clean down

Loans under the Secured Revolving Credit Facility must (subject to rollover) be repaid on the last day of the interest period of the relevant loan.

Hapag-Lloyd AG shall ensure that for a period of not less than five successive business days in each of its financial years, no loans shall be outstanding. Not less than three months shall elapse between two such periods.

All loans and other amounts outstanding under the Secured Revolving Credit Facility shall be repaid in full on the applicable final maturity date.

The initial final maturity of the Secured Revolving Credit Facility is October 1, 2018. Hapag-Lloyd AG may request an extension of the final maturity date for an additional one or two years, provided that only revolving commitments of lenders agreeing to such extension will be extended.

The Secured Revolving Credit Facility is available for utilization until one month prior to the applicable final maturity date.

As of September 30, 2016, loans in an aggregate principal amount of US\$125 million were outstanding under the Secured Revolving Credit Facility and a blended fixed interest rate of 4.658% per annum was payable on the outstanding loans.

## III. Undertakings and Financial Covenants

The Secured Revolving Credit Facility contains certain information undertakings (including the provision of financial information and other information regarding Hapag-Lloyd AG’s and its subsidiaries’ financial condition), financial covenants and restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in the business sector of Hapag-Lloyd AG, including restrictions on financial indebtedness, guarantees, loans out, disposals, acquisitions, joint ventures, payments to shareholders and reorganization measures as well as a negative pledge (*i.e.*, restrictions on the granting and subsistence of security), in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which require us to ensure that (on the level of Hapag-Lloyd AG and its respective subsidiaries): (i) our equity shall not be less than the higher of (A) €2.75 billion and (B) 30% of the total assets (*Bilanzsumme*) shown in the consolidated financial statements of Hapag-Lloyd AG for the financial quarter ending on that testing date on each testing date and (ii) minimum liquidity in an amount of at least US\$300,000,000 is maintained at all times. Subject to the occurrence of the SRCF Amendment Effective Date the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

The financial covenants will be at all times tested as of the last day of each financial quarter of Hapag-Lloyd AG.

The Secured Revolving Credit Facility generally, subject to certain exemptions, permits payments to direct or indirect shareholders of Hapag-Lloyd AG only if (i) no default under the Secured Revolving Credit Facility has occurred and is continuing or would result from the payment and (ii) following the payment, a minimum net liquidity of the Group (cash and cash equivalent investments, net of any drawings under the Secured Revolving Credit Facility outstanding at the time

of payment) is at least equal to the Minimum Liquidity Amount. The “Minimum Liquidity Amount” is at least equal to US\$300,000,000 (it being noted that such “Minimum Liquidity Amount” will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the SRCF Amendment Effective Date).

#### IV. Interest Rates and Fees

The interest rate on each loan under the Secured Revolving Credit Facility for each interest period is the percentage rate per annum equal to the aggregate of (i) the applicable margin, (ii) LIBOR (for loans denominated in U.S. dollars) or EURIBOR (for loans denominated in euro) and (iii) any mandatory costs.

Customary fees are payable in connection with the Secured Revolving Credit Facility, including commitment fees, utilization fees, agency fees and security agency fees.

#### V. Security and guarantees

The Secured Revolving Credit Facility is secured by first and second ranking pledges of Hapag-Lloyd AG’s shares in CTA. Hapag-Lloyd AG granted a guarantee for its obligations as borrower under the Secured Revolving Credit Facility.

#### VI. Mandatory Prepayments

*Change of Control Mandatory Prepayment.* Upon the occurrence of a defined change of control event or the sale of all or substantially all of the assets of Hapag-Lloyd AG and its subsidiaries, each lender shall have the right, within a period of 15 days following notification by the agent of the occurrence of a change of control (the last day of such period the “**Notification Date**”), to demand prepayment of its participation in the Secured Revolving Credit Facility and cancellation of its commitments. Other than to the extent an agreement is reached between Hapag-Lloyd AG and a lender who requests (a “**Requesting Lender**”) the repayment of its participation in all outstanding loan and cancellation of its commitments during an up to 30 days negotiation period, Hapag-Lloyd AG must (on the earlier of (i) the last day of the then current interest period and (ii) the date falling 15 days after the last day of the negotiation period) prepay the respective participation of each relevant Requesting Lender, together with accrued interest and all other respective amounts accrued under the Secured Revolving Credit Facility and relating finance documents, and the commitment of the relevant Requesting Lender will be cancelled. If no negotiations are requested within 10 business days after the Notification Date, Hapag-Lloyd AG must repay the participation in all outstanding loans together with accrued interests and all other respective amounts under the SRCF and relating finance documents owing to all Requesting Lenders on the earlier of (i) the last day of the then current interest period and (ii) the date falling 15 days after such notification, and the commitments of all Requesting Lenders will be cancelled.

At any time after the flotation of Hapag-Lloyd AG’s shares on a regulated market in November 2015, a change of control will be deemed to occur if:

(i) the Initial Investors and TUI and the Anchor Investors (in aggregate) cease to hold (directly or indirectly) more than 25% of the voting share capital in Hapag-Lloyd AG;

(ii) the Anchor Investors (in aggregate) hold, directly or indirectly, a higher percentage of the voting rights in Hapag-Lloyd AG than

(A) the Initial Investors; and

(B) TUI and/or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI, in aggregate;

and/or

(iii) any person or group of persons acting in concert (within the meaning of Section 2 para. 5 of the German Takeover Code (WpÜG)) (other than TUI and/or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI and/or any of the Initial Investors and/or any of the Anchor Investors) hold, directly or indirectly, a higher percentage of the voting rights in Hapag-Lloyd AG than

(A) the Initial Investors; and

(B) TUI and/or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI; and

(C) the Anchor Investors

in aggregate.

A change of control will also occur (whether or not a flotation occurs) if any of Kühne Maritime GmbH, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH or Compañía Sud Americana de Vapores S.A. (“CSAV”) individually (but in each case together with any of its Affiliates) holding (directly or indirectly) 50% or more of the voting rights in Hapag-Lloyd AG.

Anchor Investor is any person or group of persons holding, directly or indirectly, voting rights in Hapag-Lloyd AG who has/have entered into a voting pooling agreement and/or any similar arrangement with regard to its shareholding (including its/their voting rights) in Hapag-Lloyd AG with (i) any of the Initial Investors; and/or (ii) TUI or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI.

Initial Investors are each and any of (i) Kühne Maritime GmbH, (ii) HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, (iii) IDUNA Vereinigte Lebensversicherung auf Gegenseitigkeit für Handwerk, Handel und Gewerbe, (iv) HSH Nordbank AG, (v) HanseMercur Krankenversicherung AG, (vi) HanseMercur Lebensversicherung AG and the M.M. Warburg & CO. Gruppe (GmbH & Co) KGaA, (viii) Compañía Sud Americana de Vapores S.A and (ix) in each case any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by any Initial Investor referred to under (i) to (viii) (each inclusive) above.

Prepayments must also be made upon the occurrence of illegality.

No amounts so prepaid may be re-borrowed.

The Secured Revolving Credit Facility Agreement does not contain sweeps of asset disposal proceeds, insurance proceeds, debt issue proceeds, equity issue proceeds or excess cash flow.

## VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Secured Revolving Credit Facility may (in whole or in part) be accelerated (*i.e.*, declared immediately due and payable or payable on demand) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Secured Revolving Credit Facility or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above or (ii) information undertakings), misrepresentation, cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more (“**Cross Default**”) and other events of default customary for this type of financing transaction.

Further, the occurrence of any event which is reasonably likely to have a material adverse effect on the business, assets or financial condition of the group (taken as a whole) which would affect the ability of an obligor to comply with the financial covenants, the ability of an obligor to perform its payment obligations under the finance documents or the validity or enforceability of any security (or the ranking and effectiveness of such security) granted for the finance documents or the rights and remedies of any finance party under any finance document (a “**Material Adverse Effect**”) also constitutes an event of default under the Revolving Credit Facility entitling the lenders (or the agent for the lenders) to accelerate.

### *Unsecured Revolving Credit Facility*

#### I. General

By an unsecured revolving facility agreement dated October 14, 2015 for Hapag-Lloyd AG as borrower with, amongst others, Deutsche Bank Luxembourg S.A., Goldman Sachs Bank USA and Joh. Berenberg, Gossler & Co. KG as lenders, the lenders intend to make available to Hapag-Lloyd AG an unsecured revolving credit facility in the total amount of up to US\$125,000,000 for general corporate purposes, except for the acquisition of companies or businesses (the “**Unsecured Revolving Credit**”



**Facility**”). The Unsecured Revolving Credit Facility is to be further amended subject to the suspensive condition of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**GloCo RCF Amendment Effective Date**”).

## II. Repayment / maturity / clean down

Loans under the Unsecured Revolving Credit Facility must (subject to rollover) be repaid on the last day of the interest period of the relevant loan.

Hapag-Lloyd AG shall ensure that for a period of not less than five successive business days in each of its financial years, no loans shall be outstanding. Not less than three months may elapse between two such periods.

All loans and other amounts outstanding under the Secured Revolving Credit Facility shall be repaid in full on the applicable final maturity date.

The initial final maturity of the Secured Revolving Credit Facility is the third anniversary of the signing date of the Unsecured Revolving Credit Facility. Hapag-Lloyd AG may request an extension of the final maturity date for an additional one or two years, provided that only revolving commitments of lenders agreeing to such extension upon such request in accordance with the relevant terms of the Unsecured Revolving Credit Facility will be extended.

The Unsecured Revolving Credit Facility is available for utilization until one month prior to the applicable final maturity date.

As of September 30, 2016, loans in an aggregate principal amount of US\$125 million were outstanding under the Unsecured Revolving Credit Facility and a blended fixed interest rate of 4.150% per annum was payable on the outstanding loans.

## III. Undertakings and Financial Covenants

The Unsecured Revolving Credit Facility contains certain information undertakings, financial covenants and restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in the business sector of Hapag-Lloyd AG, including restrictions on financial indebtedness, guarantees, loans out, disposals, acquisitions, joint ventures, payments to shareholders and reorganization measures as well as a negative pledge (*i.e.*, restrictions on the granting and subsistence of security), in each case subject to agreed exceptions, in all respects substantially as described under “—Secured Revolving Credit Facility—Undertakings and Financial Covenants”. Subject to the occurrence of the GloCo Amendment Effective Date the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

In addition, the lending parties under the Unsecured Revolving Credit Facility benefit from a Most Favored Nation Position substantially as described under “—Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants”.

The Unsecured Revolving Credit Facility generally, subject to certain exemptions, permits payments to direct or indirect shareholders of Hapag-Lloyd AG in all respects substantially as described under “—Secured Revolving Credit Facility—Undertakings and Financial Covenants”.

## IV. Interest Rates and Fees

The interest rate on each loan under the Unsecured Revolving Credit Facility for each interest period is the percentage rate per annum equal to the aggregate of (i) the applicable margin and (ii) LIBOR (for loans denominated in U.S. dollars) or EURIBOR (for loans denominated in euro).

Customary fees are payable in connection with the Unsecured Revolving Credit Facility, including commitment fees, utilization fees and agency fees.

## V. Mandatory Prepayments

*Change of Control Mandatory Prepayment.* The loans (together with all other amounts accrued) under the Unsecured Revolving Credit Facility must (subject to a negotiation concept) be prepaid and all available commitments must be cancelled upon occurrence of a specified change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under “—Secured Revolving Credit Facility—Mandatory Prepayments” above.

Prepayments must also be made upon the occurrence of illegality.

No amounts so prepaid may be re-borrowed.

The Unsecured Revolving Credit Facility Agreement does not contain sweeps of asset disposal proceeds, insurance proceeds, debt issue proceeds, equity issue proceeds or excess cash flow.

## VI. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Unsecured Revolving Credit Facility may (in whole or in part) be accelerated (*i.e.*, declared immediately due and payable or payable on demand) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The Unsecured Revolving Credit Facility includes events of default customary for this type of financing transaction in all respects substantially as described under “—Secured Revolving Credit Facility—Events of Default” above.

### *Container Finance 2015*

#### I. General

Hapag-Lloyd AG has entered into a US\$135,000,000 revolving loan agreement dated August 6, 2015 relating to the (re)financing of a portfolio of new containers and certain existing containers between, amongst others, Hapag-Lloyd AG as borrower and beneficial owner of the containers, Hapag-Lloyd Container (No. 3) Ltd. as legal owner of the containers and ING Bank N.V. as agent and security agent and ING Bank Belgium SA/NV and NIBC N.V. as lenders and ING Belgium SA/NV as original hedging bank (as amended from time to time, the “**Container Finance 2015**”).

The Container Finance 2015 is to be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Container Finance Amendment Effective Date**”).

Legal ownership of the containers has been transferred from, amongst others, Hapag-Lloyd AG to Hapag-Lloyd Container (No. 3) Ltd. in accordance with a certain trust agreement, which has also been entered to the benefit of the finance parties.

#### II. Repayment / maturity

Loans under the Container Finance 2015 must (subject to rollover) be repaid on the last day of the interest period of the relevant loan. The interest periods for loans under the Container Finance 2015 may be three or six months or any other period agreed between the borrower and all of the lenders. All loans and other amounts outstanding under the Container Finance 2015 shall be repaid in full on the applicable final maturity date.

The initial maturity date of the Container Finance 2015 is August 3, 2018. Hapag-Lloyd AG may from time to time request extensions of the final maturity date, in each case for additional 364 days or any other period, provided that all lenders (at their sole discretion) approve such extension in writing. Upon such approval, the relevant applicable maturity date shall be extended as requested. No limit applies to the number of times Hapag-Lloyd AG may request the extension of the relevant applicable maturity date.

The Container Finance 2015 is available for utilization until three months prior to the applicable final maturity date.

As of September 30, 2016, loans in an aggregate principal amount of US\$135 million were outstanding under the Container Finance 2015 and a blended fixed interest rate of 3.038% per annum was payable on the outstanding loans.

#### III. Undertakings and Financial Covenants

The Container Finance 2015 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed containers, related manufacturing agreements, related leases, insurances and any other assets being subject of any security provided in connection with Container Finance 2015, restrictions on disposals of financed containers and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants which are in all respects substantially as described under “—Liabilities to Banks—K-Sure I Financing—Undertakings and Financial Covenants” above. Subject to the occurrence of the Container Finance 2015 Amendment Effective Date the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

In addition the lending parties under the Container Finance 2015 benefit from a Most Favored Nation Position as described under “—Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants”.

#### IV. Interest and fees

Under the Container Finance 2015, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin, plus (iii) mandatory costs of the lenders.

#### V. Mandatory Prepayments

If, at any date when a borrowing base certificate is delivered by Hapag-Lloyd AG to the agent in accordance with the Container Finance 2015, the relevant borrowing base certificate specifying amongst other things the product of an advance rate of 80 per cent. and the aggregate net book value of certain specified eligible containers (such product being referred to as the “**Borrowing Base**”), shows that the outstanding loan amount less any amount standing to the credit of the blocked account established in connection with the Container Finance 2015 for the purposes of mandatory prepayments and reductions of the Borrowing Base is in excess of the Borrowing Base, then Hapag-Lloyd AG shall repay the loans to the extent required to reduce the outstanding loan amount less any amount standing to the credit of such blocked account to an amount equal to the Borrowing Base. Any such prepayment shall be made on the last day of the then current interest period if it amounts to less than US\$300,000. If any such prepayment amounts to equal to or in excess of US\$300,000 the prepayment amount shall be paid into the blocked account immediately after the corresponding Borrowing Base Certificate Date and is to be applied in prepayment of the loans on the last day of the then current interest period.

In addition the loans (together with all other amounts accrued) under the Container Finance 2015 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under “—Secured Revolving Credit Facility—Mandatory Prepayments” above.

Prepayments must also be made upon the occurrence of illegality.

#### VI. Security

All obligations under the Container Finance 2015 are secured by (including but not limited to) mortgages over the containers (re)financed by the Container Finance 2015 and assignments of rights and claims with respect to the containers as well as shares mortgages over the shares in Hapag-Lloyd Containers (No. 3) Limited, being the legal owner of the containers and an account pledge in relation to the blocked account.

#### VII. Events of Default

The total commitments may be cancelled and the utilizations and other amounts outstanding under the Container Finance 2015 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Container Finance 2015 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under “—Secured Revolving Credit Facility—Events of Default”) and other events of default customary for this type of asset financing transaction.

## *Bladex Credit Facility*

### I. General

By a US\$100,000,000 credit facility agreement originally dated November 26, 2013 and as amended from time to time for CSAV Germany Container GmbH (“**CC Co**”) as original borrower with Banco Latinoamericano de Comercio Exterior, S.A. (“**Bladex**”) as lender, Bladex has agreed (subject to satisfaction of certain conditions precedent and further subject to Bladex’s agreement to commit on a case by case basis) to make available to the borrower an unsecured credit facility to finance working capital transactions (the “**Bladex Credit Facility**”). Upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CC Co’s position as borrower under the Bladex Credit Facility.

On January 6, 2015 Hapag-Lloyd AG entered into a guarantee (under a separate New York law governed guarantee agreement) in respect of CSAV Germany Container GmbH’s payment obligations under the Bladex Credit Facility vis-à-vis the lender. With the occurrence of the HLAG CC Co Merger on May 19, 2015 and HLAG assuming CSAV Germany Container GmbH’s borrower’s position under the Bladex Credit Facility such guarantee became economically meaningless.

### II. Repayment / maturity

Loans disbursed under the US\$85 million tranche A of the Bladex Credit Facility must be repaid in eleven (11) quarterly installments on each interest payment date, starting 6 months after the closing date (being the date on which the Agent notifies Hapag-Lloyd AG that the agreed conditions precedent have been satisfied and/or waived) and ending on the date falling three (3) years after such closing date. Loans disbursed under the US\$15 million tranche B of the Bladex Credit Facility must be repaid in one single installment on November 9, 2016. The repayment obligations are further evidenced by promissory notes that will be issued by the borrower to Bladex from time to time.

As of September 30, 2016, under the Bladex Credit Facility, loans in an amount of US\$100 million were outstanding under the Bladex Credit Facility and a blended fixed interest rate of 5.352% per annum was payable on the outstanding loans.

### III. Undertakings and Financial Covenants

The Bladex Credit Facility contains certain information undertakings (including the provision of financial information and other information regarding Hapag-Lloyd AG’s financial condition), financial covenants (to be maintained on Hapag-Lloyd AG’s level) and certain restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in the business sector of the borrower/Issuer, including restrictions on reorganization measures and transactions with affiliates, in each case subject to agreed exceptions.

The financial covenants are tested on Hapag-Lloyd AG’s level substantially as described under “—Liabilities to Banks—K-Sure I Financing—Undertakings and Financial Covenants” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

In addition Bladex will benefit from the Most Favored Nation Position substantially similar as described under “—Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants” above.

### IV. Interest Rates

For loans disbursed under the Bladex Credit Facility Agreement an interest rate equal to either the LIBOR plus the relevant applicable margin, in each case as specified in the applicable disbursement request, will apply. Interest is payable, in respect of each loan on the due date for such loan and on such other dates, in each case as specified in the relevant disbursement request.

### V. Change of Control—Mandatory Prepayment

A loan disbursed (together with all other amounts accrued) under the Bladex Credit Facility must (subject to a negotiation concept), amongst other things, be prepaid upon occurrence of a specified change of control with respect to Hapag-Lloyd AG, substantially similar as described under “—Secured Revolving Credit Facility—Mandatory Prepayments” below.

## VI. Events of Default

The utilizations and all other amounts outstanding under the Bladex Credit Facility may (in whole or in part) be accelerated by the lender in case an event of default has occurred which is continuing. The lender may also require that the borrower pledges and deposits with or delivers to it as collateral for any outstanding letters of credit and bank guarantees, cash, deposit account balances or other collateral acceptable to the lender in its sole discretion in an amount at least equal to such undrawn amount of letters of credit and bank guarantees.

The events of default include a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect, in each case substantially similar to the Cross Default (with the exception of the relevant applicable cross-default threshold) and Material Adverse Effect as described under “—Secured Revolving Credit Facility—Events of Default” below and other events of default customary for this type of financing transaction.

### *Others*

#### *Asset Backed Securities Program*

##### I. General

Pursuant to a purchase and sale agreement between Hapag-Lloyd AG as originator and seller and Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as purchaser originally dated April 7, 2011, subject to certain conditions and a special procedure Hapag-Lloyd AG offered to sell, assign and transfer absolutely (and not by way of security) to the purchaser certain freight receivables owed by debtors resident in, or organized under the laws of any state or province of the United States or Canada (other than governmental authorities) and the purchaser purchased and accepted the absolute assignment and transfer, without recourse, from Hapag-Lloyd AG of all of Hapag-Lloyd AG’s rights, title and interest in such freight receivables and related security (as amended and/or restated from time to time, the “**Receivables Purchase and Sale Agreement**”).

By an up to US\$350,000,000 loan and servicing agreement among Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower, Hapag-Lloyd AG as servicer, Hannover Funding Company LLC as conduit lender and Norddeutsche Landesbank Girozentrale as agent originally dated April 7, 2011, the lender agreed to make available to the borrower funds to finance the acquisition of the freight receivables (as amended and/or restated from time to time, the “**Loan and Servicing Agreement**”). The borrower’s obligations under the Loan and Servicing Agreement are secured by security interests the borrower granted in favor of the agent over all transferred receivables, related rights and the Receivables Purchase and Sale Agreement.

By a shareholder loan agreement between Hapag-Lloyd AG as lender and Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower dated April 7, 2011 (as amended and/or restated from time to time the “**ABS Shareholder Loan Agreement**”), Hapag-Lloyd AG agreed to make certain loans available to the borrower on a revolving basis for the purposes of funding a portion of the purchase price of the freight receivables subject to the Receivables Sale and Purchase Agreement.

Further, a sub-servicing agreement and a back-up servicing agreement have been entered into between, as applicable, Hapag-Lloyd AG as servicer, Finacity Corporation as sub-servicer, the borrower, the agent and the conduit lender, each dated April 7, 2011 in relation to the servicing (or, as the case may be, and sub-servicing), administration and collection of the assigned freight receivables for the benefit of, amongst others, the borrower and the agent respectively.

##### II. Receivables Purchase and Sale Agreement

The parties to the Receivables Purchase and Sale Agreement expressly intend that the transfers of the freight receivables and related rights by Hapag-Lloyd AG to Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) shall be treated as sales (without recourse unless otherwise agreed in the Receivables Purchase and Sale Agreement) of all of Hapag-Lloyd AG’s right, title and interest in the freight receivables and related rights and not as loans secured by the freight receivables and related rights.



The Receivables Purchase and Sale Agreement contains certain information undertakings and restrictive covenants which are customary for an agreement of this nature, including restrictions on mergers, acquisitions and sales, in each case subject to agreed exceptions provided for in the Receivables Purchase and Sale Agreement.

The Receivables Purchase and Sale Agreement can be terminated by Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC), amongst other things, upon the occurrence of a termination event under the Loan and Servicing Agreement or by Hapag-Lloyd AG with 30 days' notice prior to the initial advance (or any business day after the initial advance but prior to the termination date).

### III. Loan and Servicing Agreement

The Loan and Servicing Agreement's purpose is to provide funds to the borrower for the acquisition of such receivables purchased under the Receivables Purchase and Sale Agreement. Hapag-Lloyd AG acting as servicer will administer the collection of the receivables purchased under the Receivables Purchase and Sale Agreement. It is responsible for making claims under and enforcing credit insurance policies and negotiating any dispute arising under a transferred receivable.

*Discount.* Under the Loan and Servicing Agreement, the borrower is required to pay a discount on a monthly basis until the final payout date. Discount accrues on the loan balance from the date of the initial advance under the Loan and Servicing Agreement through the final payout date (being the date after the termination date of the Loan and Servicing Agreement on which no loan balance or discount is outstanding).

*Undertakings.* The Loan and Servicing Agreement contains certain information undertakings and restrictive covenants which are customary for a contract of this nature, including restrictions on changes to the corporate existence of the borrower and the servicer and the maintenance of records regarding the receivables. The borrower and the servicer made several covenants to comply with the Receivables Purchase and Sale Agreement and the other contracts named in the Loan and Servicing Agreement as transaction documents. Certain reporting obligations are transferred to Finacity Corporation by way of the sub-servicing agreement.

*Cross Termination.* The agent is permitted to terminate the Loan and Servicing Agreement and to enforce the security granted thereunder, amongst other things, in the event of the occurrence of a termination event under the Receivables Purchase and Sale Agreement. The Loan and Servicing Agreement also includes other customary events of default.

*Facility Termination Date.* The facility terminates on December 21, 2018.

### IV. ABS Shareholder Loan Agreement

Hapag-Lloyd AG as lender has agreed to make loans to Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower under the ABS Shareholder Loan Agreement (only) until a termination date under the Receivables Purchase and Sale Agreement has occurred.

*Subordination.* Borrower and Issuer as lender have both covenanted that any amount payable by Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower to Hapag-Lloyd AG as lender is subordinated to payments that have to be made under the Loan and Servicing Agreement.

*Interest Rate.* The interest payable on loan amounts outstanding under the ABS Shareholder Loan Agreement is computed by market interest rate per annum for such interest period and a certain fixed additional risk charge.

As per September 30, 2016, a loan in a total principal amount of US\$249.96 million was outstanding under the Asset Backed Securities Program and a blended fixed interest rate of 2.050% per annum was payable on the outstanding loans.

### *Option Premium Finance Agreements*

Hapag-Lloyd AG has entered into several committed or uncommitted bilateral option premium finance framework agreements with several banks as lenders (as described below, as amended from

time to time, the “OPFFAS”). The OPFFAS serve the purpose of (pre-)financing any premium to be paid in connection with derivative instruments (e.g., FX, Bunker options) or similar agreement entered into or to be entered into by the respective lender and Hapag-Lloyd AG as borrower for the purpose of hedging against bunker and/or foreign exchange rate risks and include certain covenants and information obligations and event of default provisions as customary for this type of transaction:

As of September 30, 2016, loans in an aggregate total principal amount of US\$9.36 million were outstanding under the OPFFAS and a blended fixed interest rate of 5.363% per annum was payable on the outstanding loans.

#### *Ballindamm Refinancing 2016*

Hapag-Lloyd Grundstücksholding GmbH, a 94.9% subsidiary of Hapag-Lloyd AG and 5.1% subsidiary of Hapag-Lloyd Stiftung, has entered into a €85,000,000 credit agreement dated August 23, 2016 as borrower with Deutsche Genossenschafts-Hypothekenbank AG as lender for the purposes of the refinancing financial indebtedness incurred for the acquisition of the property Ballindamm 25/Ferdinandstrasse 56, 58, 62/Gertrudenstrasse 17, 20095 Hamburg (as amended from time to time, the “**Ballindamm Financing**”).

As per September 30, 2016 a loan in a total principal amount of €84.79 million (equivalent in US\$94.665 million) was outstanding under the Ballindamm Financing and a blended fixed interest rate of 2.700% per annum was payable on the outstanding loans.

*Undertakings.* The Ballindamm Financing contains certain undertakings customary for this type of financing, including negative pledge on the financed property.

*Security.* All obligations under the Ballindamm Financing are secured by several land charges (*Grundsulden*) over the financed property, including related abstract acknowledgements of debt by the borrower, in an aggregate amount of €85 million and assignment of rental income.

*Mandatory Prepayment / Increase of repayment installment.* Subject to certain exceptions the borrower is obliged to prepay the outstanding loan in event of a change of control, which will occur, *inter alia*, if a new investor holds more than 50% of the shares in Hapag-Lloyd AG. Subject to customary break fees, the relevant amount of repayment installments will be increased from 3.0% per annum to 5.0% per annum in the event the principal amount of the initially disbursed loan to the current market value of the property exceeds 80%.

*Expiry Date.* The Ballindamm Financing terminates on August 31, 2026.

### **G6 Alliance’s Operating Agreement**

For a detailed description of the operating agreements in relation to the Grand Alliance and the G6 Alliance, see “Our Business—Alliances and Cooperation Arrangements—THE Alliance, G6 Alliance and Grand Alliance”.

### **THE Alliance Heads of Agreement**

THE Alliance is based on a legally binding heads of agreement (“**HOA**”) dated May 2016 between Hapag-Lloyd AG, K-Line, MOL, NYK and Yang Ming (together, the “**Members**”). On October 24, 2016, Hanjin, an original signatory to the HOA, was terminated as a member of THE Alliance with immediate effect as a result of Hanjin’s ongoing bankruptcy proceedings.

### **Operations**

Arrangements regarding the operations of THE Alliance such as the initial capacity allocation for individual lines are expected to be agreed to in an operating agreement (“**OA**”). The Members have committed themselves under the HOA to use best endeavors to conclude an OA by April 2017.

The HOA provides the operational basis of THE Alliance, covering the East—West trades encompassing:

- Asia—Europe;
- Asia—Mediterranean/Adriatic/Black Sea;
- Asia—North America West Coast;

- Asia—North America East Coast via Panama and via Suez;
- Asia—Middle East, Arabian Gulf and Red Sea; and
- Europe / Mediterranean—North America.

THE Alliance is intended to facilitate the sharing of capacity along trade lanes and among Members' ships. Members remain competitors, and each member of THE Alliance engages in entirely separate sales and marketing activities. Costs associated with the ownership and operation of the Members' ships generally remain the responsibility of the individual member that operates them.

Each Member provides ships for the services covered by THE Alliance, agreeing to share capacity on its ships with the other Members. In return, each Member is allocated slots on vessels contributed by other Members. The slot capacity to be contributed from each line is intended to tally with their demand for allocation. In the event of over or under-provision of slots, affected members will be entitled to financial compensation.

#### ***Termination and Withdrawal***

Pursuant to the HOA, THE Alliance will have an initial term of five years commencing on April 1, 2017. Any Member may terminate its membership upon twelve months' prior written notice without financial or other penalty, provided that termination notice shall not be given before thirty-six (36) months have elapsed after the commencement date of THE Alliance. Participation in THE Alliance may be terminated by the unanimous decision of the Members should any of the following events occur: (i) a change of control, (ii) a breach of the provisions of the HOA, (iii) the commencement of bankruptcy or dissolution procedures or (iv) the making of a general assignment for the benefit of creditors. The withdrawal or termination of a Member's participation does not automatically terminate THE Alliance. The remaining Members shall consult with each other in order to assess whether adjustments to THE Alliance are required.

## DESCRIPTION OF THE NOTES

*The definitions of certain terms used in this description are set forth under the subheading “—Certain Definitions.” In this “Description of the Notes,” the word “Issuer” refers only to Hapag-Lloyd Aktiengesellschaft and not to any of its Subsidiaries.*

*The Issuer will issue €250.0 million aggregate principal amount of Senior Notes due 2022 (the “Notes”) under an indenture dated February 1, 2017 (the “Indenture”) among the Issuer, Deutsche Bank Luxembourg S.A., as registrar and transfer agent, Deutsche Trustee Company Limited, as trustee (the “Trustee”) and Deutsche Bank AG, London Branch, as paying agent. The word “Notes” refers also to “Book-Entry Interests” in the Notes, as defined herein. Except as set forth herein, the terms of the Notes include those set forth in the Indenture.*

The following description is only a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Notes. A copy of the form of the Indenture may be obtained by requesting it from the Issuer at the address indicated under “Listing and General Information.”

The Indenture will not be qualified under or be subject to the Trust Indenture Act. Consequently, the Holders of Notes generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of Notes of certain relationships between it and the Issuer.

The Issuer has made an application for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market. See “—Payments on the Notes; Paying Agent, Registrar and Transfer Agent for the Notes.”

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

### **Brief Description of the Notes**

The Notes will be general unsecured obligations of the Issuer. The Notes will mature on February 1, 2022.

### **The Guarantees**

In the future, under certain circumstances, certain Subsidiaries (the “**Guarantors**” and each, a “**Guarantor**”) of the Issuer may guarantee (the “**Guarantees**”) the Notes as described under “—Limitation on Guarantees of Debt by Restricted Subsidiaries.”

Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor.

### **Ranking of the Notes and the Guarantees**

#### *The Notes*

The Notes will be senior debt of the Issuer and will:

- (a) rank *pari passu* in right of payment with all the Issuer’s existing and future indebtedness that is not subordinated in right of payment to the Notes;
- (b) rank senior in right of payment to any and all the Issuer’s existing and future indebtedness that is subordinated in right of payment to the Notes;
- (c) effectively be subordinated in right of payment to any and all the Issuer’s existing and future indebtedness that is secured including indebtedness financing Vessels and containers to the extent of the value of the assets securing such indebtedness; and
- (d) be structurally subordinated to all existing and future obligations of the Issuer’s subsidiaries.

As of September 30, 2016, after giving effect to the Transactions:

- (a) the Issuer would have had total indebtedness of €2,799.5 million, which includes €2,022.6 million of secured indebtedness; and
- (b) all Restricted Subsidiaries would have had liabilities in the aggregate amount of €815.3 million, comprising (i) €84.8 million indebtedness from the Ballindamm financing, (ii) €223.4 million under the ABS Program, (iii) €2,377.0 million of indebtedness outstanding under the Hapag-Lloyd financings (each as described under “Description of Certain Financing Arrangements”), (iv) €3,502.3 million of indebtedness outstanding under the UASC financings (as described under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”), (v) €1,169.0 million of trade payables and tax liabilities and (vi) €0.3 million of bank overdrafts, to each of which the Notes will be structurally subordinated.

As of the Issue Date, none of the Issuer’s Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will likely be required to repay financial and trade creditors before distributing any assets to the Issuer.

As of the Issue Date, all the Issuer’s Subsidiaries will be “Restricted Subsidiaries.” Upon the closing date of the UASC Business Combination, UASC and all of its Subsidiaries will become “Restricted Subsidiaries.” However, under the circumstances described below under the caption “—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries,” the Issuer will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” Unrestricted Subsidiaries of the Issuer will not be subject to any of the restrictive covenants in the Indenture.

Although the Indenture will contain limitations on the amount of additional Debt that the Issuer and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial.

### **Principal, Maturity and Interest**

The Notes will mature on February 1, 2022. 100% of the respective principal amount of such Notes shall be payable on such respective date, unless redeemed prior thereto as described herein. The Issuer will issue an aggregate principal amount of €250.0 million of Notes in this offering. Subject to the covenant described under “—Certain Covenants—Limitation on Debt,” the Issuer will be permitted to issue additional Notes (“**Additional Notes**”), from time to time, as further issuances under the Indenture. The Notes and the Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture: *provided* that, if any Additional Notes subsequently issued are not fungible for U.S. federal income tax purposes with any Notes previously issued, such Additional Notes shall trade separately from such previously issued notes under a separate ISIN number but shall otherwise be treated as a single class with all other Notes issued under the Indenture. Unless the context otherwise requires, references to the “Notes” for all purposes of the Indenture and in this “Description of the Notes” include references to any Additional Notes that are actually issued.

Interest on the Notes will accrue at the rate of 6.75% *per annum*. Interest on the Notes will be payable semi-annually in arrears from the Issue Date or from the most recent interest payment date to which interest has been paid or provided for, whichever is the later. Interest will be payable on each Note on February 1 and August 1 of each year, commencing on August 1, 2017. The Issuer will pay interest on each Note to holders of record of each Note in respect of the principal amount thereof outstanding as of the immediately preceding January 31 and July 31 as the case may be. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will be paid on overdue principal and other overdue amounts at the same rate.

### **Form of Notes**

The Notes will be issued on the Issue Date only in fully registered global form without coupons and only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act (“**Rule 144A**”) will initially be represented by a Global Note in registered form without interest coupons attached (the “**144A Global Notes**”). The 144A Global Notes



will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a Global Note in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the 144A Global Notes, the “**Global Notes**”). The Regulation S Global Notes will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Prior to the date that is 40 days after the later of the commencement of the offering or the closing date, beneficial interests in the Regulation S Global Notes may be held only through Euroclear and Clearstream. See “Book-Entry, Delivery and Form.”

### **Transfer and Exchange**

The Global Notes may be transferred in accordance with the Indenture. Ownership of interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to Investors” and “Transfer restrictions.” In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants. Book-Entry Interests in the 144A Global Note, or the “**Restricted Book-Entry Interests**,” may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note, or the “**Regulation S Book-Entry Interests**,” only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

If definitive registered Notes in certificated form (“**Definitive Registered Notes**”) are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Transfer restrictions.”

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents to the Registrar, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that if the Issuer or any Guarantor is a party to the transfer or exchange, the Holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer will not be required to register the transfer of any Definitive Registered Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, Excess Proceeds Offer or Notes Offer.

During the 40-day distribution compliance period, Book-Entry Interests in the Global Notes may be transferred only to non-U.S. persons under Regulation S under the Securities Act or to persons

whom the transferor reasonably believes are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under “Notice to Investors” and “Transfer Restrictions.”

#### **Payments on the Notes; Paying Agent, Registrar and Transfer Agent for the Notes**

The Issuer will maintain one or more paying agents (each, a “**Paying Agent**” and, together, the “**Paying Agents**”) for the Notes in the City of London and Luxembourg for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. Currently, the rules of the Luxembourg Stock Exchange do not require a paying agent in Luxembourg. The initial Paying Agent will be Deutsche Bank AG, London Branch in London.

The Issuer may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*)

In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Notes other than for the purposes of effecting a redemption described under “—Optional Redemption” or an offer to purchase the Notes described under “—Purchase of Notes upon a Change of Control” or “—Certain Covenants—Limitation on Sale of Certain Assets.” The Issuer will make payments on the Global Notes to the Paying Agent for further credit to Euroclear or Clearstream (as applicable) which will in turn, distribute such payments in accordance with its procedures. The Issuer will make all payments in same-day funds.

The Issuer will also maintain one or more registrars (each, a “**Registrar**”) with offices in Luxembourg, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. The Issuer will also maintain a transfer agent in Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg for the Notes. The initial transfer agent will be Deutsche Bank Luxembourg S.A. in Luxembourg. No service charge will be made for any registration of a transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange (but not for a redemption).

#### **Additional Amounts**

All payments that the Issuer makes under or with respect to the Notes or that the Guarantors make under or with respect to the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, “**Taxes**”) imposed or levied on such payments by or on behalf of any jurisdiction in which the Issuer or any Guarantor is incorporated, resident or doing business for tax purposes or from or through which any payment on the Notes is made (including the jurisdiction of any Paying Agent) or by or within any political subdivision or governmental authority of or in any of the foregoing having power to tax (each, a “**Relevant Taxing Jurisdiction**”), unless the Issuer or such Guarantor, as the case may be, is required to withhold or deduct Taxes by law. If any amounts for or on account of Taxes imposed or levied on behalf of a Relevant Taxing Jurisdiction are required to be withheld or deducted from any payment made under or with respect to the Notes or any Guarantee, the Issuer or the Guarantor, as the case may be, will pay additional amounts (“**Additional Amounts**”) as may be necessary to ensure that the net amount received after such withholding or deduction (including any withholding or deduction in respect of any Additional Amounts) will not be less than the amount that would have been received if such Taxes had not been withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will, however, pay Additional Amounts in respect or on account of:

- (a) any Taxes, to the extent such Taxes are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner being, or having been, a citizen, national, or resident, being, or having been, engaged in a trade or business, or having or having had a permanent establishment in a Relevant Taxing Jurisdiction (but not including, in each case, any connection arising from the mere receipt, ownership, holding or disposition of Notes, or by reason of the receipt of any payments in respect of any Note or any Guarantee, or the exercise or enforcement of rights under any Notes or any Guarantee);
- (b) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes, following the Issuer's or Guarantor's written request addressed the relevant holder or beneficial owner made at a time that would enable the holder or beneficial owner acting reasonably to comply with such request, to comply with any certification, identification, information or other reporting requirements (to the extent such holder or beneficial owner is legally eligible to do so), whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);
- (c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (d) any Tax which is payable otherwise than by deduction or withholding from payments made under or with respect to the Notes or any Guarantee;
- (e) any Tax imposed on or with respect to any payment by the Issuer or Guarantor to the holder if such holder is a fiduciary, partnership, limited liability company or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Note;
- (f) any Tax that is imposed on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant Notes to another paying agent in a member state of the European Union;
- (g) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required in order to receive payment) more than 30 days after the relevant payment is first made available to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 days' period);
- (h) any Taxes withheld or deducted on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as "FATCA"), any treaty, law, regulation or other official guidance enacted by any jurisdiction implementing FATCA, any agreement between either of the Issuer, any Guarantor or any other person and the United States or any jurisdiction implementing FATCA, or any law of any jurisdiction implementing an intergovernmental approach to FATCA;
- (i) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any Directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such Directive; or
- (j) any combination of items (a) through (i) above.

The Issuer or the relevant Guarantors, as the case may be, will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount deducted or withheld to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes or any Guarantee is due and payable, if the Issuer or a Guarantor will be obligated to pay

Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes or any Guarantee is due and payable, in which case it will be promptly thereafter), the Issuer or the relevant Guarantor (as the case may be) will deliver to the Trustee (copied to the Paying Agent) an Officers' Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to holders on the payment date. The Trustee and Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor (as the case may be) will promptly publish a notice in accordance with the provisions set forth in "—Selection and Notice" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

In addition, the Issuer or the Guarantors (as the case may be) will pay any present or future stamp, issue, registration, court, documentary, excise or property taxes or other similar taxes, charges and duties, including without limitation, interest and penalties with respect thereto, imposed by any Relevant Taxing Jurisdiction in respect of the execution, issue, delivery, registration or enforcement of the Notes or any Guarantee or any other document or instrument referred to thereunder (other than on or in connection with a transfer of the Notes other than the initial resale by the Initial Purchasers) or the receipt of any payments with respect thereto (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes not excluded under clauses (a) through (c) or (e) through (i) or any combination thereof).

Upon written request, the Issuer or a Guarantor (as the case may be) will furnish to the Trustee or a holder within a reasonable time certified copies of tax receipts evidencing the payment by the Issuer or such Guarantor (as the case may be) of any Taxes imposed or levied by a Relevant Taxing Jurisdiction, in accordance with the procedures described in "—Selection and Notice" hereafter, in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer or such Guarantor. If, notwithstanding the efforts of the Issuer or Guarantor to obtain such receipts, the same are not obtainable, the Issuer or such Guarantor will provide the Trustee or such holder with other evidence reasonably satisfactory to the Trustee or holder of such payments by the Issuer or Guarantor.

Whenever the Indenture or this "Description of the Notes" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to a Guarantee), such reference includes the payment of Additional Amounts, if applicable.

The preceding provisions will survive any termination, defeasance or discharge of the Indenture and shall apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer or any Guarantor is incorporated, resident or doing business for tax purposes or any jurisdiction from or through which any payment is made on the Notes (or any Guarantee) and any political subdivision or taxing authority or agency thereof or therein.

### **Currency Indemnity**

The sole currency of account and payment for all sums payable under the Notes and the Indenture is euro. Any amount received or recovered in respect of the Notes in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee or a holder of the Notes in respect of any sum expressed to be due to such holder from the Issuer will constitute a discharge of their obligation only to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If the euro amount to be recovered is less than the euro amount expressed to be due to the recipient under any Note, as applicable, the Issuer will indemnify the recipient against the cost of making any further purchase of euro, in an amount equal to the difference. These indemnities, to the extent permitted by law:

- (a) constitute a separate and independent obligation from the Issuer's other obligations;
  - (b) give rise to a separate and independent cause of action;
  - (c) apply irrespective of any waiver granted by any holder of a Note or Trustee from time to time;
- and

- (d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

**Optional Redemption**

***Optional Redemption prior to February 1, 2019, upon Public Equity Offering***

At any time prior to February 1, 2019, upon not less than 10 nor more than 60 days’ written notice, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture on the date of the Indenture at a redemption price equal to 106.75% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the redemption date (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds from one or more Public Equity Offerings. The Issuer may only do this, however, if:

- (a) at least 60% of the aggregate principal amount of the Notes that were initially issued under the Indenture (excluding Notes held by the Issuer or any of its Subsidiaries) would remain outstanding immediately after the occurrence of such proposed redemption; and
- (b) the redemption occurs within 90 days after the closing of such Public Equity Offering.

Notice of any redemption upon any Public Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Public Equity Offering.

***Optional Redemption of the Notes prior to February 1, 2019***

At any time prior to February 1, 2019 upon not less than 10 nor more than 60 days’ written notice, the Issuer may also redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium of the Notes plus accrued and unpaid interest on the Notes to, but not including, the redemption date. Any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent.

***Optional Redemption of the Notes on or after February 1, 2019***

At any time on or after February 1, 2019 and prior to maturity, upon not less than 10 nor more than 60 days’ written notice, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of €100,000 or integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to, but not including, the redemption date, if redeemed during the 12-month period commencing on February 1 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

<u>Year</u>	<u>Redemption Prices</u>
2019 .....	103.375%
2020 .....	101.688%
2021 and thereafter .....	100.000%

Any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent.

***Redemption upon Changes in Withholding Taxes***

If, as a result of:

- (a) any amendment to, or change in, the laws (or regulations or rulings promulgated thereunder) or relevant treaties of any Relevant Taxing Jurisdiction; or
- (b) any change in the official application or official interpretation or administration of such laws, regulations or rulings or relevant treaties (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of any Relevant Taxing Jurisdiction (each of the foregoing clauses (a) and (b), a “**Change in Tax Law**”),



the Issuer or any Guarantor would be obligated to pay, on the next date for any payment, Additional Amounts as described above under “—Additional Amounts,” which obligation the Issuer or such Guarantor cannot avoid by the use of reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and, in the case of a payment by a Guarantor, that the payment giving rise to such requirement to pay Additional Amounts cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts), then the Issuer may redeem all, but not less than all, of the Notes, at any time thereafter, upon not less than 10 nor more than 60 days’ notice (which notice shall be irrevocable and given in accordance with the procedures described in “—Selection and Notice”), at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of the Indenture, such Change in Tax Law must become effective on or after the date of the Indenture. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Indenture, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Prior to the giving of any notice of the redemption described in this paragraph, the Issuer or the Guarantor (as the case may be) will deliver to the Trustee and the Paying Agent:

- (a) an Officers’ Certificate of the Issuer or a Guarantor (as the case may be) stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer’s or such Guarantor’s taking reasonable measures available to it; and
- (b) a written opinion of independent legal counsel of recognized standing addressed to the Issuer or Guarantor (as the case may be) qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or such Guarantor has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept, and shall be entitled to rely on, such Officers’ Certificate and opinion of counsel, delivered in compliance with clauses (a) and (b) above, as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or Guarantor (as the case may be) would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes, were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

The foregoing provisions shall apply *mutatis mutandis* to any Guarantor (and the related Guarantee) to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

The Issuer will publish a notice of any optional redemption of the Notes described above in accordance with the caption entitled “—Selection and Notice.”

### **Sinking Fund; Offers to Purchase; Open Market Purchases**

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions “—Purchase of Notes upon a Change of Control” and “—Certain Covenants—Limitation on Sale of Certain Assets.” Any Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

### **Purchase of Notes upon a Change of Control**

If a Change of Control occurs at any time, then the Issuer must make an offer (a “**Change of Control Offer**”) to each holder of Notes to repurchase all or any part (equal to €100,000 or in integral multiples of €1,000 in excess thereof) of such holder’s Notes, at a purchase price (the “**Change of Control Purchase Price**”) in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the “**Change of Control Purchase Date**”) (subject to the rights of holders of record on relevant regular record dates that are prior to the Change of Control Purchase Date to receive interest due on an interest payment date). Purchases made under a Change of Control Offer will also be subject to other procedures set forth in the Indenture.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes in accordance with the Indenture and all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Issuer will deliver a notice to each holder of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "—Selection and Notice," stating that a Change of Control Offer is being made and offering to repurchase Notes on the Change of Control Purchase Date, and the notice will state:

- (i) that a Change of Control has occurred, and the date it occurred and offering to purchase the Notes on the date specified in the notice;
- (ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);
- (iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a Business Day no earlier than 10 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;
- (iv) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid;
- (v) that any Note (or part thereof) not tendered will continue to accrue interest; and
- (vi) any other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of Notes properly tendered the Change of Control Purchase Price for such Notes. The Trustee (or the authenticating agent appointed by it) will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Note or Notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated Notes; *provided* that each new Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control could constitute a default under the Senior Credit Facilities. In addition, certain events that may constitute a change of control under the Senior Credit Facilities may not constitute a Change of Control under the Indenture. The future indebtedness of the Issuer or the Issuer's Subsidiaries may also require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require a repurchase of the Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer of such repurchase.

If a Change of Control Offer is made, the Issuer cannot provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by holders of the Notes seeking to accept the Change of Control Offer. If the Issuer fails to make or consummate a Change of Control Offer or pay the Change of Control Purchase Price when due, such failure would result in an Event of Default and would give the Trustee and the holders of the Notes the rights described under "—Events of Default."

Even if sufficient funds were otherwise available, the terms of the other indebtedness of the Issuer and its Subsidiaries may prohibit the prepayment of the Notes prior to their scheduled maturity. If the Issuer was not able to prepay any indebtedness containing any such restrictions or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to holders of Notes who exercise their right to redeem their Notes following a Change of Control, which would cause a Default under the Indenture. A Default under the Indenture, unless waived by holders, would result in a cross default under certain of the financing arrangements described under "Description of Certain Financing Arrangements."

The Issuer will not be required to make a Change of Control Offer if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements

set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price. The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the provisions of the Indenture will not give holders the right to require the Issuer to repurchase the Notes in the event of certain highly leveraged transactions, or certain other transactions, including a reorganization, restructuring, merger or similar transaction that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including the “—Limitation on Debt” covenant. The existence of a holder of the Notes’ right to require the Issuer to repurchase such holder’s Notes upon a Change of Control may deter a third-party from acquiring the Issuer or its Subsidiaries in a transaction which constitutes a Change of Control.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such conflict.

“**Change of Control**” means the occurrence of any of the following events:

- (a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or group, other than one or more Permitted Holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer;
- (b) the sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer of the Issuer’s Voting Stock) of all or substantially all the assets (other than Capital Stock, Debt or other securities of any Unrestricted Subsidiary) of the Issuer and its Restricted Subsidiaries, taken as a whole, to any person other than to one or more Permitted Holders or, in the case of the sale, transfer, conveyance or other disposition of assets of the Issuer or any Restricted Subsidiary, if any person or group other than one or more Permitted Holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the transferee entity; or
- (c) the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under “—Certain Covenants—Consolidation, Merger and Sale of Assets.”

For the purposes of this definition, (i) “person” and “group” have the meanings they have in Sections 13(d) and 14(d) of the Exchange Act; (ii) “beneficial owner” is used as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have “beneficial ownership” of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time; and (iii) a person or group will be deemed to beneficially own all Voting Stock of an entity held by a parent entity, if such person or group is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such parent entity.

Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

## Selection and Notice

Notices of redemption may be made subject to conditions precedent.

If fewer than all the Notes are to be redeemed at any time, the Paying Agent or the Registrar will select the Notes for redemption in accordance with the applicable procedures of Euroclear or Clearstream unless otherwise required by law or applicable stock exchange; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than €100,000. Neither the Paying Agent nor the Registrar shall be liable for any selections made by it in accordance with this paragraph.

No Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. While the Notes are held in certificated form, a new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes redeemed.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

## Suspension of Certain Covenants When Notes Rated Investment Grade

If on any date following the Issue Date, the Notes have an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing under the Indenture (a “**Suspension Event**”), beginning on the day of the Suspension Event and continuing until such time (the “**Suspension Period**”), if any, at which the such Notes cease to have an Investment Grade Rating from each Rating Agency (the “**Reversion Date**”), the provisions of the applicable Indenture summarized under the following captions, and, in each case, any related default provision of the applicable Indenture, will not apply to such Notes:

- (1) “—Certain Covenants—Limitation on Debt;”
- (2) “—Certain Covenants—Limitation on Restricted Payments;”
- (3) “—Certain Covenants—Limitation on Transactions with Affiliates;”
- (4) “—Certain Covenants—Limitation on Sale of Certain Assets;”
- (5) “—Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries;”
- (6) “—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (7) “—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries;” and
- (8) “—Certain Covenants—Consolidation, Merger and Sale of Assets” (but only clause (c) of such covenant).

Such covenants and any related default provisions will again apply according to their terms on and after the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Restricted Subsidiaries properly taken during the Suspension Period, and the “—Certain Covenants—Limitation on Restricted Payments” covenant will be interpreted as if it had been in effect

since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made during the Suspension Period. On the Reversion Date, all Debt incurred during the continuance of the Suspension Period will be classified as having been incurred pursuant to clause (2)(e) of the covenant described under “—Certain covenants—Limitation on Debt.” Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Issuer shall notify the Trustee that the two conditions set forth in the first paragraph under this covenant have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify holders of such event.

### **Certain Covenants**

The Indenture will contain, among others, the following covenants:

#### ***Limitation on Debt***

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to “incur” or, as appropriate, an “incurrence”), any Debt (including any Acquired Debt); *provided* that the Issuer and any other Guarantor will be permitted to incur Debt (including Acquired Debt) if, after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Debt, taken as one period, would be greater than 2.0 to 1.0.
- (2) This covenant will not, however, prohibit the following (collectively, “**Permitted Debt**”):
  - (a) the incurrence by the Issuer of Debt represented by the Notes issued on the Issue Date and the guarantee of the Notes by any Restricted Subsidiary;
  - (b) the incurrence by the Issuer or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount not to exceed €700.0 million including all Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (b);
  - (c) [**Reserved**];
  - (d) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Debt between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:
    - (i) if the Issuer is the obligor on any such Debt and the payee is not the Issuer or a Guarantor, (x) unless required by a Credit Facility, such Debt is unsecured and (y) it is subordinated in right of payment to the Notes or Guarantees, as applicable; and
    - (ii) (x) any disposition, pledge or transfer of any such Debt to a Person (other than a disposition, pledge or transfer to the Issuer or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing by the Issuer or a Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an incurrence of such Debt not permitted by this clause (d);
  - (e) any Debt of any Restricted Subsidiary (other than Debt described in clauses (a) and (b) of this paragraph) outstanding on the date of the Indenture after giving effect to the use of proceeds of the issuance of the Notes on the Issue Date;
  - (f) guarantees of the Issuer’s Debt or Debt of any Restricted Subsidiary by the Issuer or any Restricted Subsidiary; *provided* that the Restricted Subsidiary complies with the provisions of the “—Limitation on Guarantees of Debt by Restricted Subsidiaries” covenant described below;
  - (g) the incurrence by the Issuer or any Restricted Subsidiary of Debt arising from customary agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments or, in each case, similar obligations, in connection with the acquisition or disposition of any business or assets or Person or any shares of Capital Stock of



- a Subsidiary, other than guarantees or similar credit support given by the Issuer or any Restricted Subsidiary of Debt incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the net proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received from such disposition;
- (h) the incurrence by the Issuer or any Restricted Subsidiary of Debt under Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements, in each case entered into not for speculative purposes (as determined in good faith by the board of directors or a member of senior management of the Issuer) (collectively, “**Hedging Obligations**”);
  - (i) the incurrence by the Issuer or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations or other Debt, in each case, incurred in connection with the financing of all or any part of the purchase price, charter expense, lease expense, rental payments or cost of design, construction, installation or improvement of Vessels or containers used in the business of the Issuer or any of its Restricted Subsidiaries (including any reasonable related fees or expenses incurred in connection therewith), whether through the charter of, leasing of, or the direct purchase of, or of the Capital Stock of any Person owning, such Vessels or containers (including any Debt deemed to be incurred in connection with such purchase) (it being understood that any such Debt may be incurred after the acquisition, purchase, charter or leasing or the construction, installation or the making of any improvement with respect to any such Vessel or container); *provided* that the principal amount of Debt incurred pursuant to this clause (i), including all Debt incurred pursuant to this clause (i) to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (i), does not, at the time of incurrence, exceed (i) in the case of a completed Vessel, 85% of its Fair Market Value, (ii) in the case of an uncompleted Vessel, 85% of the contract price for the acquisition of such Vessel, as determined on the date on which the agreement for construction of such Vessel was entered into by the Issuer or any Restricted Subsidiary, plus any other Ready for Sea Cost of such Vessel, (iii) in the case of a completed container, 100% of its Fair Market Value and (iv) in the case of an uncompleted container, 100% of the contract price for the acquisition of such container, as determined on the date on which the agreement for construction of such container was entered into by the Issuer or any Restricted Subsidiary;
  - (j) the incurrence by the Issuer or any Restricted Subsidiary of Debt to finance the replacement (through construction or acquisition) of a Vessel upon the total loss, destruction, condemnation, confiscation, requisition, seizure or forfeiture of, or other taking of title or use of, such Vessel (collectively, a “**Total Loss**”) in an aggregate amount no greater than the Ready for Sea Cost for such replacement Vessel, in each case less all compensation, damages and other payments (including insurance proceeds other than in respect of business interruption insurance) received by the Issuer or any of its Restricted Subsidiaries from any Person in connection with such Total Loss in excess of amounts actually used to repay Debt secured by the Vessel subject to such Total Loss and any costs and expenses incurred by the Issuer or any of its Restricted Subsidiaries in connection with such Total Loss;
  - (k) the incurrence by the Issuer or any Restricted Subsidiary of Debt in relation to (i) regular maintenance required on any of the Vessels owned or chartered by the Issuer or any of its Restricted Subsidiaries, (ii) scheduled dry-docking of any of the Vessels owned by the Issuer or any of its Restricted Subsidiaries and (iii) any expenditures that are, or are reasonably expected to be, recoverable from insurance on such Vessels;
  - (l) the incurrence by the Issuer or any Restricted Subsidiary of Debt through the provision of bonds, guarantees, letters of credit or similar instruments required by the United States Federal Maritime Commission or other governmental or regulatory agencies, including, without limitation, customs authorities; in each case, for Vessels owned or chartered by, or in the ordinary course of business of, the Issuer or any of its Restricted Subsidiaries;
  - (m) the incurrence by the Issuer or any of its Restricted Subsidiaries of Debt in the form of customer deposits and advance payments received in the ordinary course of business from customers for services purchased in the ordinary course of business;

- (n) the incurrence by the Issuer or any Restricted Subsidiary of Debt in any Qualified Securitization Financing;
- (o) the incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, captive insurance companies, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;
- (p) the incurrence by the Issuer or any Restricted Subsidiary of Debt arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within five Business Days of incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal or similar bonds, instruments or obligations, (iii) completion guarantees or performance or appeal bonds provided or letters of credit obtained by the Issuer or any Restricted Subsidiary in the ordinary course of business, (iv) VAT or other tax guarantees in the ordinary course of business, (v) the financing of insurance premiums in the ordinary course of business and (vi) any customary cash management, cash pooling or netting or setting off arrangements;
- (q) Debt of any Person incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Debt incurred (i) to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition); *provided, however*, with respect to this clause (q), that at the time of such acquisition or other transaction pursuant to which such Debt is deemed to be incurred, (x) the Issuer could incur at least €1.00 of additional Debt under paragraph (1) of this covenant, after giving *pro forma* effect to such acquisition or other transaction or (y) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;
- (r) [*Reserved*];
- (s) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge Debt incurred by it pursuant to, or described in, paragraph (1) and clauses 2(a), 2(e), 2(j), 2(q), this 2(s) and 2(u) of this covenant, as the case may be;
- (t) Contribution Debt;
- (u) the incurrence by the Issuer or any Restricted Subsidiary of Debt under the UASC Financings outstanding on the closing date of the UASC Business Combination; and
- (v) the incurrence by the Issuer or any Restricted Subsidiary of Debt (other than and in addition to Debt permitted under clauses (a) through (u) above) in an aggregate principal amount at any one time outstanding, including all Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (v), not to exceed €55.0 million.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the obligation to pay commitment fees, the reclassification of preferred stock as Debt due to a change in accounting principles and the payment of interest or dividends in the form of additional Debt or in the form of additional shares of the same class will not be deemed to be an incurrence of Debt for purposes of this covenant.

- (1) For purposes of determining compliance with any restriction on the incurrence of Debt in euro where Debt is denominated in a different currency, the amount of such Debt will be the Euro Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Debt, the amount of such Debt expressed in euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt incurred in the same currency as the Debt being refinanced will be the

Euro Equivalent of the Debt refinanced determined on the date such Debt being refinanced was initially incurred, except to the extent that such Euro Equivalent was determined based on a Currency Agreement (with respect to euro), in which case the amount of such Permitted Refinancing Debt will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, for purposes of determining compliance with this “—Limitation on Debt” covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies or currency values will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may incur under the “—Limitation on Debt” covenant.

- (2) For purposes of determining any particular amount of Debt under this “—Limitation on Debt” covenant:
  - (a) obligations with respect to letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount will not be included; and
  - (b) any Liens granted pursuant to the equal and ratable provisions referred to in the “—Limitation on Liens” covenant will not be treated as Debt.
- (3) The amount of any Debt outstanding as of any date will be:
  - (a) in the case of any Debt issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;
  - (b) the principal amount of the Debt, in the case of any other Debt; and
  - (c) in respect of Debt of another Person secured by a Lien on the assets of the specified Person, the lesser of:
    - (i) the Fair Market Value of such assets at the date of determination; and
    - (ii) the amount of the Debt of the other Person.
- (4) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Debt of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Debt is not permitted to be incurred as of such date under the covenant described under this “—Certain Covenants—Limitation on Debt,” the Restricted Subsidiary shall be in Default of this covenant).
- (5) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in the “—Limitation on Debt” covenant, the Issuer, in its sole discretion, will classify items of Debt and will only be required to include the amount and type of such Debt in one of such clauses and the Issuer will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in the “—Limitation on Debt” covenant, and may change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in the “—Limitation on Debt” covenant at any time; *provided* that any Debt incurred by the Issuer or any of its Restricted Subsidiaries under any of the UASC Financings shall be deemed to be incurred under Clause (2)(u) above and, notwithstanding anything to the contrary herein, cannot subsequently be reclassified.

#### ***Limitation on Restricted Payments***

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a “**Restricted Payment**” and which are collectively referred to as “**Restricted Payments**”):
  - (a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Issuer’s or any Restricted Subsidiary’s Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) (other than (i) to the Issuer or any Restricted Subsidiary or (ii) to all holders of Capital Stock of such Restricted Subsidiary on a *pro rata* basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer or such Restricted Subsidiary would receive on a *pro rata* basis); make any cash payment pursuant to, or in satisfaction of, any earnout or other purchase price adjustment (including any interest thereon) pursuant to the Share Purchase Agreement; or make any payment of cash interest on

Deeply Subordinated Funding, except for dividends or distributions payable solely in shares of the Issuer's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock;

- (b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any shares of the Issuer's Capital Stock or any Capital Stock of any direct or indirect parent company of the Issuer held by persons other than the Issuer or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;
- (c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Debt (excluding any intercompany debt between or among the Issuer or any of its Restricted Subsidiaries) except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Debt purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition;
- (d) [*Reserved*]; or
- (e) make any Investment (other than any Permitted Investment) in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as of the date of transfer.

- (2) Notwithstanding paragraph (1) above, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:
  - (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
  - (b) the Issuer could incur at least €1.00 of additional Debt under paragraph (1) of the “—Limitation on Debt” covenant; and
  - (c) the aggregate amount of all Restricted Payments declared or made after the date of the Indenture (including Restricted Payments permitted by clauses (3)(a), (h) and (q) below, but excluding all other Restricted Payments described in paragraph (3) below) does not exceed the sum of (without duplication):
    - (i) 50% of aggregate Consolidated Adjusted Net Income on a cumulative basis during the period beginning on October 1, 2016 and ending on the last day of the Issuer's most recently ended fiscal quarter for which financial statements are available at the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Adjusted Net Income shall be a negative number, minus 100% of such negative amount); *plus*
    - (ii) the aggregate net cash proceeds received by the Issuer after the date of the Indenture as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Deeply Subordinated Funding as set forth in clause (b) or (c) of paragraph (3) below) (excluding the net cash proceeds from the issuance of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); *plus*
    - (iii) (x) the amount by which the Issuer's Debt or Debt of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the date of the Indenture upon the conversion or exchange (other than by the Issuer or its Restricted Subsidiary) of such Debt into the Issuer's Qualified Capital Stock or Deeply Subordinated Funding, and (y) the aggregate net cash proceeds received after the date of the Indenture by the Issuer

from the issuance or sale (other than to any Restricted Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Issuer's Qualified Capital Stock or Deeply Subordinated Funding, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate net cash proceeds received by the Issuer at the time of such conversion or exchange (excluding Excluded Contributions and the net cash proceeds from the issuance of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from the Issuer or any Restricted Subsidiary until and to the extent such borrowing is repaid); *plus*

- (iv) (x) in the case of any Investment that is sold, disposed of or otherwise cancelled, liquidated or repaid, constituting a Restricted Payment made after the date of the Indenture, an amount equal to 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Issuer or any Restricted Subsidiary, and (y) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary or the assets are transferred to the Issuer or a Restricted Subsidiary (as long as the redesignation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary as of the date of such redesignation or at the time of such merger, consolidation or transfer of assets; *plus*
  - (v) to the extent that any Investment constituting a Restricted Payment that was made after the Issue Date is made in an entity that subsequently becomes a Restricted Subsidiary, the Fair Market Value of such Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*
  - (vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Adjusted Net Income of the Issuer for such period.
- (3) Notwithstanding paragraphs (1) and (2) above, the Issuer and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (h), (q) and (r) below) no Default or Event of Default has occurred and is continuing:
- (a) the payment of any dividend within 60 days after the date of its declaration if at such date of its declaration such payment would have been permitted by the provisions of this covenant;
  - (b) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Capital Stock or Deeply Subordinated Funding, or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (2)(c)(ii) above;
  - (c) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt in exchange for, or out of the net cash proceeds of an incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;
  - (d) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt of the Issuer or the Issuer (other than any Subordinated Debt held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Debt, but only if the Issuer shall have complied with the "Change of Control" or "Asset Sale" covenant, as the case may be, and the Issuer repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Debt;
  - (e) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represents a portion of the exercise price of those stock options;
  - (f) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash *in lieu* of issuing fractional shares upon (i) the exercise of options or warrants or (ii) the exchange or conversion of Capital Stock of any such Person;



- (g) cash payments, advances, loans or expense reimbursements made to any direct or indirect parent company of the Issuer to permit any such company to pay (i) general operating expenses, customary directors' fees, accounting, legal, corporate reporting and administrative expenses incurred in the ordinary course of business in an amount not to exceed €2.0 million in the aggregate in any fiscal year, (ii) any taxes, duties or similar governmental fees of any such parent company to the extent such tax obligations are directly attributable to its ownership of the Issuer and its Restricted Subsidiaries, (iii) costs (including all professional fees and expenses) incurred by any direct or indirect parent company of the Issuer in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Debt of the Issuer or any of its Restricted Subsidiaries and (iv) fees and expenses of any direct or indirect parent company of the Issuer incurred in relation to any public offering or other sale of Capital Stock or Debt (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or any of its Restricted Subsidiaries or (y) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed;
- (h) following a Public Equity Offering that results in a Public Market of the Capital Stock of the Issuer any direct or indirect parent company of the Issuer, the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the common stock or common equity interests of the Issuer or any direct or indirect parent company of the Issuer; *provided* that the aggregate amount of all such dividends or distributions under this clause (h) shall not exceed in any fiscal year the greater of (x) 5% of the Market Capitalization, *provided*, that after giving *pro forma* effect to the payment of any such dividend or making of any such distribution, the Consolidated Leverage Ratio of the Issuer would not exceed 2.0 to 1.0 and (y) 6% of the net cash proceeds received from any Public Equity Offering or subsequent public offering or contributed to the capital of the Issuer, or the Issuer in any form other than Debt or Excluded Contributions but including Subordinated Debt by any direct or indirect parent company of the Issuer;
- (i) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;
- (j) Restricted Payments that are made with Excluded Contributions;
- (k) advances or loans to (i) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or a Restricted Subsidiary, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (ii) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or a Restricted Subsidiary; *provided* that the total aggregate amount of Restricted Payments made under this clause (k) does not exceed €5.0 million in any calendar year (with any unused amounts in any calendar year carried over to the succeeding years);
- (l) the repurchase, redemption or other acquisition or retirement for value of any Qualified Capital Stock of the Issuer held by any current or former officer, director, employee or consultant of the Issuer or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Qualified Capital Stock may not exceed €5.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Qualified Capital Stock of the Issuer or a Restricted Subsidiary received by the Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer or any of its Restricted Subsidiaries or any direct or indirect parent company of

the Issuer to the extent the cash proceeds from the sale of Qualified Capital Stock have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clauses (b) or (c) of this paragraph;

- (m) [*Reserved*];
- (n) payments or other transactions pursuant to any tax sharing agreement or arrangement among the Issuer or any of its Restricted Subsidiaries and any other Person with which the Issuer or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation in amounts not otherwise prohibited by this Indenture; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe without taking into account such other Person;
- (o) [*Reserved*];
- (p) the making of any payments and any reimbursements as contemplated in the section entitled “Use of Proceeds” in this Offering Memorandum;
- (q) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any direct or indirect parent company of the Issuer (w) in an aggregate amount not to exceed €50.0 million in any fiscal year, *provided* that after giving *pro forma* effect to any such dividend, distribution, loan or other payment the Consolidated Leverage Ratio would not exceed 4.5 to 1.0, (x) in an aggregate amount not to exceed €75.0 million in any fiscal year, *provided* that after giving *pro forma* effect to any such dividend, distribution, loan or other payment the Consolidated Leverage Ratio would not exceed 4.0 to 1.0, (y) in an aggregate amount not to exceed €100.0 million in any fiscal year, *provided* that after giving *pro forma* effect to any such dividend, distribution, loan or other payment the Consolidated Leverage Ratio would not exceed 3.5 to 1.0, and (z) in an unlimited amount, *provided* that after giving *pro forma* effect to any such dividend, distribution, loan or other payment the Consolidated Leverage Ratio would not exceed 3.0 to 1.0; and
- (r) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (r) since the Issue Date does not exceed €100.0 million.

#### ***Limitation on Transactions with Affiliates***

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of the Issuer or any Restricted Subsidiary’s Affiliate involving aggregate payments or consideration in excess of €15.0 million unless:

- (a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm’s length transaction with third parties that are not Affiliates (as determined in good faith by the board of directors or a member of senior management of the Issuer);
- (b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than €35.0 million, the Issuer will deliver a resolution of its board of directors (set out in an Officers’ Certificate to the Trustee) certifying that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Directors (or in the event there is only one Disinterested Director, by such Disinterested Director) of the Issuer’s board of directors; and
- (c) in the case that there are no Disinterested Directors or with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than €50.0 million, the Issuer will obtain a written opinion of an accounting, appraisal, investment banking or advisory firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related

transactions for which an opinion is required, stating that the transaction or series of transactions is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

- (i) customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee salaries, bonuses, employment agreements and arrangements, compensation or employee benefit arrangements, including stock options or legal fees (as determined in good faith by the board of directors or a member of senior management of the Issuer);
- (ii) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;
- (iii) any Restricted Payments not prohibited by the "—Limitation on Restricted Payments" covenant and Permitted Investments;
- (iv) transactions pursuant to, or contemplated by any agreement or arrangement in effect on the Issue Date and transactions pursuant to any amendment, modification, supplement or extension thereto; *provided* that any such amendment, modification, supplement or extension to the terms thereof is not more materially more disadvantageous to the holders of the Notes than the original agreement or arrangement as in effect on the Issue Date;
- (v) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, Capital Stock in, or controls, such Person;
- (vi) payments or other transactions pursuant to any tax sharing agreement or arrangement among the Issuer or any of its Restricted Subsidiaries and any other Person with which the Issuer or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation in amounts not otherwise prohibited by this Indenture; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe without taking into account such other Person;
- (vii) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of this Indenture that are fair to the Issuer or the Restricted Subsidiaries or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person, in each case, as determined in good faith by the board of directors or a member of senior management of the Issuer;
- (viii) loans or advances to directors, officers, employees or consultants in the ordinary course of business in accordance with the past practices of the Issuer or its Restricted Subsidiaries, but in any event not to exceed €5.0 million in the aggregate outstanding at any one time outstanding;
- (ix) the payment of reasonable fees and indemnities to employees, officers and directors of the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (x) any issuance of Redeemable Capital Stock of the Issuer to Affiliates of the Issuer which is permitted under "Certain Covenants—Limitation on Debt;"
- (xi) the granting and performance of registration rights for the Issuer's securities;
- (xii) (A) issuances or sales of Qualified Capital Stock of the Issuer or Deeply Subordinated Funding and (B) any amendment, waiver or other transaction with respect to any Deeply Subordinated Funding in compliance with the other provisions of the Indenture;

- (xiii) Management Advances;
- (xiv) any transaction effected as part of or in connection with a Qualified Securitization Financing;
- (xv) transactions between or among the Issuer and the Restricted Subsidiaries or between or among Restricted Subsidiaries;
- (xvi) transactions with any Permitted Holder or Affiliate which is a financial institution (acting in its capacity as a financial institution);
- (xvii) any of the Transactions, the use of proceeds from the Offering as contemplated in the section entitled "Use of Proceeds" in this Offering Memorandum;
- (xviii) the sale and transfer of UASC's minority participation in United Arab Chemicals Carriers Limited; and
- (xix) with respect to real property identified in this Offering Memorandum, rental payments and expenses for real property and rental payments and expenses for real property in the ordinary course of business.

***Limitation on Liens***

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (except for Permitted Liens) securing Debt upon any of their property or assets, whether owned at or acquired after the Issue Date unless:

- (a) in the case of any Lien securing Subordinated Debt, the Issuer's obligations in respect of the Notes are directly secured by a Lien on such property, assets or proceeds that is senior in priority to the Lien securing the Subordinated Debt until such time as the Subordinated Debt is no longer secured by a Lien; and
- (b) in the case of any other Lien, the Issuer's obligations in respect of the Notes and all other amounts due under the Indenture are equally and ratably secured with the obligation or liability secured by such Lien until such time as such obligations are no longer secured by a Lien.

***Limitation on Sale of Certain Assets***

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:
  - (a) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold or Capital Stock issued or sold or otherwise disposed of; and
  - (b) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Sale consists of (i) cash; (ii) Cash Equivalents; (iii) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion; (iv) the assumption by the purchaser of any liabilities, as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes), that are assumed by the transferee of any such assets and as a result of which the Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities; (v) Debt of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Debt in connection with such Asset Sale; (vi) any Capital Stock or assets of the kind referred to in clauses (2)(d) or (f) of the next paragraph of this covenant; or (vii) a combination of the consideration specified in clauses (i) to (vi).
- (2) If the Issuer or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds from such Asset Sale, within 365 days after the consummation of such Asset Sale, may be used or committed in a binding commitment to be used (*provided* that such Net Cash Proceeds are actually

used within the later of 365 days from the consummation of the Asset Sale or 90 days from the date of such binding commitment) at the option of the Issuer or such Restricted Subsidiary:

- (a) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase (a “**Notes Offer**”);
  - (b) to purchase, or permanently prepay or redeem or repay, any Debt of a Restricted Subsidiary other than the Issuer or any Guarantor (and to effect a corresponding commitment reduction if such Debt is revolving credit borrowings);
  - (c) to purchase, or permanently prepay or redeem or repay, any *Pari Passu* Debt so long as the Issuer or such Restricted Subsidiary makes an offer on a *pro rata* basis to all holders of Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase;
  - (d) to purchase, or permanently prepay or redeem or repay, any Debt that is secured by a Lien on any of the property or assets, whether owned at or acquired after the Issue Date, of the Issuer or any Restricted Subsidiary (and to effect a corresponding commitment reduction if such Debt is revolving credit borrowings);
  - (e) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
  - (f) to make a capital expenditure;
  - (g) to acquire other assets (other than Capital Stock) that are used or useful in a Permitted Business; or
  - (h) any combination of the foregoing.
- (3) Pending the final application of any Net Cash Proceeds (including cash or Cash Equivalents received from the conversion of any securities, notes or other obligations), the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the Indenture.
- (4) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (2) of this covenant will constitute “**Excess Proceeds.**” The Issuer may also at any time, and the Issuer will within ten Business Days after the aggregate amount of Excess Proceeds exceeds €50.0 million, make an offer to purchase (an “**Excess Proceeds Offer**”) from all holders of Notes and from the holders of any *Pari Passu* Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such *Pari Passu* Debt, the maximum principal amount (expressed as a multiple of €1,000) of the Notes and any such *Pari Passu* Debt that may be purchased with the amount of the Excess Proceeds (plus in each case all accrued interest on the Debt and the amount of all fees and expenses, including premiums, incurred in connection therewith). The offer price as to each Note and any such *Pari Passu* Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note and (solely in the case of *Pari Passu* Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such *Pari Passu* Debt, plus in each case accrued and unpaid interest, if any, to the date of purchase and Additional Amounts, if any, to the date of purchase, prepayment or redemption.

To the extent that the aggregate principal amount of Notes and any such *Pari Passu* Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Notes and *Pari Passu* Debt for general corporate purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such *Pari Passu* Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such *Pari Passu* Debt to be purchased will be selected by the Trustee on a *pro rata* basis (based upon the principal amount of Notes and the principal amount or accreted value of such *Pari Passu* Debt tendered by each holder) or in the manner described under “—Selection and Notice.” Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.



- (5) If the Issuer is obligated to make an Excess Proceeds Offer, the Issuer will purchase the Notes and *Pari Passu* Debt, at the option of the holders thereof, in whole or in part in integral multiples of €1,000, on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act; *provided* that no Note of less than €100,000 remains outstanding thereafter.
- (6) If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

***Limitation on Guarantees of Debt by Restricted Subsidiaries***

- (1) The Issuer will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of (i) any Debt of the Issuer or any other Restricted Subsidiary under any Credit Facilities incurred pursuant to clause (2)(b) of the covenant “—Limitation on Debt” or (ii) any Public Debt of the Issuer or any Guarantor (other than the Notes), unless:
  - (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and
  - (b) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary’s Guarantee with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes.

This paragraph (1) will not be applicable to any guarantees of any Restricted Subsidiary:

- (i) existing on the date of the Indenture;
- (ii) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;
- (iii) arising solely due to the granting of a Permitted Lien that would not otherwise constitute a guarantee of Debt of the Issuer; or
- (iv) given to a bank or trust company having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody’s, in connection with the operation of cash management programs established for the Issuer’s benefit or that of any Restricted Subsidiary.

In addition, notwithstanding anything to the contrary herein:

- (i) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary; and
- (ii) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

- (2) A Guarantor's Guarantee (and the Guarantee, if any, of any Subsidiary of such Guarantor) will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect):
- (a) upon any sale or disposition of (i) Capital Stock of a Guarantor (or any parent entity thereof) following which such Guarantor is no longer a Restricted Subsidiary or (ii) all or substantially all the properties and assets of a Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary and that does not violate the covenant described in "—Certain Covenants—Limitation on Sale of Certain Assets;"
  - (b) upon the designation of such Guarantor (or any parent entity thereof) as an Unrestricted Subsidiary;
  - (c) such Guarantor is unconditionally released and discharged from its liability with respect to Debt in connection with which such guarantee was executed pursuant to the covenant described under the caption "—Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries;"
  - (d) legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the caption "—Legal Defeasance or Covenant Defeasance of Indenture;" and
  - (e) upon repayment of the Notes.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:
- (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;
  - (b) pay any Debt owed to the Issuer or any other Restricted Subsidiary;
  - (c) make loans or advances to the Issuer or any other Restricted Subsidiary; or
  - (d) transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary;
- provided* that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Debt incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.
- (2) The provisions of the covenant described in paragraph (1) above will not apply to encumbrances or restrictions existing under or by reason of:
- (a) the Notes (including Additional Notes), the Indenture, the Senior Credit Facilities and the security documents related thereto or by other indentures or agreements governing other Debt we incur ranking equally with the Notes; *provided* that the encumbrances or restrictions imposed by such other indentures or agreements are not materially more restrictive, taken as a whole, than the encumbrances or restrictions imposed by the Indenture;
  - (b) any agreements with respect to Debt of the Issuer or any Restricted Subsidiary permitted to be incurred subsequent to the Issue Date pursuant to the provisions of "—Limitation on Debt," and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Notes than is customary in comparable financings (as determined in good faith by the board of directors or a member of senior management of the Issuer);
  - (c) any agreement in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole,

with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the board of directors or a member of senior management of the Issuer);

- (d) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;
- (e) any agreement or other instrument of a Person (including its Subsidiaries), acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired (including its Subsidiaries);
- (f) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (g) Liens permitted to be incurred under the provisions of the covenant described above under the caption “—Liens” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (h) applicable law, rule, regulation or order or the terms of any governmental licenses, authorizations, concessions, franchises or permits;
- (i) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into the ordinary course of business;
- (j) customary limitations on the distribution or disposition of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets that are the subject of such agreements;
- (k) purchase money obligations and mortgage financings for property acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (1)(d) of the preceding paragraph;
- (l) any customary Productive Asset Leases for Vessels, containers and other assets used in the ordinary course of our business; *provided* that such encumbrance or restriction only extends to the Vessel, container or other asset financed in such Productive Asset Lease;
- (m) any Qualified Securitization Financing; and
- (n) any agreement that extends, renews, amends, modifies, restates, supplements, refunds, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (2)(a) through (m), or in this clause (2)(n); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Notes than those under or pursuant to the agreement so extended, renewed, amended, modified, restated, supplemented, refunded, refinanced or replaced.

#### ***Designation of Unrestricted and Restricted Subsidiaries***

- (1) The board of directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—Restricted Payments” or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The board of directors of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

- (2) Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the board of directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Debt of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Debt is not permitted to be incurred as of such date under the covenant described under the caption "—Limitation on Debt," the Issuer will be in default of such covenant. The board of directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Debt by a Restricted Subsidiary of any outstanding Debt of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Debt is permitted under the covenant described under the caption "—Limitation on Debt," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

### ***Provision of Information***

So long as any Notes are outstanding, the Issuer will furnish to the Trustee:

- (a) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2016, annual reports containing the following information with a level of detail that is substantially comparable in all material respects to this Offering Memorandum (with appropriate revisions, as reasonably determined by the Issuer to reflect changes in segment reporting): (i) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause (b)(ii) or (b)(iii) below (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies, capital expenditures and critical accounting policies; (iv) a description of the business, management and shareholders of the Issuer, material affiliate transactions and material debt instruments; (v) a description of material differences, if any, between IFRS in effect for the Reporting Period and IFRS in effect for the previous year; and (vi) material risk factors and material recent developments;
- (b) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending March 31, 2017, all quarterly financial statements of the Issuer containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods (which may be presented on a *pro forma* basis), together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause (b)(i) or (b)(iii) (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations, and material changes in liquidity and capital resources of the Issuer and any material change between the

current quarterly period and the corresponding period of the prior year; and (iv) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

- (c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event.

All historical financial statements shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also (i) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency) in connection with such report and (ii) post each such report on such website as may be then maintained by the Issuer.

The Indenture will also provide that, so long as any of the Notes remain outstanding, the Issuer will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act. The Issuer will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the stock exchange so require.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the first paragraph of this "Provision of Information" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

### ***Consolidation, Merger and Sale of Assets***

The Issuer will not, directly or indirectly: (i) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

- (a) at the time of, and immediately after giving effect to, any such transaction or series of transactions, either (i) the Issuer will be the surviving corporation or (ii) the Person (if other than the Issuer) formed by or surviving any such consolidation or merger or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the properties and assets of the Issuer and the Restricted Subsidiaries on a consolidated basis has been made (the "**Surviving Entity**"):
  - (x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Canada, the United States of America, any state thereof or the District of Columbia; and
  - (y) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, the Issuer's obligations under the Notes and the Indenture;
- (b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis, no Default or Event of Default will have occurred and be continuing;
- (c) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least €1.00 of additional Debt



pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in the first paragraph of the “—Limitation on Debt” covenant or (ii) have a Consolidated Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and

- (d) the Issuer or the Surviving Entity will have delivered to the Trustee, in form and substance satisfactory to the Trustee, an Officers’ Certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this covenant.

In addition, neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more transactions, to any other Person.

Nothing in the Indenture will prevent and this covenant will not apply to (i) any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer or any other Restricted Subsidiary or (ii) the merger, consolidation, amalgamation or other combination of UASC or any of its Restricted Subsidiaries with or into the Issuer or any of its Restricted Subsidiaries, or the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the assets of UASC or any of its Restricted Subsidiaries to the Issuer or any of its Restricted Subsidiaries. In addition, clause (c) above will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction for tax reasons.

Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

#### ***Payments for Consent***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the relevant Indenture or Notes unless such consideration is offered to be paid and is paid to all holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (A) (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the U.S. federal securities laws and the laws of the European Union or its members states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

#### **Events of Default**

- (1) Each of the following will be an “**Event of Default**” under the Indenture:
  - (a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;
  - (b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon redemption or otherwise);
  - (c) failure by the Issuer to (i) comply with the provisions of “—Consolidation, Merger and Sale of Assets” or make or (ii) consummate a Change of Control Offer in accordance with the provisions of “—Purchase of Notes upon a Change of Control;”

- (d) failure by the Issuer for 60 days after the written notice specified in paragraph (2) below to comply with any covenant or agreement that is contained in the Indenture or the Notes (other than a covenant or agreement which is specifically dealt with in clauses (a), (b) or (c));
  - (e) default under the terms of any instrument evidencing or securing the Debt of the Issuer or any Restricted Subsidiary, if that default: (x) results in the acceleration of the payment of such Debt or (y) is caused by a failure to pay principal of such Debt at final maturity thereof after giving effect to any applicable grace periods and other than by regularly scheduled required prepayment, and such failure to make any payment has not been waived or the maturity of such Debt has not been extended (a “**Payment Default**”), and in either case the total amount of such Debt unpaid or accelerated exceeds €35.0 million;
  - (f) any Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture or any Guarantee);
  - (g) failure by the Issuer or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary to pay final judgments, orders or decrees (not subject to appeal) entered by a court or courts of competent jurisdiction aggregating in excess €35.0 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree (by reason of pending appeal, waiver or otherwise) shall not have been in effect; and
  - (h) the occurrence of certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary.
- (2) If an Event of Default (other than as specified in clauses (1)(h) above) occurs and is continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the holders) may, and the Trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, and any Additional Amounts and accrued interest on all the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.
- (3) If an Event of Default specified in clause (1)(h) above occurs and is continuing, then the principal of, premium, if any, and Additional Amounts and accrued and unpaid interest on all the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes.
- (4) At any time after a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Issuer and the Trustee, may rescind such declaration and its consequences if:
- (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:
    - (i) all overdue interest and Additional Amounts on all Notes then outstanding;
    - (ii) all unpaid principal of and premium, if any, on any outstanding Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes;
    - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes; and
    - (iv) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;
  - (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

- (c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

- (5) The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all the Notes, waive any past defaults under the Indenture, except a continuing default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of holders of Notes holding 90% of the aggregate principal amount of the Notes outstanding under the Indenture).
- (6) Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have made written request and offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under “—Amendments and Waivers”) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request to, and offered indemnity and/or security satisfactory to, the Trustee to institute such proceeding as trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 30 days after receipt of such notice and indemnity or security and the Trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.
- (7) If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will transmit to each holder of the Notes notice of the Default or Event of Default within 15 Business Days after its occurrence. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Notes.
- (8) The Issuer is required to furnish to the Trustee annual statements regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Issuer is required to promptly deliver to the Trustee a statement specifying such Default or Event of Default.

#### **Legal Defeasance or Covenant Defeasance of Indenture**

The Indenture will provide that the Issuer may, at the option of its Board of Directors as evidenced by a resolution set forth in an Officers’ Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Guarantees (“**Legal Defeasance**”). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes and Guarantees except as to:

- (a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;
- (b) the Issuer’s obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;
- (c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and
- (d) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture (“**Covenant**

**Defeasance**”), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under “—Events of Default” will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee (or such other entity designated or appointed by it for this purpose), for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; and (y) if applicable, have delivered to the Trustee an irrevocable notice to redeem all the outstanding Notes of such principal, premium, if any, or interest;
- (b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the date of the Indenture, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (c) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (d) the Issuer must have delivered to the Trustee an Officers’ Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and
- (e) the Issuer must have delivered to the Trustee an Officers’ Certificate and an opinion of counsel, reasonably acceptable to the Trustee, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

### **Satisfaction and Discharge**

The Indenture, the Notes and the Guarantees will be discharged and will cease to be of further effect when:

- (a) either:
  - (i) all the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or
  - (ii) all Notes that have not been delivered to the Trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise) or (y) will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or each other entity designated as

appointed by it for this purpose) as trust funds in trust solely for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption; and

- (b) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Indenture, the Notes and the Guarantees; and
- (c) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officers' Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; *provided* that any such counsel may rely on any Officers' Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

### **Amendments and Waivers**

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes or any Guarantee, may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

- (a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Note;
- (b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Note;
- (c) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable;
- (d) impair the right of any holder of Notes to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- (e) reduce the principal amount of Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Indenture (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);
- (f) release any Guarantee other than in accordance with the terms of the Indenture;
- (g) modify any of the provisions relating to supplemental indentures requiring the consent of holders of the Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Note affected thereby; or
- (h) make any change in the preceding amendment and waiver provisions.



Any amendment, supplement or waiver consented to by at least 90% of the aggregate principal amount of the then outstanding Notes will be binding against any non-consenting holders.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Guarantors, the Issuer and the Trustee may modify, amend or supplement the Indenture or any Guarantee:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Guarantees by a successor to the Issuer or any Guarantor in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;
- (c) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;
- (d) to conform the text of the Indenture, the Guarantees or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Guarantees or the Notes;
- (e) to release any Guarantee in accordance with the terms of the Indenture;
- (f) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes;
- (g) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code of 1986, as amended);
- (h) to evidence and provide the acceptance of the appointment of a successor Trustee under the terms of the Indenture or to otherwise comply with any requirement of the Indenture; or
- (i) to provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officers' Certificate on which the Trustee may solely rely.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

### **Concerning the Trustee**

The Issuer shall deliver written notice to the Trustee immediately after becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense. The Issuer appoints Deutsche Trustee Company Limited as the initial Trustee.

The Issuer will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with its duties.

## **Listing**

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit them to trading on the Euro MTF Market. The Issuer has initially designated Deutsche Bank Luxembourg S.A. as its agent for this purpose. The address of Deutsche Bank Luxembourg S.A. is 2, boulevard Konrad Adenauer, L-1115, Luxembourg.

## **Listing and General Information**

So long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of our annual audited consolidated and unconsolidated financial statements, our unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the offices of the Listing Agent in Luxembourg.

## **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator, member or shareholder of the Issuer will have any liability for any obligations of the Issuer under the Notes or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the U.S. federal securities laws.

## **Prescription**

Claims against the Issuer for the payment of principal or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

## **Governing Law**

The Indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York, and will provide for the submission of the parties to the jurisdiction of the courts in the State of New York.

## **Consent to Jurisdiction and Service**

The Indenture will provide that the Issuer will irrevocably and unconditionally appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes and for actions brought under U.S. federal or state securities laws brought in any Federal or state court located in the City of New York and will submit to such jurisdiction.

## **Enforceability of Judgments**

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

## **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“**Acquired Debt**” means Debt of a Person:

- (a) existing at the time such Person becomes a Subsidiary or is merged into or consolidated with such specified Person whether or not such Debt is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; or

(b) assumed in connection with the acquisition of assets from any such Person.

Acquired Debt will be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from any Person.

“**Affiliate**” means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling,” “controlled” have meanings correlative to the foregoing.

“**AktG**” means the German Stock Companies Act (*Aktiengesetz*).

“**Applicable Redemption Premium**” means on any redemption date prior to February 1, 2019, the greater of:

- (i) one percent of the principal amount of such Note and
- (ii) the excess of:
  - (x) the present value at such redemption date of the redemption price of such Note at February 1, 2019, plus all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and February 1, 2019, excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points, over
  - (y) the principal amount of such Note on such redemption date.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

“**Asset Sale**” means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a “**transfer**”), directly or indirectly, in one or a series of related transactions, of:

- (a) any Capital Stock of any Restricted Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary);
- (b) all or substantially all the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or
- (c) any other of the Issuer’s or any Restricted Subsidiary’s properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (i) any transfer or disposition of assets that is governed by the provisions of the Indenture described under “—Certain Covenants—Consolidation, Merger and Sale of Assets” and “—Purchase of Notes upon a Change of Control;”
- (ii) any transfer or disposition of assets or Capital Stock between or among the Issuer and any Restricted Subsidiary;
- (iii) any transfer or disposition of obsolete, worn-out or surplus equipment or facilities or other assets of the Issuer or any Restricted Subsidiary that are no longer used or useful in the ordinary course of the Issuer’s or any Restricted Subsidiary’s business;
- (iv) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than €15.0 million;
- (v) for the purposes of “—Certain Covenants—Limitation on Sale of Certain Assets” only, a disposition of all or substantially all the assets of the Issuer in accordance with the covenant described under “—Certain Covenants—Consolidation, Merger and Sale of Assets” or any disposition that constitutes a “—Purchase of Notes upon a Change of Control;”

- (vi) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (vii) a disposition that is made in connection with the establishment of a joint venture which is a Permitted Investment;
- (viii) the sale, lease or other disposition of equipment, inventory, property, stock-in-trade, goods, accounts receivable or other assets in the ordinary course of business;
- (ix) the lease, assignment, sublease, license or sublicense of any real or personal property in the ordinary course of business;
- (x) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;
- (xi) a Permitted Investment or a Restricted Payment (or a transaction that would constitute a Restricted Payment but for the exclusions from the definition thereof) that is not prohibited by the “—Limitation on Restricted Payments” covenant;
- (xii) foreclosure, condemnation or similar action with respect to property or other assets;
- (xiii) any disposition of Capital Stock, Debt or other securities of any Unrestricted Subsidiary;
- (xiv) any disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing and any factoring transaction in the ordinary course of business;
- (xv) sales of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Issuer or any Restricted Subsidiary;
- (xvi) the sale or other disposition of cash or Cash Equivalents;
- (xvii) any exchange of like property for use in a Permitted Business;
- (xviii) the grant of licenses to intellectual property rights to third parties on an arms’ length basis in the ordinary course of business;
- (xix) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets;
- (xx) the granting of Liens not otherwise prohibited by the Indenture;
- (xxi) the surrender, or waiver of contract rights or settlement, release or surrender of contract, tort or other claims; or
- (xxii) the sale and transfer of UASC’s minority participation in United Arab Chemicals Carriers Limited.

“**Average Life**” means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

- (a) the sum of the products of:
  - (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt multiplied by
  - (ii) the amount of each such principal payment;
 by
- (b) the sum of all such principal payments.

“**Bund Rate**” means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “Comparable German Bund Issue” means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to February 1, 2019, and that would be utilized, at the time of

selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to February 1, 2019; *provided, however*, that, if the period from such redemption date to February 1, 2019 is less than one year, a fixed maturity of one year shall be used;

- (2) “Comparable German Bund Price” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and
- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

“**Business Day**” means a day of the year on which banks are not required or authorized by law to close in Frankfurt, Germany or London, United Kingdom.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person’s equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into or to acquire such Capital Stock, whether now outstanding or issued after the date of the Indenture.

“**Capitalized Lease Obligation**” means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under IFRS, and, for purposes of the Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with IFRS and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“**Cash Contributions**” means the aggregate amount of cash contributions made to the equity capital of the Issuer or any of its Restricted Subsidiaries described in the definition of “Contribution Debt.”

“**Cash Equivalents**” means any of the following:

- (a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer’s option;
- (b) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “P-1” or higher by Moody’s or “A-1” or higher by S&P or the equivalent rating category of another internationally recognized rating agency;



- (c) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition;
- (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition having a term of not more than 90 days with respect to securities issued or fully guaranteed by the United States of America, the United Kingdom or an agency thereof or any member state of the European Union from time to time; and
- (e) investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (d) above.

**"Change of Control"** has the meaning given to such term under "**—Purchase of Notes upon a Change of Control.**"

**"Commission"** means the U.S. Securities and Exchange Commission.

**"Commodity Hedging Agreements"** means, in respect of a Person, any spot, forward, swap, option or other similar agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in commodity prices.

**"Consolidated Adjusted Net Income"** means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), as determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

- (a) any goodwill or other intangible asset impairment charges will be excluded;
- (b) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;
- (c) solely for the purpose of determining the amount available for Restricted Payments under clause (2)(c)(i) of the "**—Restricted Payments**" covenant, any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Notes or the Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date and (iv) any restriction listed under clauses (2)(a), (b) and (h) of the "**Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries**" covenant); except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Adjusted Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (d) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the board of directors or a member of senior management of the Issuer) or in connection with the sale or disposition of securities will be excluded;
- (e) (i) any extraordinary, exceptional or unusual gain, loss or charge, (ii) any asset impairments charges, the financial impacts of natural disasters (including fire, flood and storm and related events), (iii) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (iv) any expenses, charges, reserves or other costs related to the Transactions, in each case, will be excluded;

- (f) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards will be excluded;
- (g) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Debt and any net gain (loss) from any write-off or forgiveness of Debt will be excluded;
- (h) any one-time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;
- (i) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;
- (j) any unrealized foreign currency transaction gains or losses in respect of Debt of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies will be excluded;
- (k) any unrealized foreign currency translation or transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary will be excluded;
- (l) the cumulative effect of a change in accounting principles will be excluded; and
- (m) the impact of capitalized, accrued or accreting or pay-in-kind interest or accreting principal on Deeply Subordinated Funding shall be excluded.

“**Consolidated EBITDA**” means, with respect to any specified Person for any period without duplication, the sum of Consolidated Adjusted Net Income, plus in each case to the extent deducted in computing Consolidated Adjusted Net Income for such period:

- (a) provision for taxes based on income, profits or capital of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Adjusted Net Income; *plus*
- (b) the Consolidated Net Interest Expense of such Person and its Restricted Subsidiaries for such period; *plus*
- (c) any expenses, charges or other costs related to any equity offering, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business, *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), joint venture, disposition, recapitalization, Debt permitted to be incurred by the Indenture, or the refinancing of any other Debt of such Person or any of its Restricted Subsidiaries (whether or not successful) (including such fees, expenses or charges related to the Transactions) and, in each case, deducted in such period in computing Consolidated Adjusted Net Income; *plus*
- (d) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), and other non-cash expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on such Person and its Restricted Subsidiaries for such period), but excluding any non-cash items for which a future cash payment will be required and for which an accrual or reserve is required by IFRS to be made, to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Adjusted Net Income; *plus*
- (e) the minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on Capital Stock held by third parties; *plus*

- (f) any charge (or minus any income) attributable to a post-employment benefit scheme other than the current service costs attributable to the scheme; *plus*
- (g) to the extent not otherwise included, the proceeds of any business interruption insurance; *minus*
- (h) non-cash items increasing such Consolidated Adjusted Net Income for such period, other than
  - (i) any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required; or
  - (ii) items related to percentage of completion accounting,

in each case, on a consolidated basis and determined in accordance with IFRS.

“**Consolidated Fixed Charge Coverage Ratio**” of the Issuer means, for any period, the ratio of:

- (a) Consolidated EBITDA
- (b) to the sum of:
  - (i) Consolidated Net Interest Expense; and
  - (ii) cash and non-cash dividends due (whether or not declared) on the Redeemable Capital Stock of the Issuer and any Restricted Subsidiaries and on the Preferred Stock of any Restricted Subsidiary (to any Person other than the Issuer and any Restricted Subsidiary), in each case for such period;

*provided* that in calculating the Consolidated Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Issuer (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Issuer (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements));

*provided further*, without limiting the application of the previous proviso, that:

- (1) if the Issuer or any Restricted Subsidiary has incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an incurrence of Debt or both, Consolidated Adjusted Net Income and Consolidated Net Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period; *provided however*, that the *pro forma* calculation of the Consolidated Fixed Charge Coverage Ratio shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clause (2) under the covenant “—Certain Covenants—Limitation on Debt” or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the covenant “—Certain Covenants—Limitation on Debt;”
- (2) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Adjusted Net Income for such period shall be reduced by an amount equal to the Consolidated Adjusted Net Income (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated Adjusted Net Income (if negative) directly attributable thereto, for such period and the Consolidated Net Interest Expense for such period shall be reduced by an amount equal to the Consolidated Net Interest Expense directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Net Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

- (3) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated Adjusted Net Income and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and
- (4) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Issuer or a Restricted Subsidiary during such period, Consolidated Adjusted Net Income and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period.

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Net Interest Expense and Consolidated Adjusted Net Income, calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer.

“**Consolidated Leverage**” means, with respect to any Person, the sum of the aggregate outstanding Debt of that Person and its Restricted Subsidiaries (excluding Deeply Subordinated Funding) and the aggregate liquidation preference of any preferred equity issued by a Restricted Subsidiary, less cash and Cash Equivalents, in each case, as of the relevant date of calculation.

“**Consolidated Leverage Ratio**” of the Issuer means, as of the date of determination, the ratio of (a) the Consolidated Leverage of the Issuer to (b) the aggregate Consolidated EBITDA of the Issuer for the period of the most recent four consecutive quarters for which financial statements are available under “—Provision of Information;” *provided* that the *pro forma* calculation of Consolidated Leverage shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clause (2) under the covenant “—Certain Covenants—Limitation on Debt” or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the covenant “—Certain Covenants—Limitation on Debt;” *provided further*, that in calculating the Consolidated Leverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Issuer (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Issuer (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements)); *provided, further*, that for purposes of calculating the Consolidated EBITDA for such period, if, as of such determination:

- (a) since the beginning of such period such Person or any Restricted Subsidiary thereof will have disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “**Sale**”) or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;
- (b) since the beginning of such period such Person or any Restricted Subsidiary thereof (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a “**Purchase**”) including any such Purchase occurring in connection with a transaction causing

a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

- (c) since the beginning of such period any other Person (that became a Restricted Subsidiary or was merged with or into the first Person or any Restricted Subsidiary thereof since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the first Person or a Restricted Subsidiary thereof since the beginning of such period, Consolidated Cash Flow for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the relevant Person including any *pro forma* expense and cost reductions and other operating improvements that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Issuer (regardless of whether these cost savings or operating improvements could then be reflected in *pro forma* financial statements).

“**Consolidated Net Interest Expense**” means, with respect to any specified Person for any period, without duplication and in each case determined on a consolidated basis in accordance with IFRS, the sum of:

- (a) the Issuer’s and the Restricted Subsidiaries’ total interest expense for such period, including, without limitation:
  - (i) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;
  - (ii) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses); and
  - (iii) the interest portion of any deferred payment obligation (classified as Debt under the Indenture); *plus*
- (b) the interest component of the Issuer’s and the Restricted Subsidiaries’ Capitalized Lease Obligations accrued or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *plus*
- (c) the Issuer’s and the Restricted Subsidiaries non-cash interest expenses (but excluding any non-cash interest expense attributable to the movement in the mark-to-market valuation of Hedging Obligations or other derivative instruments) and interest that was capitalized during such period; *plus*
- (d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on the Issuer’s or any Restricted Subsidiary’s assets, but only to the extent that such interest is actually paid by the Issuer or such Restricted Subsidiary; *minus*
- (e) the interest income of the Issuer and the Restricted Subsidiaries during such period.

Notwithstanding any of the foregoing, Consolidated Net Interest Expense shall not include (i) any non-cash interest expense in respect of Deeply Subordinated Funding, (ii) any commissions, discounts, yield and other fees and charges related to any Qualified Securitization Financing and (iii) any payments on any operating leases.

“**continuing**” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“**Contribution Debt**” means Debt of the Issuer or any Restricted Subsidiary in an aggregate principal amount, together with any Debt refinancing such Indebtedness, not greater than the aggregate amount of Cash Contributions (other than Excluded Contributions) made to the equity capital of the Issuer or such Restricted Subsidiary (other than by a Subsidiary of the Issuer) after the date of the



Indenture, to the extent such net cash proceeds or cash have not been applied to make Restricted Payments pursuant to paragraph (2) or clause (3)(b) of the “—Limitation on Restricted Payments” covenant; *provided* that such Contribution Debt:

- (1) is incurred within 180 days after the making of such Cash Contributions; and
- (2) is designated as Contribution Debt pursuant to an Officers’ Certificate signed by an officer or director of the Issuer no later than the date incurred.

“**Credit Facility**” or “**Credit Facilities**” means one or more debt facilities (including, without limitation, under the Secured Revolving Credit Facility and the Unsecured Revolving Credit Facility) or commercial paper facilities, in each case with banks or other financial institutions providing for revolving credit loans, term loans, receivables financings (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other forms of guarantees and assurances, or other Debt, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise), restructured, repaid or refinanced (whether by means of sales of debt securities to institutional investors and whether in whole or in part and whether or not with the original administrative agent or lenders or another administrative agent or agents or other bank or institutions and whether provided under the Secured Revolving Credit Facility, the Unsecured Revolving Credit Facility and one or more other credit or other agreements) and, for the avoidance of doubt, includes any agreement extending the maturity thereof or otherwise restructuring all or any portion of the indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

“**Currency Agreements**” means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

“**Debt**” means, with respect to any Person, without duplication:

- (a) the principal and premium amounts of any indebtedness of such Person in respect of borrowed money (including overdrafts) or for the deferred purchase price of property or services due more than one year after such property is acquired or such services are completed, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business;
- (b) any indebtedness of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (c) all obligations, contingent or otherwise of such Person representing reimbursement obligations in respect of any letters of credit, bankers’ acceptances or other similar instruments (except to the extent such obligation relates to trade payables in the ordinary course of business), *provided* that any counter indemnity or reimbursement obligation under a letter of credit shall be considered Debt only to the extent that the underlying obligation in respect of which the letter of credit has been issued would also be Debt;
- (d) any indebtedness representing Capitalized Lease Obligations of such Person;
- (e) all obligations of such Person in respect of Interest Rate Agreements, Currency Agreements and Commodity Hedging Agreements (the amount of any such Debt to be equal at any time to either (a) zero if such Hedging Obligation is incurred pursuant to clause (2)(h) of the covenant described under “—Certain Covenants—Limitation on Debt” or (b) the notional amount of such Hedging Obligation if not incurred pursuant to such clause);
- (f) all Debt referred to in (but not excluded from) the preceding clauses (a) through (e) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset and the amount of the obligation so secured);

- (g) all guarantees by such specified Person of Debt referred to in this definition of any other Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business);
- (h) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price plus accrued and unpaid dividends; and
- (i) Preferred Stock of any Restricted Subsidiary;

if and to the extent any of the preceding items (other than obligations under clauses (c) and (e) through (i)) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS *provided* that the term “Debt” shall not include (i) non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due; (ii) Debt in respect of the incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond; (iii) anything accounted for as an operating lease in accordance with IFRS as at the date of the Indenture; (iv) any pension obligations of the Issuer or a Restricted Subsidiary; (v) Debt incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (x) such Debt is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250.0 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody’s and (y) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or Affiliate thereof, in amount equal to such Debt; (vi) obligations under or in respect of Qualified Securitization Financings; (vii) contingent obligations incurred in the ordinary course of business and (viii) Deeply Subordinated Funding.

For purposes of this definition, the “maximum fixed repurchase price” of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value will be determined in good faith by the board of directors or a member of senior management of the Issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

“**Deeply Subordinated Funding**” means any funds provided to the Issuer pursuant to an agreement, note, security or other instrument, other than Capital Stock, that pursuant to its terms, (i) is subordinated in right of payment to the Notes, (ii)(A) does not mature or require any amortization, redemption or other repayment of principal (other than through conversion or exchange of such funding into Qualified Capital Stock of the Issuer or any funding meeting the requirements of this definition), (B) does not require payment of any cash interest or any similar cash amounts and (C) contains no change of control or similar provisions and (D) does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment (other than as a result of insolvency proceedings of the Issuer), in each case, prior to the 90th day following the Stated Maturity of the Notes and all other amounts due under the Indenture, (iii) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any Restricted Subsidiary and (iv) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture.

“**Default**” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“**Disinterested Director**” means, with respect to any transaction or series of related transactions, a member of the Issuer’s board of directors who does not have any material direct or indirect financial

interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director or employee of any Person (other than the Issuer or any Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

“**Euro Equivalent**” means, with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable foreign currency as published under “Currency Rates” in the section of the *Financial Times* entitled “Currencies, Bonds & Interest Rates” on the date that is two Business Days prior to such determination.

“**European Government Obligations**” means direct obligations of, or obligations guaranteed by, a member state of the European Union as in effect on December 31, 2003, and the payment for which such member state of the European Union pledges its full faith and credit.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**Excluded Contributions**” means the net cash proceeds received by the Issuer after the Issue Date from (i) contributions to its common equity capital, and (ii) the sale (other than to a Subsidiary) of Capital Stock (other than Redeemable Capital Stock), in each case designated as “Excluded Contributions” pursuant to an Officers’ Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received), the net cash proceeds of which are excluded from the calculation set forth in the clause (2)(c)(ii) of the covenant described under “—Certain Covenants—Restricted Payments” hereof.

“**Fair Market Value**” means, with respect to any asset or property, the sale value that would be obtained in an arm’s length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the board of directors or a member of senior management of the Issuer.

“**Guarantee**” means any guarantee of the Issuer’s obligations under the Indenture and the Notes by the Issuer, any Restricted Subsidiary or any other Person in accordance with the provisions of the Indenture, dated as of the Issue Date. When used as a verb, “Guarantee” shall have a corresponding meaning.

“**guarantees**” means, as applied to any obligation,

- (a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and
- (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

“**Hedging Obligations**” has the meaning giving to such term under clause (2)(h) of “—Certain Covenants—Limitations on Debt.”

“**IFRS**” means International Financial Reporting Standards as endorsed by the European Union and in effect on the date hereof, or, with respect to the covenant “Provision of Information,” as in effect from time to time.

“**Indenture**” means the indenture pursuant to which the Issuer will issue and the Guarantors will guarantee the Notes.

“**Interest Rate Agreements**” means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

“**Investment**” means, with respect to any Person, any direct or indirect advance, loan or other extension of credit (including guarantees but excluding bank deposits, accounts receivable, trade

credit, advances to customers, commission, travel and similar advances to officers and employees, in each case, made in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Debt issued or owned by, any other Person and all other items, in each case that are required by IFRS to be classified on the balance sheet (excluding the footnotes) of the relevant Person in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. In addition, the portion (proportionate to the Issuer's equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary will be deemed to be an "Investment" that the Issuer made in such Unrestricted Subsidiary at such time. The portion (proportionate to the Issuer's equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary will be considered a reduction in outstanding Investments. "Investments" excludes extensions of trade credit on commercially reasonable terms in accordance with normal trade practices.

**"Investment Grade Rating"** shall occur when the Notes are rated Baa3 or better by Moody's and BBB- or better by S&P, as applicable (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency).

**"Issue Date"** means February 1, 2017.

**"Lien"** means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for security, standard security, assignment in security claim, or preference or priority or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

**"Management Advances"** means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of the Issuer or any Restricted Subsidiary:

- (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or
- (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €5.0 million in the aggregate outstanding at any time.

**"Market Capitalization"** means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the Issuer on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

**"Maturity"** means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

**"Moody's"** means Moody's Investors Service, Inc. and its successors.

**"Net Cash Proceeds"** means with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

- (a) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;

- (b) provisions for all taxes paid or payable, or required to be accrued as a liability under IFRS as a result of such Asset Sale;
- (c) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and
- (d) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officers' Certificate delivered to the Trustee.

“**Officers' Certificate**” means a certificate signed by an officer of the Issuer, a Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

“**Original Shareholder**” means each Permitted Holder and its Affiliates and any other direct or indirect shareholder of the Issuer on the Issue Date and its Affiliates.

“**Pari Passu Debt**” means (a) any Debt of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

“**Permitted Business**” means (a) any businesses, services or activities engaged in by the Issuer or any of the Restricted Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“**Permitted Debt**” has the meaning given to such term under “—Certain Covenants—Limitation on Debt.”

“**Permitted Holders**” means each of (i) HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH, (ii) HanseMercur Krankenversicherung AG, (iii) HanseMercur Lebensversicherung AG (iv) HSH Nordbank AG, (v) Iduna Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, (vi) Kühne Maritime GmbH, (vii) M.M.Warburg & CO. Gruppe (GmbH & Co.) KGaA (as well as other shareholders to whom M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA has transferred part of its original partnership interests in Hamburgische Seefahrtbeteiligung “Albert Ballin” GmbH & Co. KG and which agreed to pool their voting rights with M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA (but only as long as such pooling agreement applies)), (viii) CSAV, (ix) Qatar Holding LLC, (x) The Public Investment Fund of the Kingdom of Saudi Arabia and (xi) in each case any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by any of the Permitted Holders referred to under (i) to (xi) (each inclusive) above and (xii) and TUI Aktiengesellschaft and, in each case, their respective Affiliates.

“**Permitted Investments**” means any of the following:

- (a) Investments in cash or Cash Equivalents;
- (b) intercompany Debt to the extent permitted under clause (d) of the definition of “Permitted Debt;”
- (c) Investments in (i) the form of loans or advances to, or debt securities issued by, the Issuer, (ii) the Issuer or a Restricted Subsidiary or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary of the Issuer or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;
- (d) Investments made by the Issuer or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with “—Certain Covenants—Limitation on Sale of Certain Assets” to the extent such Investments are non-cash proceeds permitted thereunder;



- (e) expenses or advances to cover payroll, travel, entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS;
- (f) Investments in the Notes and any other Debt of the Issuer or any Restricted Subsidiary;
- (g) Investments existing on the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;
- (h) Investments in Hedging Obligations permitted under clause (2)(h) under “—Certain Covenants—Limitation on Debt;”
- (i) any Investments received in compromise or resolution of litigation, arbitration or other disputes;
- (j) loans and advances (or guarantees to third-party loans) to directors, officers or employees of the Issuer or any Restricted Subsidiary made in the ordinary course of business in an amount outstanding not to exceed at any one time €5.0 million;
- (k) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (l) Investments in a Person to the extent that the consideration therefor consists of Capital Stock or the net proceeds of the issue and sale (other than to any Restricted Subsidiary) of shares of Capital Stock of the Issuer or Deeply Subordinated Funding; *provided* that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of “—Certain Covenants—Limitation on Restricted Payments;”
- (m) Investments of the Issuer or the Restricted Subsidiaries described under item (v) to the proviso to the definition of “Debt;”
- (n) any Guarantee of Debt permitted to be incurred by the covenant entitled “—Certain Covenants—Limitation on Debt;”
- (o) Management Advances;
- (p) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (p) that are at the time outstanding not to exceed the greater of €150 million and 2.25% of Total Assets, *provided*, that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to “Certain Covenants—Restricted Payments,” such Investment, if applicable, shall thereafter be deemed to have been made pursuant to (c)(ii) or (iii) of the definition of “Permitted Investments” and not this clause;
- (q) Investments resulting from the acquisition of a Person that at the time of such acquisition held instruments constituting Investments that were not acquired in contemplation of the acquisition of such Person;
- (r) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Debt; and
- (s) stock, obligations or securities received in satisfaction of judgments, foreclosure of liens or settlement of debts and (ii) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer.

“**Permitted Liens**” means the following types of Liens:

- (a) Liens existing on the Issue Date;
- (b) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issuer or any Restricted Subsidiary;
- (c) Liens on any of the Issuer’s or any Restricted Subsidiaries’ property or assets securing the Notes or any Guarantees;
- (d) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (e) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith or Liens arising solely by virtue of any statutory or common law provisions relating to attorney’s liens or bankers’ liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;
- (f) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS, shall have been made;
- (g) Liens incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (other than obligations for the payment of money);
- (h) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects and incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Issuer and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;
- (i) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;
- (j) Liens on property or assets of, or on shares of Capital Stock or on Debt of, any Person existing at the time such Person becomes a Restricted Subsidiary; *provided* that such Liens (i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets of, or shares of Capital Stock or on Debt of, such acquired Restricted Subsidiary and (ii) were not created in connection with or in contemplation of such acquisition, merger or consolidation;
- (k) Liens on property or assets existing at the time such property or assets are acquired, including any acquisition by means of a merger with or into or consolidation with, the Issuer or any Restricted Subsidiary; *provided* that such Liens (i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than (A) the property or assets acquired or (B) the property or assets of the Person merged with or into or consolidated with the Issuer or Restricted Subsidiary and (ii) were not in connection with or in contemplation of such acquisition, merger or consolidation;
- (l) Liens securing the Issuer’s or any Restricted Subsidiary’s Hedging Obligations permitted under clause (2)(h) under “—Certain Covenants—Limitation on Debt;”
- (m) Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance) or deposits to secure public or statutory obligations of such Person or deposits of cash or government bonds to secure performance,

bid, surety or appeal bonds and completion bonds and guarantees to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

- (n) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (o) Liens incurred in connection with a cash management program established in the ordinary course of business;
- (p) Liens on any property or assets of the Issuer or any of its Restricted Subsidiaries securing Debt permitted to be incurred pursuant to clauses 2(b), 2(t) and 2(v) under “—Certain Covenants—Limitation on Debt;”
- (q) Liens on any property or assets of the Issuer or any of its Restricted Subsidiaries for the purpose of securing Capitalized Lease Obligations, purchase money obligations, mortgage financings or other Debt (including in respect of clause 2(i), refinanced Debt), in each case, incurred pursuant to clauses 2(i) or (j) under “—Certain Covenants—Limitation on Debt” in connection with the financing of all or any part of the purchase price, lease expense, rental payment or cost of design, construction, installation or improvement of assets or property; *provided*, that any such Lien may not extend to any assets or property owned by the Issuer or any of its Restricted Subsidiaries at the time the Lien is incurred other than the assets and property (including any rights and claims arising or generated out of or in connection with any such assets or property (including the loss, impairment or destruction thereof)) acquired, improved, constructed, leased, financed or refinanced (*provided* that to the extent that any such Capitalized Lease Obligations, purchase money obligations, mortgage financings or other Debt (including in respect of clause 2(i), refinanced Debt) relate to multiple assets or properties, then all such assets or properties may secure any such Capitalized Lease Obligation, purchase money obligations, mortgage financings or such other Debt);
- (r) Liens incurred to secure Permitted Refinancing Debt permitted to be incurred under the Indenture; *provided* that the new Lien shall be limited to all or part of the same property and assets that secured the original Lien (plus improvements and accessions to such property and assets and proceeds or distributions thereof);
- (s) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (t) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;
- (u) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third-party relating to such property or assets;
- (v) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (w) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer or any Restricted Subsidiary’s business or operations as Liens only for Debt to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (x) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net cash proceeds of such disposal;
- (y) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (z) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Debt permitted under the Indenture and securing that Debt;

- (aa) Liens over treasury stock of the Issuer or a Restricted Subsidiary purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;
- (bb) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;
- (cc) Liens for salvage;
- (dd) Liens incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed €15.0 million at any one time outstanding; and
- (ee) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (dd); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets.

“**Permitted Refinancing Debt**” means any renewals, extensions, substitutions, refinancings or replacements of any Debt of the Issuer or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, so long as:

- (a) such Debt is in an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;
- (b) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being refinanced;
- (c) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced;
- (d) the new Debt is not senior in right of payment to the Debt that is being refinanced; and
- (e) such Debt is unsecured if the Debt being refinanced is unsecured,

*provided* that Permitted Refinancing Debt will not include (i) Debt of a Subsidiary of the Issuer (other than a Guarantor) that refinances the Debt of the Issuer or any Guarantor or (ii) Debt of any Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary.

“**Person**” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Preferred Stock**” means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person whether now outstanding, or issued after the date of the Indenture, and including, without limitation, all classes and series of preferred or preference stock of such Person; *provided* that accrued non-cash dividends with respect to any Preferred Stock shall not constitute Preferred Stock for the purposes of “Certain Covenants—Limitation on Debt.”

“**Productive Asset Lease**” means any charter or lease of one or more Vessels and any lease of any container (other than charters or leases required to be classified and accounted for as a capital leases under IFRS).

“**Property**” means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock, and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

“**Public Debt**” means any Debt consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A under the Securities Act or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such securities to registration thereof with the Commission for public resale.

**“Public Equity Offering”** means, with respect to the Issuer or any direct or indirect parent company of the Issuer, any offering of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

**“Public Market”** means any time after:

- (1) a Public Equity Offering has been consummated; and
- (2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Issuer or a direct or indirect parent company of the Issuer has been distributed to investors other than the Permitted Holders pursuant to one or more Public Equity Offerings.

**“Qualified Capital Stock”** of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

**“Qualified Securitization Financing”** means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the board of directors or a member of senior management of the Issuer) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the board of directors or a member of senior management of the Issuer) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer and its Restricted Subsidiaries except to a limited extent customary for such transactions.

**“Ready for Sea Cost”** means with respect to a Vessel to be acquired or leased by the Issuer or any Restricted Subsidiary, the aggregate amount of all expenditures incurred to acquire or construct and bring such Vessel to the condition and location necessary for its intended use, including any and all inspections, appraisals, repairs, modifications, additions, permits and licenses in connection with such acquisition or lease.

**“Redeemable Capital Stock”** means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable, or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances in which the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “—Certain Covenants—Limitation on Sale of Certain Assets” and “—Purchase of Notes upon a Change of Control” described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s repurchase of such Notes as are required to be repurchased pursuant to “—Certain Covenants—Limitation on Sale of Certain Assets” and “—Purchase of Notes upon a Change of Control.”

**“Restricted Subsidiary”** means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

**“S&P”** means Standard and Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

**“Secured Revolving Credit Facility”** means the US\$200,000,000 (initially US\$360,000,000) revolving facility agreement, dated October 1, 2010, as amended, which matures October 1, 2018.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.



“**Securitization Assets**” means any accounts receivable subject to a Qualified Securitization Financing.

“**Securitization Fees**” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with any Qualified Securitization Financing.

“**Securitization Repurchase Obligation**” means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“**Senior Credit Facilities**” means any Credit Facility of the Issuer or any Restricted Subsidiary, including any Credit Facility under the Secured Revolving Credit Facility and the Unsecured Revolving Credit Facility.

“**Share Purchase Agreement**” means the share purchase agreement dated October 11-13, 2008 between TUI AG and Hapag-Lloyd Holding AG (or any successors) regarding the sale of shares of Hapag-Lloyd AG, as amended from time to time.

“**Significant Subsidiary**” means, at the date of determination, any Restricted Subsidiary of the Issuer that together with its Subsidiaries which are Restricted Subsidiaries of the Issuer (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 10% of the consolidated assets of the Issuer.

“**Stated Maturity**” means, when used with respect to any note or any installment of interest thereon, the date specified in such note as the fixed date on which the principal of such note or such installment of interest, respectively, is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

“**Subordinated Debt**” means Debt of the Issuer or any of the Guarantors that is subordinated in right of payment to the Notes or the Guarantees of such Guarantors, as the case may be; *provided*, that no Debt will be deemed to be subordinated in right of payment to any other Debt solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis.

“**Subsidiary**” means, with respect to any Person:

- (a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; and
- (b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions), *provided* that, notwithstanding the foregoing, CSAV Austral S.A. and any of its subsidiaries shall qualify as a “Subsidiary” if fully consolidated by the Issuer in accordance with its consistently applied accounting policies.

“**Total Assets**” means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Issuer.

“**Transactions**” has the meaning given to such term in this offering memorandum under the caption “Currency Presentation and Definitions—Definitions”.

“**Trust Indenture Act**” means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**UASC**” means United Arab Shipping Company (S.A.G.), which will be reorganized and renamed United Arab Shipping Company Limited prior to the closing of the UASC Business Combination.

**“UASC Business Combination”** means the combination of the Issuer and UASC of all activities, assets, liabilities, contractual relationships and employees of UASC and its subsidiaries with the Issuer.

**“UASC Group”** means UASC and its Subsidiaries.

**“UASC Financings”** means (a) the UASC Group’s corporate debt which consists (i) the ABC Credit Financing, (ii) the Burgan Unsecured Facility, (iii) the CBD Unsecured Facility, (iv) the AUB Unsecured Facilities, (v) the Gulf Bank Facility Agreement, (vi) the QIB Facility, (vii) the AUB Secured Facility and (viii) the TD Bank Loan Note; (b) the UASC Group’s vessel financings which consist of (i) the 2008 Containership Financing, (ii) KEXIM Vessel Financing, (iii) the ABN Secured Vessel Financing, (iv) the Citibank Secured Vessel Financing, (v) the DB Secured Vessel Financing, (vi) the Burgan Vessel Financing, (vii) the QNB Vessel Financing, (viii) the Syndicated Vessel Financing, (ix) the ADNL Vessel Financing, (x) the Al Riffa Financing, (xi) the Jebel Ali Financing, (xii) the Al-Mutanabbi JOLCO Financing, and (xiii) the EMTC Transaction; and (c) the UASC Group’s container financings which consist of (i) the Al Rayyan Container Financing, (ii) the SINOSURE-backed Container Financing, (iii) the SG Container Box Financing, (iv) the Wakrah JOLCO Financing, (v) the Busaiteen JOLCO Financing, (vi) the Hira JOLCO Financing, (vii) the Al Madinah JOLCO Financing, (viii) the Al Oyun JOLCO Financing, (ix) the Manamah JOLCO Financing, and (x) such other container financing arrangements as described under “The UASC Business Combination—Description of Certain UASC Financing Arrangements—UASC’s Financing Agreements” (in each case as defined under “The UASC Business Combination—Description of Certain UASC Financing Arrangements”, and in each case as amended, refinanced or replaced by the closing date of the UASC Business Combination).

**“Unrestricted Subsidiary”** means:

- (a) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer’s board of directors pursuant to the “Designation of Unrestricted and Restricted Subsidiaries” covenant); and
- (b) any Subsidiary of an Unrestricted Subsidiary.

**“Unsecured Revolving Credit Facility”** means the US\$125,000,000 million unsecured revolving credit facility dated October 14, 2015, which matures on October 14, 2018.

**“Vessel”** means one or more shipping vessels whose primary purpose is the maritime transportation of cargo or which are otherwise engaged, used or useful in any business activities of the Issuer and its Restricted Subsidiaries and which are owned by and registered (or to be owned by and registered) in the name of the Issuer or any of its Restricted Subsidiaries or operated or to be operated by the Issuer or any of its Restricted Subsidiaries, in each case together with all related spares, equipment and any additions or improvements.

**“Voting Stock”** means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

## CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor, meaning that the debtor is unable to pay its debts as and when they fall due. According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is more likely than not (*überwiegend wahrscheinlich*).

If a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*), any other limited liability company or any company not having an individual as personally liable shareholder finds itself in a situation of illiquidity and/or over-indebtedness, the managing director(s) of such company and, in certain circumstances its shareholders, are obliged to file for the opening of insolvency proceedings without undue delay but not later than three weeks after the mandatory insolvency reason occurred, *i.e.*, illiquidity and/or over-indebtedness. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law.

In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obligated) to file for the opening of insolvency proceedings if the debtor is likely not to be able to pay its debts as and when they fall due.

The insolvency proceedings are administered by the competent insolvency court which monitors due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings as far as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession proceedings (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a preliminary trustee (*vorläufiger Sachwalter*)—with this petition not being obviously futile. The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and to preserve the debtor's property (which includes the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. The competent insolvency court shall set up during preliminary proceedings a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) if the debtor satisfies two of the following three requirements: (i) a balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over-indebted), (ii) revenues of at least €12,000,000 in the twelve months prior to the last balance sheet date and/or (iii) 50 or more employees on an annual average. The preliminary creditors' committee will be able to participate in certain important insolvency court decisions. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator or an insolvency administrator (*vorläufiger Insolvenzverwalter* and *Insolvenzverwalter*), orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*), and appointments of preliminary trustees (*vorläufiger Sachwalter*). In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible, *i.e.*, not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall include a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees.

The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if (i) the debtor is in a situation of impending illiquidity (if the petition has been filed by the debtor) or illiquidity and/or over-indebtedness and (ii) there are sufficient assets (*Insolvenzmasse*) to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of main insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) (usually the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court, unless a debtor-in-possession proceeding (*Eigenverwaltung*) is ordered. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings (including such portion of an *in rem* secured creditor's claim which exceeds the amount obtained through a disposal of the relevant collateral).

For the holders of the Notes, the most important consequences of the opening of German insolvency proceedings against us or any subsidiary subject to the German insolvency regime would be the following:

- the right to administer and dispose of our, or such subsidiary's assets would generally pass to the (preliminary) insolvency administrator (*(vorläufiger) Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by our or such subsidiary's management after the opening of insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings;
- claims against us or such subsidiary may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and
- any person that has a right for separation (*Aussonderung*), *i.e.*, the relevant asset of this person does not constitute part of the insolvency estate, does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*), who wish to assert claims against the debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Any individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon opening of the insolvency proceedings. Accordingly, unsecured creditors may file their claims in the insolvency proceedings and will be paid on a *pro rata* basis from the insolvency estate (to the extent sufficient assets are available). Secured creditors are generally not entitled to enforce their security interests after an insolvency petition has been filed to the extent the German Insolvency Code authorizes the insolvency administration to dispose of the relevant collateral (though, between the time when an insolvency petition is filed and the time when insolvency proceedings commence, such stay on enforcement requires a court order) outside of the insolvency proceedings. The insolvency administrator generally has the sole right to enforce security,

*i.e.*, realize any moveable assets in his/the debtor's possession which are subject to preferential rights (*e.g.*, liens over movable assets (*Mobiliarsicherungsrechte*) or security transfer of title (*Sicherungsübereignung*) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*), which, in the aggregate, usually add up to 9% of the gross enforcement proceeds plus VAT (if any) and are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. The remaining unencumbered assets of the debtor ("**excess proceeds**") will be allocated to the insolvency estate and would, after deduction of the costs of the insolvency proceedings (*e.g.*, fees for and expenses of the insolvency administrator and the insolvency court as well as the members of the creditors' committee), after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If we or a subsidiary subject to German insolvency proceedings grants security over our or its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security. The excess proceeds resulting from such collateral and after satisfaction of the secured creditors may not be sufficient to satisfy the holders of the Notes. In addition, it may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use.

It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Realizing the value of the insolvency estate for distribution of the proceeds among the creditors is commonly achieved by disposing of the debtor's assets, or, as the case may be, by disposing of the debtor's business as a going concern. However, following a recent amendment of German insolvency law, it is possible to implement a debt-to-equity-swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity conversion if it may also file for preliminary "debtor-in-possession" proceedings (*Schutzschirmverfahren*). In such a case and upon request of the debtor, the court will prohibit enforcement measures (other than those with respect to immoveable assets) and may implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months if an independent expert testifies that the restructuring of the debtor's business is not obviously futile (*offensichtlich aussichtslos*) and that the debtor is not already illiquid. During such period, the debtor shall, together with its creditors and a preliminary trustee (*vorläufiger Sachwalter*), prepare an insolvency plan which ideally will be implemented in formal "debtor-in-possession" proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened. Given the recent enactment of these amendments, these provisions may not have been tested in practice and no judicial precedents are available in such respect.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (*i.e.*, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless



privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator may also challenge transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings. The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the filing of the petition for the opening of insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the provision of security or the repayment of debt) may be voided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances imperatively suggesting such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing; (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time; or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggest such detrimental effect);
- any transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, provided it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act;
- any act that provides security or satisfaction for a shareholder loan made to the debtor or a similar claim if (i) in the case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a

petition for commencement of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, “knowledge” is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (*e.g.*, the Issuer) was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor’s intention to prejudice the insolvency creditors if it knew of the debtor’s imminent illiquidity and that the transaction prejudiced the debtor’s creditors. With respect to a “related party”, there is a general statutory presumption that such party had “knowledge”. The term “related party” includes, subject to certain limitations, in the case of debtors that are corporate persons, members of the management or supervisory board, shareholders owning more than 25% of the debtor’s share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and persons that are spouses, relatives or members of the household of any of the foregoing persons.

Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above described rules under the German Insolvency Act and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor’s (impending) insolvency or of circumstances indicating such debtor’s (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor, as the grantor of the guarantee or security, was close to collapse (*Zusammenbruch*) or had reason to enquire further with respect thereto.

## BOOK-ENTRY, DELIVERY AND FORM

### General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Rule 144A Global Note**”). Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Note**” and, together with the Rule 144A Global Note, the “**Global Notes**”). The Global Notes will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the “**Rule 144A Book-Entry Interests**”) and ownership of interests in the Regulation S Global Note (the “**Regulation S Book-Entry Interests**”) and, together with the Rule 144A Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical possession of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither the Issuer nor the Trustee nor any of its respective agents will have any responsibility, or be liable, for any aspect of the records, or for payments made, relating to the Book-Entry Interests.

### Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to their participants.

### Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- (1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or
- (2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the

Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or an authenticating agent appointed by the Trustee) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

To the extent permitted by law, the Issuer, the Trustee, the Registrar, the Transfer Agents and the Paying Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

### **Redemption of Global Notes**

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

### **Payments on Global Notes**

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The Paying Agent will, in turn make said payments to the common depositary or its nominee for Euroclear and Clearstream. The common depositary or its nominee will distribute such payments to participants in accordance with their respective customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes—Additional Amounts". If any such deduction or withholding

is required to be made, then, to the extent described under “Description of the Notes—Additional Amounts” above, we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holders of the Global Notes (*e.g.*, Euroclear or Clearstream (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent or any of its agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

### **Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in euro.

### **Transfers**

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream’s rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under “Transfer Restrictions” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “Transfer Restrictions”.

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under “Transfer Restrictions” and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “Description of the Notes—Transfer and exchange” and, if



required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Transfer Restrictions”.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

### **Global Clearance and Settlement Under the Book-Entry System**

The Notes represented by the Global Notes are expected to be listed on the LxSE and admitted for trading on the LxSE’s Euro MTF Market. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under “Listing and General Information”. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system’s rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registrar, the Transfer Agent or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and

Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

### **Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## TAXATION

### Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

### Taxation of Current Income and Capital Gains

#### Tax Residents

This subsection “Tax Residents” refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes as well as capital gains from the disposal, redemption, repayment or assignment of the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Capital gains are the difference between the proceeds from the disposal, redemption, repayment or assignment of the Notes after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition. If Notes held or managed in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where Notes are acquired and/or sold in a currency other than Euro, the sales price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains. If interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to tax. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

Accrued interest (*Stückzinsen*) on the Notes or other securities paid separately upon the acquisition of the respective security is tax deductible as negative investment income. Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) assessed jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under section “Withholding Tax” below). To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process, the individual holder must include his or her income and capital gains derived from the Notes in his or her annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at his or her lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes can only be offset with investment income of the individual holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated January 18, 2016, a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal.

Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible if the Notes are held as private investment (*Privatvermögen*). With respect to a bad debt loss a German lower fiscal court has recently confirmed the view of the German tax authorities in a non-final decision. The same rules should be applicable according to said tax decree, if the Notes expire worthless so that losses may not be tax-deductible at all. Losses suffered in a sale of Notes will only be recognized according to the view of the tax authorities, if (i) the proceeds received in the sale exceed the respective transaction costs and (ii) the transaction costs are not restricted by way of a mutual agreement according to which the transaction costs are calculated by subtracting a certain amount from the sales price. This view has however been challenged in 2014 by a final judgement of a German lower fiscal court.

Where Notes form part of a trade or business of an individual or corporate holder, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to personal or corporate income tax (plus solidarity surcharge and where applicable, church tax). Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective holder will have to include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. The trade tax liability depends on the municipal trade tax factor (*Gewerbsteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

#### *Non-Tax Residents*

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax resident in Germany (*i.e.*, holders whose residence, habitual abode, statutory seat or place of effective management and control is not located in Germany) are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income. In cases (i) and (ii) a tax regime similar to that explained above under subsection "Tax Residents" applies. Subject to certain requirements a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable tax treaty.

#### *Withholding Tax*

Ongoing payments received by an individual holder of the Notes who is a German tax resident will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**", *auszahlende Stelle*). The tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). The tax rate is in excess of the afore mentioned rate if church tax applies and is collected by the Disbursing Agent by way of withholding, which is provided for as a standard procedure unless the holders has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed to church tax.

The same treatment applies to capital gains derived by an individual holder who is a German resident irrespective of any holding period provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept in a custodial account with a Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the

Notes (*Stückzinsen*), if any), unless the Disbursing Agent has been validly provided with evidence of the actual acquisition costs of the Notes by the previous depository bank or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the “**EU Savings Tax Directive**”) (e.g., Switzerland or Andorra). If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (e.g., losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct accrued interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law assessed jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the investment income is subject to German taxation (as described above under subsection “—Non-Tax Residents”) and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

### ***Inheritance and Gift Tax***

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

### ***Other Taxes***

No stamp, issue, value added or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Notes which would otherwise be tax exempt. Currently, net assets tax is not levied in Germany.



### ***Repeal of the EU Savings Tax Directive and Introduction of the Extended Automatic Exchange of Information Regime***

The EU Savings Tax Directive has been repealed as of January 1, 2016 (generally January 1, 2017 in the case of Austria) (in each case subject to transitional arrangements).

The Council of the European Union has adopted Directive 2014/107/EU (the “**Amending Cooperation Directive**”), amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. Germany has implemented the Amending Cooperation Directive by means of a Financial Account Information Act (*Finanzkonten-Informationsaustauschgesetz, FKAustG*) according to which it will provide Information on financial accounts to EU member states and certain other states as of January 1, 2016.

### ***The Proposed Financial Transactions Tax (FTT)***

On February 14, 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transactions tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

According to recent press releases, certain EU Member States intend to decide on the implementation of the FTT and to present draft legislation before the end of 2016 (Estonia stated that it will not participate). According to latest public statements made by representatives of certain EU member states, the FTT may be levied for the first time in 2018.

The FTT proposal remains subject to negotiation between the participating EU Member States. It may therefore be altered prior to any implementation. Additional EU member states may decide to participate. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating EU member states and when it will take effect with regard to dealings in the Notes. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **Certain United States Federal Income Tax Considerations**

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service (the “**IRS**”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder’s particular circumstances, including alternative minimum tax considerations or the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass through entities or arrangements (or investors in such entities) and persons holding the Notes as part of a “straddle”, “hedge”, “conversion transaction” or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their “issue price” (*i.e.*, the first price at which a substantial amount of the Notes is sold to the public for cash, excluding to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a “**U.S. holder**” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a

corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person. A “**non-U.S. holder**” is a beneficial owner of the Notes that is not a U.S. holder. If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is treated as a partnership for U.S. federal income tax purposes, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws and state, local, non-U.S. or other tax laws.

### *Characterization of the Notes*

In certain circumstances (see “Description of the Notes—Optional Redemption” and “Description of the Notes—Purchase of Notes upon a Change of Control”) we may be obligated to make payments on the Notes in excess of stated principal and interest. We intend to take the position that the foregoing contingencies should not cause the Notes to be treated as contingent payment debt instruments. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder’s method of accounting for U.S. federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate higher than their yield to maturity, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note, and to recognize foreign currency exchange gain or loss with respect to such income. This disclosure assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

### *Payments of Stated Interest*

Payments of stated interest on the Notes (including additional amounts in respect of withholding taxes and without reduction for any taxes withheld) generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder’s method of accounting for U.S. federal income tax purposes.

A U.S. holder of a Note that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest will be required to include in income the U.S. dollar value of the euro interest payment (translated at the “spot rate” on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars. A cash method U.S. holder will not recognize exchange gain or loss with respect to the receipt of such payment, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder of a Note that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in ordinary income the U.S. dollar value of the amount of interest income in euros that has accrued with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within each taxable year. A U.S. holder of a Note may elect, however, to translate such accrued interest income using the spot rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the “spot rate” on the date of receipt. The

above election will apply to other obligations held by the U.S. holder and may not be changed without the consent of the IRS. A U.S. holder of a Note that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the “spot rate” on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars. Such gain or loss will generally constitute ordinary income or loss and be treated as U.S. source income or loss, and generally not as an adjustment interest income or expense.

### ***Original Issue Discount***

The Notes may be issued with OID for U.S. federal income tax purposes. In such event, U.S. holders of Notes issued with OID generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders of Notes issued with OID will include any OID in income in advance of the receipt of cash attributable to such income.

The Notes will be treated as issued with OID if the stated principal amount of the Notes exceeds their issue price (as defined above) by an amount equal to or more than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event that the Notes are issued with OID, a U.S. holder must include in taxable income, as foreign source ordinary income, for any taxable year the “daily portions” of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note (“accrued OID”) in addition to stated interest regardless of whether the U.S. holder reports on the cash or accrual basis for U.S. federal income tax purposes. A daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID that accrued in such period. The “accrual period” of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note’s “adjusted issue price” at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of qualified stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is equal to its issue price, increased by the accrued OID for each prior accrual period.

OID, if any, on the Notes will be determined for any accrual period in euros and then translated into U.S. dollars in accordance with either of the two alternative methods described above in the third paragraph under “—Payments of Stated Interest”.

A U.S. holder of a Note issued with OID will recognize foreign currency exchange gain or loss when OID is paid (including, upon the sale of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the euro payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first, as payments of stated interest payable on the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal.

Foreign currency exchange gain or loss generally will be treated as ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

### ***Foreign Tax Credit***

Subject to the discussion of exchange gain or loss above, interest income and OID, if any, on a Note generally will constitute foreign source income and generally will be considered “passive category income” or, in the case of certain U.S. holders, “general category income” in computing the

foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

### ***Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Notes***

Generally, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the disposition (less any amount attributable to accrued but unpaid stated interest not previously included in income, which will be taxable as such) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of the foreign currency translated at the "spot rate" on the date of disposition. In the case of a Note that is traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder will determine the U.S. dollar value of the amount realized by translating such amount at the "spot rate" on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date.

A U.S. holder's adjusted tax basis in a Note will generally equal the US dollar the cost of such Note to such U.S. holder increased by any previously accrued OID and reduced by any principal payments previously received by such U.S. holder. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the date of purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Subject to the discussion of exchange gain or loss below, gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will be U.S. source gain or loss and generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption, retirement or other disposition the Note has been held by such U.S. holder for more than one year. Long-term capital gain realized by a non-corporate U.S. holder will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitation. Prospective purchasers should consult their tax advisors as to the foreign tax credit implications of the sale, exchange, redemption or other taxable disposition of the Notes.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may recognize gain or loss that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note. For these purposes, the principal amount of a Note is the U.S. holder's purchase price of the Note in euros. Gain or loss attributable to fluctuations in exchange rates with respect to the principal amount of such Note generally will equal the difference between (i) the U.S. dollar value of the principal amount of the Note, determined using the "spot rate" on the date such Note is disposed of and (ii) the U.S. dollar value of the principal amount of the Note, determined using the "spot rate" on the date the U.S. holder acquired such Note. Such gain or loss generally will be treated as U.S. source ordinary income or loss, respectively. In addition, exchange gain or loss may be realized with respect to accrued interest or accrued OID as discussed under "—Payments of Stated Interest" or "—Original Issue Discount", as applicable. However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize exchange gain or loss with respect to principal, accrued interest and accrued OID only to the extent of the total gain or loss realized on the disposition.

### ***Non-U.S. Holders***

A non-U.S. holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, exchange, redemption, retirement or other taxable

disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that non-U.S. holder of a trade or business in the U.S. or (ii) in the case of any gain realized on the sale, exchange, redemption, retirement or other taxable disposition of a Note by an individual non-U.S. holder, that holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange, redemption, retirement or other taxable disposition and certain other conditions are met.

#### ***Tax Return Disclosure Requirement***

Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a non-U.S. currency note to the extent that any such sale, exchange, retirement or other taxable disposition or receipt of non-U.S. currency results in a tax loss in excess of a threshold amount. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

#### ***Information Reporting and Backup Withholding***

In general, payments of stated interest, accruals of OID, if any, and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding, including on payments of accrued OID, unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Any amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability or may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Certain U.S. holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions (in which case, the account may be reportable if maintained by a foreign financial institution). U.S. holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the Notes.



## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code (including individual retirement accounts and Keogh plans), and entities whose underlying assets are considered to include “plan assets” of such employee benefit plans, plans accounts or arrangements (within the meaning of 29 C.F.R. Section 2510.3-103 as modified by Section 3(42) of ERISA or otherwise) (each, an “**ERISA Plan**”). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-U.S., federal, state, or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code (“**Similar Laws**”) or which otherwise affect their ability to invest in the Notes (together with the ERISA Plans, “**Plans**”). Any fiduciary of such a governmental, church or non-U.S. plan considering an investment in the Notes should determine the need for, and, if necessary, the availability of, any exemptive relief under Similar Laws.

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes, a Plan fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

### Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest”, within the meaning of ERISA, or “disqualified persons”, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and/or the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which we, the Initial Purchasers, the Trustee, the agents and our and their respective affiliates are considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (“**PTCE**”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23

(relating to transactions determined by in-house asset managers). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Accordingly, by acceptance of a Note or any interest therein, each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan or (ii) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

The sale of the Notes to a Plan is in no respect a representation or recommendation by the Issuer, the Initial Purchasers, the agents or any other person that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such an investment is appropriate for Plans generally or any particular Plan.

**EACH PLAN FIDUCIARY SHOULD CONSULT WITH ITS LEGAL ADVISOR CONCERNING THE POTENTIAL CONSEQUENCES TO THE PLAN UNDER ERISA, SECTION 4975 OF THE CODE OR SIMILAR LAW OF AN INVESTMENT IN THE NOTES.**

## PLAN OF DISTRIBUTION

We intend to offer the Notes through Joh. Berenberg, Gossler & Co. KG, Deutsche Bank AG, London Branch and Credit Suisse Securities (Europe) Limited (together, the “**Joint Lead Managers and Bookrunners**”), HSH Nordbank AG, ING Bank N.V., London Branch, and M.M. Warburg & CO (AG & Co.) KGaA (together, the “**Joint Bookrunners**” and, together with the Joint Lead Managers and Bookrunners, the “**Initial Purchasers**”).

Subject to the terms and conditions contained in the purchase agreement between the Issuer and the Initial Purchasers dated as of the date of this Offering Memorandum, the Issuer has agreed to sell to the Initial Purchasers and the Initial Purchasers have agreed to purchase from the Issuer, severally and not jointly, Notes in an aggregate principal amount equal to the entire principal amount of the Notes. The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The purchase agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all of the Notes, if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the purchase agreement provides that the purchase commitments of the other Initial Purchasers may be increased or that the purchase agreement may be terminated.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of Officers’ Certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers have advised us that they propose to offer the Notes initially at the offering price listed on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms of the Notes at any time without notice.

The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

We have agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses. We also have agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

### United States

The Notes have not been registered under the U.S. Securities Act and may not be offered or sold in the United States or to U.S. persons unless the Notes are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. Accordingly, each of the Initial Purchasers, severally and not jointly, has agreed that it will not offer or sell the Notes except (i) to “qualified institutional buyers” (as defined in Rule 144A) (“**QIBs**”) in reliance on Rule 144A and (ii) to persons other than “U.S. persons” (as defined in Regulation S) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

In addition, until the expiration of 40 days after the later of the commencement of the offering and the closing date, an offer or sale of Notes within the United States by a broker/dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act or pursuant to another exemption from registration under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the Notes see “Plan of Distribution” and “Transfer Restrictions”.

### United Kingdom

In the purchase agreement, each Initial Purchaser, severally and not jointly, has also represented and warranted to us that:

- (1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

- (2) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or instrument to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply.

## **General**

### ***No Sale of Similar Securities***

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any of the Notes or any instrument relating to debt or preferred equity securities for a period of 90 days from the date the Notes are issued without first obtaining the written consent of the representatives of the Initial Purchasers.

### ***New Issue of Notes***

The Notes are a new issue of securities with no established trading market. We have applied to list the Notes on the Official List of the Luxembourg Stock Exchange for admission to trading on the Euro MTF Market. The Initial Purchasers have advised us that they presently intend to make a market in the Notes after completion of the Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market making activities at any time without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, or that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

### ***Stamp Tax***

Prospective investors should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

### ***Price Stabilization and Short Positions***

In connection with the offering, Joh. Berenberg, Gossler & Co. KG (the “**Stabilizing Manager**”) (or persons acting on its behalf), may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

### ***Initial Settlement***

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this Offering Memorandum, which will be the tenth business day following the date of pricing of the Notes (this settlement cycle is being referred to as “T+10”). Under

Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

***Other Relationships***

From time to time, the Initial Purchasers or their respective affiliates have provided, and may in the future provide, investment banking, commercial banking, financial advisory and other services to us, our affiliates and our shareholders. They have received, and expect to receive, customary fees and commissions for these transactions.



## TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

- (1) You acknowledge that:
  - (a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and
  - (b) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.
- (2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.
- (3) You represent that you are not an affiliate (as defined in Rule 144A under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:
  - (a) you are a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or
  - (b) you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- (4) You acknowledge that neither we nor the Initial Purchasers nor any person representing the Issuer or the Initial Purchasers have made any representation to you with respect to the Issuer or the offering of the Notes other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer and the Initial Purchasers.
- (5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:
  - (a) to the Issuer or any its subsidiaries;
  - (b) under a registration statement that has been declared effective under the U.S. Securities Act;
  - (c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own

account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

- (d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act;
- (e) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the U.S. Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of Notes of US\$250,000; or
- (f) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

- (a) the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the closing date and when the Notes or any predecessor of the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;
- (b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;
- (c) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (4)(d), (e) and (f) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to each of the Issuer, the Registrar and the Trustee; and
- (d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF

SUCH SECURITY), IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”), TO A PERSON IT REASONABLY BELIEVES IS A “**QUALIFIED INSTITUTIONAL BUYER**” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, (E) TO AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE U.S. SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF SECURITIES OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE HOLDER AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY SIMILAR TO THE EFFECT OF THIS LEGEND. IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER HEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST HEREIN CONSTITUTES ASSETS OF ANY “EMPLOYEE BENEFIT PLAN” SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OF ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN, ACCOUNT OR ARRANGEMENT (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-103 AS MODIFIED BY SECTION 3(42) OF ERISA OR OTHERWISE) OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, “**SIMILAR LAWS**”) OR (2) THE ACQUISITION, HOLDING AND DISPOSITIONS OF THIS SECURITY OR INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.
- (8) You represent and warrant that either (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any “employee benefit plan” subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), any plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the “Code”), an entity whose underlying assets are considered to include “plan assets” of any such employee benefit plan, plan, account or arrangement (within the meaning of 29 C.F.R. Section 2510.3-103 as modified by Section 3(42) of ERISA or otherwise) or a governmental plan, church plan or non-U.S. plan subject to provisions under any federal, state, local or non-U.S. laws or regulations that are substantially similar to such provisions of ERISA or the Code (collectively, “Similar Laws”) or (ii) the acquisition, holding and dispositions of the Notes or interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.
- (9) You acknowledge until 40 days following the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.
- (10) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.
- (11) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.
- (12) You understand that no action has been taken in any jurisdiction outside Luxembourg and Germany (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required.

## LEGAL MATTERS

Certain legal matters relating to the validity of the Notes and certain other legal matters are being passed upon for us by White & Case LLP with respect to matters of U.S. federal, New York state law and German law. Certain legal matters relating to the Offering will be passed upon for the Initial Purchasers by Linklaters LLP with respect to matters of U.S. federal, New York state law and German law.

## INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements included in this Offering Memorandum have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft (“**KPMG**”), independent auditors, as stated in their reports appearing herein.

Each of the auditor’s reports of KPMG on the Audited Consolidated Financial Statements refers to the respective group management report. The group management reports are not reprinted in this Offering Memorandum.

The examination of and the auditor’s report upon such group management report are required under German auditing standards. This examination was not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, KPMG does not express any opinion on this information or on the combined or consolidated financial statements included in this Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards.

The abovementioned auditor’s reports and consolidated financial statements are both translations of the respective German-language documents.

## AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Nicolás Burr, Chief Financial Officer, at Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes, we will agree to furnish periodic information to the holders of the Notes. See “Description of the Notes—Provision of Information”.

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Listing Agent.



## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany.

Many of the Issuer's directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of the Issuer's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Issuer or to enforce against them or the Issuer judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Germany upon those persons or the Issuer or its subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The Issuer has been advised by its German counsel that there is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in Germany and that a foreign judgment based upon U.S. securities laws would be enforced in Germany. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based on United States federal or state securities laws, would not be automatically enforceable in Germany.

## LISTING AND GENERAL INFORMATION

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market in accordance with the rules of that exchange. The Issuer will publish or make available any notices to the public in written form at places indicated by announcements to be published in a Luxembourg newspaper of general circulation (expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange, at *www.bourse.lu*, or by any means considered to be equivalent by the the Luxembourg Stock Exchange.

2. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market and the rules of such exchange shall so require, copies of the Issuer's Articles of Association, the Offering Memorandum and the Indenture will be available free of charge at the specified office of the Listing Agent. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market and the rules of such exchange shall so require, copies of Hapag-Lloyd AG's consolidated annual financial statements and its condensed consolidated interim financial statements and those for all subsequent fiscal years will be available free of charge during normal business hours on any weekday at the offices of the Listing Agent.

3. The Issuer accepts responsibility for the information contained in the Offering Memorandum. To the best of its knowledge, except as otherwise noted, the information contained in the Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of the Offering Memorandum.

4. There has been no material adverse change in our financial condition since September 30, 2016.

5. Except as disclosed in this Offering Memorandum, neither the Issuer nor any of the Group companies has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

6. The Issuer has appointed Deutsche Bank AG, London Branch as our Paying Agent in London and Deutsche Bank Luxembourg S.A. as our Transfer Agent in Luxembourg. The Issuer reserves the right to vary such appointment and/or appoint a Luxembourg Paying Agent and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or the Luxembourg Stock Exchange's official website, *www.bourse.lu*.

7. The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 155557664 and 155557699, respectively. The international securities identification number (the "**ISIN Number**") for the Notes sold pursuant to Regulation S is XS1555576641 and the ISIN Number for the Notes sold pursuant to Rule 144A is XS1555576997.

## THE ISSUER

### General

The Issuer was formed under German law on February 20, 2004 as a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) with the corporate name “TAMINO Vermögensverwaltungsgesellschaft mbH”. It was registered with the commercial register of the local court (*Amtsgericht*) of Hamburg under the docket number HRB 89830 on February 20, 2004. With effect as of April 30, 2004, TAMINO Vermögensverwaltungsgesellschaft mbH merged with Hapag-Lloyd Container Linie GmbH and was renamed “Hapag-Lloyd Container Linie GmbH”. With effect as of July 21, 2006, the Issuer was transformed into a stock corporation (*Aktiengesellschaft*) and was renamed “Hapag-Lloyd Aktiengesellschaft”, which is its present corporate name. For more information on the historic origin of the Group, please refer to “Our Business—Our History”. The Issuer is registered with the commercial register of the local court (*Amtsgericht*) of Hamburg under docket number HRB 97937.

Hapag-Lloyd AG is the parent company of the Group. The commercial name of the Issuer is Hapag-Lloyd.

The registered seat of the Issuer is Hamburg, its business address is Ballindamm 25, 20095 Hamburg, Germany, and its telephone number is +49(0)40 3001-0.

### Articles of Association

In accordance with Section 2 of the Issuer’s Articles of Association (“**Articles of Association**”), its corporate purpose is

- liner shipping at sea;
- operations in the logistics business;
- operations in the ship owner, ship broker, freight forwarding, agency and storage businesses;
- operation of port facilities;
- the acquisition or sale of real estate, its development, cultivation, renting and leasing and management; and
- provision of data processing and all other related services, with the exception of activities which are subject to a regulatory approval.

The Issuer is also entitled to conduct any transactions or measures related to its corporate purpose or which appear to promote achievement of its corporate purpose; in this respect, the Issuer is also authorized to found, acquire or take participating interests in German and foreign companies of any kind, as well as to establish branch offices in Germany and abroad. The Issuer may transfer its operations, in whole or in part, to affiliated companies. The Issuer may also pursue its corporate purpose by managing affiliated companies or by participating in investment or joint venture companies. The term of the Issuer is unlimited. The Issuer’s Articles of Association were amended by the general annual shareholders’ meeting on August 26, 2016. The executive board of the Issuer was authorized by a resolution of the Issuer’s general shareholder meeting on August 26, 2016 to increase the share capital of the Issuer, with the approval of the supervisory board, on one or more occasions by June 30, 2018 by up to €50,000,000 by issuing up to 50,000,000 no-par value shares for contributions in cash and/or in kind (the “**Authorized Capital 2016**”). The executive board is authorized, with the approval of the supervisory board, to stipulate the further rights attaching to the shares and the terms and conditions of the issue of the shares and of the implementation of the capital increases. The Authorized Capital 2016 has been registered with the commercial register on October 4, 2016.

### Share Capital

The share capital of the Issuer as at the date of this Offering Memorandum amounts to €118,110,917.00 and is divided into 118,110,917 no-par-value registered shares. All shares are fully paid.

### Financial Statements

Pursuant to Section 3 of the Issuer’s Articles of Association, the fiscal year is the calendar year. The Issuer publishes annual financial statements as well as interim financial statements on a quarterly basis.

**Trend information**

There has been no material adverse change in the prospects of the Issuer since September 30, 2016.

**Legal and arbitration proceedings**

Except as disclosed elsewhere in this Offering Memorandum, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the twelve months preceding the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

**Significant change in the financial or trading position of the Issuer**

There has been no significant change in the financial or trading position of the Issuer since September 30, 2016.

**Approval**

The Issuer has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes was authorized by resolutions of the Issuer's supervisory board dated on or about November 16, 2016.

## GLOSSARY OF SELECTED TERMS

2M Alliance (2M) . . . . .	Vessel sharing agreement between Maersk and MSC, including about 185 vessels with a capacity of approx. 2.1 million TEU. Commenced its operations in January 2015.
AESM . . . . .	Anglo Eastern (Germany) GmbH.
Alliance . . . . .	An integrated consortium in container liner shipping.
APL . . . . .	American President Lines Ltd.
Bareboat charter . . . . .	A form of charter, in which the ship owner provides only the vessel, while the carrier is responsible for the crew, insurance, maintenance, bunker fuel and all other operating expenses.
Break-bulk . . . . .	Loose, non-containerized cargo (e.g., iron rods, metal sheets, sawn timber, logs, etc.).
Break-Bulk Cargo . . . . .	Packaged but non-containerized cargo.
Bulk cargo . . . . .	Cargo that is transported unpackaged in large quantities, such as ores, coal, grain and liquids.
Bulk container carrier . . . . .	Vessel specially designed to transport unpackaged Bulk Cargo.
Bunker fuel . . . . .	A maritime term referring to fuel used aboard the ship.
Cabotage . . . . .	Law or policy protecting transporters of goods within a country from competition from foreign carriers.
CAGR . . . . .	Compounded Annual Growth Rate; the year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.
Capacity . . . . .	The maximum number of containers as measured in TEU that could theoretically be loaded onto a container ship without taking into account operational constraints (including, but not limited to, the actual weight of any loaded containers); with reference to a fleet, a carrier or the container shipping industry, capacity is the total TEU nominal capacity of all ships in the fleet, the carrier or the industry, as applicable.
Carrier . . . . .	A company providing container shipping services.
CC Co . . . . .	CSAV Germany Container GmbH
CCS Activities . . . . .	CSAV's container shipping activities, which were carved out of CSAV's business as part of the CCS Activities Business Combination.
CCS Activities BCA . . . . .	Business Combination Agreement between CSAV, HGV, Kühne Maritime and CG Hold Co as amended and acceded by Tollo.
Cellular container vessels . . . . .	Specially designed vessels for the efficient storage of freight containers one on top of other with vertical bracings at the four corners.
CG Hold Co . . . . .	CSAV Germany Container Holding GmbH
Charter . . . . .	The hire of a vessel for a specified period of time or a specific voyage, from loading to discharging port, for a fixed fee.
Charterer . . . . .	The entity hiring the vessel from the ship owner.
CKYHE Alliance . . . . .	A global container shipping alliance comprising Cosco, K-Line, Yang Ming, Hanjin and Evergreen, successor of CKYH Alliance (without Evergreen).



Classification societies .....	Organizations that establish and administer standards for the design, construction and operational maintenance of vessels. As a practical matter, vessels cannot operate unless they meet these standards.
CMA CGM .....	CMA CGM S.A.
Container (Shipping) .....	A reusable transport and storage unit for moving products and raw materials between locations or countries.
Container Terminal .....	Facility where cargo containers are transhipped between different transport vehicles for onward transportation.
Container-per-diem costs .....	All the costs, on average, that a container of a specific type requires during the entire period of its utilization, e.g., capital costs, repair costs etc., recalculated on a per diem (per day) basis.
Cosco .....	Cosco Container Lines Co. Ltd.
Crude oil .....	Mixture of naturally occurring(unprocessed) hydrocarbons that is refined into <i>inter alia</i> diesel, gasoline, heating oil, jet fuel and kerosene.
CSAV .....	Compañía Sud Americana de Vapores S.A.
CSCL .....	China Shipping Container Lines.
CTA .....	HHLA Container Terminal Altenwerder GmbH.
Dangerous/Hazardous goods .....	Dangerous/Hazardous goods are solids, liquids, or gases that can harm people, other living organisms, property, or the environment. Often subject to regulations.
Deep-sea service .....	A service between continents or on long distances as opposed to a feeder service; same as Main service.
Degree of containerization .....	Share of containerized cargo based on total containerizable cargo (excluding bulk).
Demurrage .....	A fee charged by the terminal at the discharging port or inland yard for a delayed takeover of boxes by the customer.
Detention .....	A penalty charge to the customers for exceeding agreed times for returning (merchant's haulage) or stuffing/stripping (carrier's haulage) the container(s).
Deutsche Bank .....	Deutsche Bank Aktiengesellschaft AG, Frankfurt am Main, Germany.
Direct customer/direct shipper .....	A customer who is a producer of the goods to be shipped or an exporter or importer of such goods, in each case, with whom we have a direct contractual relationship. In contrast, with respect to an indirect customer, we only have a contractual relationship with a freight forwarder who acts as agent for the producer, importer or exporter of the goods to be shipped.
Dominant leg .....	The direction of shipping on a particular trade with the higher transport volumes. The opposite direction of shipping is called the "non-dominant" leg.
Door-to-door container shipment services .....	Service including maritime legs and land legs.
Dry-docking .....	An out-of-service period during which planned repairs and maintenance are carried out, including all underwater maintenance such as external hull painting. During the drydocking, mandatory classification society inspections are carried out and relevant certifications issued.

East-West trades .....	The East-West trades consist of the Atlantic (Europe-North America), the Transpacific (Asia-North America) and the Far East (Europe-Asia) trades.
EBIT .....	Abbreviation for earnings before interest and tax.
EBITDA .....	Abbreviation for earnings before interest, tax, depreciation and amortization.
EBITDA margin .....	EBITDA divided by total revenue.
e-Business .....	Our e-business solutions include electronic interaction with our customers and suppliers via bilateral EDI formats, our homepage, multi-ocean carrier portals, such as INTTRA, and our email system.
ECA .....	Emission Control Areas are sea areas in which stricter controls were established to minimize airborne emissions (SO <sub>x</sub> , NO <sub>x</sub> , ODS, VOC) from ships as defined by Annex V of the 1997 MARPOL Protocol which came into effect in May 2005.
EEA .....	Abbreviation for European Economic Area.
EEDI .....	The “Energy Efficiency Design Index” by the IMO for new ships is the most important technical measure and aims at promoting the use of more energy efficient (less polluting) equipment and engines. The EEDI requires a minimum energy efficiency level per capacity mile (e.g. tonne mile) for different ship type and size segments.
EMAO .....	Trade within Europe, Mediterranean and to/from Africa and Oceania.
EU .....	Abbreviation for European Union.
Evergreen .....	Evergreen Marine Corp. (Taiwan) Ltd.
Fair value .....	Valuation according to IFRS, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
FAK .....	Freight all kind.
Feeder services .....	Services that support main services by connecting hub ports with one or more smaller ports.
Feeder ships .....	Mostly small tonnage vessels which provide a linkage between ports and long haul vessels or main hub ports and smaller facility ports which may be inaccessible to larger vessels.
Flag State .....	Country, in which a vessel is registered in.
Freight Forwarder .....	Also known as a non-vessel operating common carrier (NVOCC), is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. Forwarders contract with a carrier to move the goods.
Freight Rate .....	Price at which a certain cargo is delivered from one point to another.
FTE .....	Full-time equivalents.
G6 Alliance (G6) .....	At the date of this Offering Memorandum, one the largest global operating container shipping alliance based on transport capacity comprising Hapag-Lloyd AG, American President Lines Ltd. (“APL”), Hyundai Merchant Marine Co., Ltd. (“HMM”), Mitsui O.S.K. Lines (“MOL”), Nippon Yusen Kaisha (“NYK”) and Orient Overseas Container Line Limited (“OOCL”).
GDP .....	Gross domestic product.

Global carrier . . . . .	A carrier who generally deploys significant capacity and operates extensive networks of services in the major markets.
Grand Alliance . . . . .	A global container shipping alliance comprising Hapag-Lloyd AG, Orient Overseas Container Line Limited (“OOCL”) and Nippon Yusen Kaisha (“NYK”). The Grand Alliance no longer has any active services, although the Grand Alliance has not been terminated as of the date of this Offering Memorandum.
Hamburg Süd . . . . .	Hamburg Süd S.A. Group.
Hanjin . . . . .	Hanjin Shipping Co., Ltd.
HanseMerkur . . . . .	Hanse-Merkur Krankenversicherungs AG, HanseMerkur Lebensversicherungs AG and HanseMerkur Holding AG together.
Hapag . . . . .	Hamburg-Amerikanische-Packetfahrt-Actien-Gesellschaft.
Hapag-Lloyd . . . . .	Hapag-Lloyd Aktiengesellschaft, together with its consolidated subsidiaries; also: the Group or Hapag-Lloyd Group.
Hardtop container . . . . .	Container with a removable solid roof, allowing loading of heavy or oversized cargo by crane. With its roof, it can also be used as a general purpose container.
Hedging . . . . .	A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities.
HGV . . . . .	HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement GmbH.
HHLA . . . . .	Hamburger Hafen und Logistik AG.
HLAG . . . . .	Trading symbol of Hapag-Lloyd Aktiengesellschaft.
HMM . . . . .	Hyundai Merchant Marine Co.
HSN . . . . .	HSH Nordbank AG.
Hull . . . . .	Watertight body of a ship.
IFRS . . . . .	International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU.
Imbalances . . . . .	Difference in volumes in trade between dominant and non-dominant leg.
IMO . . . . .	International Maritime Organization, a specialized agency of the United Nations responsible for regulating shipping.
International Maritime Organization (IMO) . . . . .	A United Nations agency that issues international trade security and environmental standards for shipping.
ISL . . . . .	Institute for Shipping Economics and Logistics, Universitätsallee 11-13, 28359 Bremen, Germany.
K-Line . . . . .	Kawasaki Kisen K.K.
Knots . . . . .	A unit of speed equal to one nautical mile (1.852 km) per hour.
KPI (Key Performance Indicators) . . . . .	A type of performance measurement which a company uses to evaluate its success, or to evaluate the success of a particular activity in which it is engaged.
KPMG . . . . .	KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Straße 11-17, 20459 Hamburg, Germany.
Kühne . . . . .	Kühne Maritime GmbH and Kühne Holding AG, together.

Lay-up .....	A vessel that is temporarily taken out of service due to lack of employment and awaiting its next assignment.
Liner carrier .....	Carrier, which operates regularly scheduled services to a series of ports, using a number of ships per week along each service, and transship cargo at their scheduled ports of call on smaller feeder ships, which carry the cargo on to the destination port.
Liner Services .....	Scheduled service provided by a carrier.
Loan to value (LTV) .....	A financial term used to express the ratio of a loan to the value of an asset purchased.
Locks .....	A lock is a device used for raising and lowering boats, ships and other watercraft between stretches of water of different levels on river and canal waterways.
Loop .....	A service operating with a fixed number of ships on a continuous rotation.
Maersk .....	A.P. Møller-Maersk A/S.
Main line vessels .....	Vessels on the Main Services.
Main services .....	Main services are the services that we offer on our intercontinental routes as opposed to feeder services.
Manifest .....	Transport document that serves as a tally-sheet, and gives a detailed summary of all bills of lading issued by a carrier (or its agent) for a particular voyage of a particular vessel. For cargo carrying vessels, a manifest lists its consignor, consignee, number, origin, destination, value, and other such information primarily for use by the customs authorities.
Marine Diesel Oil (MDO) .....	Type of fuel oil. Blend of gasoil and heavy fuel oil, with less gasoil than intermediate fuel oil used in the maritime field.
Maritime leg .....	Part of the transport of goods which takes place solely on the ocean/ sea.
Maritime lien .....	The right of a particular individual to compel the sale of a ship because he or she has not been paid a debt owed to him or her on account of such vessel. The retaining of possession of the vessel is not necessary before asserting a claim.
MARPOL .....	“The Convention for the Prevention of Pollution from Ships” was developed by the International Maritime Organization in an effort to minimize pollution of the oceans and seas, including dumping, oil and air pollution and is considered to be one of the most important international marine environmental conventions. It is divided into six Annexes.
MFO .....	Marine Fuel Oil
MOL .....	Mitsui O.S.K. Lines.
Moody’s .....	Moody’s Investors Service.
MSC .....	MSC Mediterranean Shipping Company S.A.
NDL .....	Norddeutscher Lloyd.
Net book value .....	The value of an asset as it is carried on the company’s books. Net book value is calculated by subtracting accumulated depreciation from the original cost of the asset.
Niche carrier .....	A carrier who, like a regional carrier, generally focuses on a number of smaller routes within the major markets, or within other markets and tends to offer direct services to a wider range of ports within a

particular market than a global carrier. Niche carriers are usually smaller than regional carriers in their capacity and cover fewer and smaller markets.

Non-dominant leg . . . . .	The direction of shipping on a particular trade with the lower transport volumes. The opposite direction of shipping is called the “dominant” leg.
NYK . . . . .	Nippon Yusen Kaisha Lines.
Ocean 3 (O3) . . . . .	Cooperation between CMA CGM, CSCL and UASC.
Ocean leg . . . . .	The shipping of a container from base port to base port.
ODPR . . . . .	Oldenburg-Portugiesische Dampfschiffs-Reederei GmbH.
On carriage . . . . .	Any inland movement activity that takes place after the container is discharged at a port of discharge.
One-stop-shop service . . . . .	Offering of multiple services, so that customers can get all they need in just “one stop”.
OOCL . . . . .	Orient Overseas Container Line Limited.
Open top container . . . . .	A container fitted with a tarpaulin roof so the container can be loaded or unloaded from the top.
Order book . . . . .	Entirety of vessels that are on order or that are being built.
Out of gauge cargo . . . . .	Cargo, which exceeds the internal dimensions of a container by length, width or height.
Panama Canal . . . . .	A 77.1-kilometre ship canal in Panama that connects the Atlantic Ocean (via the Caribbean Sea) to the Pacific Ocean. The canal cuts across the Isthmus of Panama and is a key conduit for international maritime trade. There are locks at each end to lift ships up to Gatun Lake, an artificial lake created to reduce the amount of excavation work required for the canal, 26 metres (85 ft) above sea level. The current locks are 33.5 metres (110 ft) wide. A third, wider lane of locks opened in June 2016, allowing the passage of vessels with a size of up to 14,000 TEU. The new locks are 49 meters wide.
Panamax Vessel . . . . .	Panama class vessels. Special class of vessels, which have a special design for the old Panama Canal layout (up to 5,300 TEU).
Panamax, new . . . . .	Panama class vessels designed for the expanded Panama Canal which has opened in June 2016 (size up to 14,000 TEU).
Peak season . . . . .	Time of the year during which shipping demand is highest.
PIF . . . . .	The Public Investment Fund of the Kingdom of Saudi Arabia.
Plugs . . . . .	Electrical outlet for reefer containers that ties into the ship’s power generation.
Port, terminal & canal costs . . . . .	Costs charged by the ports, canal charges for passages especially through the Suez and Panama Canal as well as terminal handling and loading charges. The port and canal costs are largely fixed cost components, whereas terminal costs are considered to be fully variable and directly linked to the individual transport. In relation to terminal costs, port and canal costs account for only a small portion of the overall cost position.
Pre-carriage . . . . .	Any inland movement activity that takes place prior to the container being loaded at a port of loading.
QH . . . . .	Qatar Holding LLC.
Reefer Cargo . . . . .	Shipment requiring controlled-temperature environment, especially perishable goods, pharmaceuticals and healthcare products.



Refrigerated (“reefer”) container . . . . .	The generic name for a temperature controlled container with a refrigeration plant built into the rear of the container. The containers, which are insulated, are specifically designed to allow temperature controlled air circulation within the container.
Regional carrier . . . . .	A carrier who generally focuses on a number of smaller routes within the major markets, or within other markets, such as Australasia (between Australia and Asia) and Africa, and tends to offer direct services to a wider range of ports within a particular market than global carriers.
Roll-on/roll-off . . . . .	A method of ocean cargo service using a vessel with ramps, which allows wheeled vehicles to be loaded and discharged without cranes.
Rotterdam Rules . . . . .	Treaty comprising international rules that revises the legal and political framework for maritime carriage of goods.
Scrapping . . . . .	Scrapping is the process by which, at the end of its life, a vessel is sold to a shipbreaker who strips the ship and sells the steel as “scrap”.
SEEMP . . . . .	The Ship Energy Efficiency Management Plan (SEEMP) is an operational measure that establishes a mechanism to improve the energy efficiency of a ship in a cost-effective manner.
Services . . . . .	A service refers to a specific route for shipping cargo between sea ports.
Ship Broker . . . . .	Shipbroking is a financial service, which forms part of the global shipping industry. Shipbrokers are specialist intermediaries/ negotiators ( <i>i.e.</i> brokers) between ship owners and charterers who use ships to transport cargo, or between buyers and sellers of vessels.
Short Sea Shipping . . . . .	Coastal trade, coastal shipping, coasting trade and coastwise trade, which encompass the movement of cargo mainly by sea along a coast, without crossing an ocean.
”short-term” charters, “medium-term” charters, “long-term” charters . . . . .	Charters for a term of (i) up to twelve months, (ii) including twelve months and through 36 months and (ii) more than 36 months, respectively.
Signal Iduna . . . . .	Signal Iduna Gruppe.
Slot . . . . .	The space required for one TEU on board a vessel.
Slot charter agreement . . . . .	An arrangement under which one container shipping company will rent container space on one of its vessels to another container shipping company.
Slot swap/slot exchange agreement . . . . .	An agreement under which carriers exchange slots on each other’s vessels.
Slow steaming . . . . .	The reduction in the ships’ average operational speed.
Special equipment . . . . .	Equipment necessary for special cargo business, e.g. flat racks, open tops, hard tops.
SSA . . . . .	Shareholder Support Agreement between Hapag-Lloyd AG, UASC (S.A.G), CG Hold Co, HGV, Kühne Maritime, QH and PIF.
SSM . . . . .	Southern Ship Management.
Standard & Poor’s . . . . .	Standard & Poor’s Rating Services.
Stevedore . . . . .	A terminal operator who is designated to facilitate the operation of loading and discharging vessels and various other related operating activities.

Terminal handling charge . . . . .	Charges collected by terminal authorities at each port against handling equipment and maintenance.
TEU . . . . .	A 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry. TTEU refers to 1,000 TEU.
THB . . . . .	TUI-Hapag Beteiligungs GmbH.
THE Alliance . . . . .	Cooperation between Hapag-Lloyd, Mitsui O.S.K. Lines, Nippon Yusen Kaisha Lines, Kawasaki Kisen K.K. and Yang Ming Marine Transport Corp., which is expected to become operational in April 2017, subject to certain regulatory approvals.
Time charter . . . . .	A form of charter where the vessel owner provides a manned and fully equipped vessel to the charterer, and the charterer employs the vessel during the contractual period for the agreed service against payment of hire. All voyage costs are paid by the charterer.
Tollo . . . . .	Tollo Shipping Co. S.A.
Trade . . . . .	A trade combines liner services between two land masses. The global container shipping market is typically divided into the East-West trades, the North-South trades and several other trades, including the Intra-Asia trade, the Middle East trade and the Indian trade.
Trade flow . . . . .	Buying and selling of goods and services between countries. Trade flows measure the balance of trade.
Trade lane . . . . .	The direction of trade, e.g. United States to Europe.
TUI . . . . .	TUI Aktiengesellschaft.
UASC . . . . .	United Arab Shipping Company (S.A.G.) and its subsidiaries
UASC BCA . . . . .	Business Combination Agreement between Hapag-Lloyd AG and UASC.
Ultra-large container vessels (ULCV) . . . . .	Segment of container vessels with a capacity of 14,000 TEU or higher.
UASC (S.A.G.) . . . . .	The United Arab Shipping Company (S.A.G.).
VDAs . . . . .	Voluntary Discussion Agreements.
Vessel . . . . .	A nautical term for all kinds of craft designed for transportation on water, such as ships, boats or submarines.
Vessel costs . . . . .	Costs which are primarily determined by charter expenses, maintenance and repair costs as well as bunker fuel expenses.
Vessel time charter agreement . . . . .	An agreement, under which a vessel is provided by a ship owner to a container carrier for a fixed period of time with the vessel owner typically also providing the vessel's crew, insurance and maintenance.
VSA . . . . .	Vessel sharing agreement.
WACC . . . . .	Weighted Average Cost of equity and debt Capital.
Yang Ming . . . . .	Yang Ming Marine Transport Corp.

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**Unaudited Interim Condensed Consolidated Financial Statements  
of Hapag-Lloyd AG  
prepared in Accordance with IAS 34  
as of and for the nine months ended September 30, 2016**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG**  
**FOR THE PERIOD 1 JANUARY TO 30 SEPTEMBER 2016**

	Q3 2016	Q3 2015	9M 2016	9M 2015
	Million EUR			
Revenue . . . . .	1,928.3	2,137.0	5,713.8	6,806.0
Other operating income . . . . .	31.8	42.3	90.4	145.9
Transport expenses . . . . .	1,571.4	1,767.8	4,772.0	5,559.7
Personnel expenses . . . . .	123.3	106.4	377.6	360.2
Depreciation, amortisation and impairment . . . . .	119.0	116.4	355.4	342.0
Other operating expenses . . . . .	86.8	116.1	291.5	359.6
<b>Operating result . . . . .</b>	<b>59.6</b>	<b>72.6</b>	<b>7.7</b>	<b>330.4</b>
Share of profit of equity-accounted investees . . . . .	7.5	8.8	19.6	22.5
Other financial result . . . . .	-1.5	-0.5	-1.4	-4.3
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>65.6</b>	<b>80.9</b>	<b>25.9</b>	<b>348.6</b>
Interest income . . . . .	1.1	1.1	3.8	4.0
Interest expenses . . . . .	56.2	71.0	148.8	173.1
<b>Earnings before income taxes . . . . .</b>	<b>10.5</b>	<b>11.0</b>	<b>-119.1</b>	<b>179.5</b>
Income taxes . . . . .	2.3	7.8	14.8	19.1
<b>Group profit/loss . . . . .</b>	<b>8.2</b>	<b>3.2</b>	<b>-133.9</b>	<b>160.4</b>
thereof attributable to shareholders of				
Hapag-Lloyd AG . . . . .	7.5	2.4	-136.4	158.7
thereof attributable to non-controlling interests . . . . .	0.7	0.8	2.5	1.7
<b>Basic/diluted earnings per share (in EUR) . . . . .</b>	<b>0.07</b>	<b>0.02</b>	<b>-1.15</b>	<b>1.51</b>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG  
FOR THE PERIOD 1 JANUARY TO 30 SEPTEMBER 2016**

	Q3 2016	Q3 2015	9M 2016	9M 2015
	Million EUR			
<b>Group profit/loss</b> .....	<b>8.2</b>	<b>3.2</b>	<b>-133.9</b>	<b>160.4</b>
<b>Items which will not be reclassified to profit and loss:</b> .....	<b>-9.2</b>	<b>2.4</b>	<b>-64.8</b>	<b>23.1</b>
Remeasurements from defined benefit plans after tax ...	-9.2	2.4	-64.8	23.1
Remeasurements from defined benefit plans before tax .....	-9.2	2.5	-64.7	22.9
Tax effect .....	—	-0.1	-0.1	0.2
<b>Items which may be reclassified to profit and loss:</b> ...	<b>-3.6</b>	<b>-14.8</b>	<b>-109.3</b>	<b>322.0</b>
Cash flow hedges (no tax effect) .....	-0.4	-0.4	1.4	-0.4
Changes in fair values recognised in cumulative other equity .....	-0.6	3.0	12.6	1.8
Release from cumulative other equity .....	0.2	-3.4	-11.2	-2.2
Currency translation (no tax effect) .....	-3.2	-14.4	-110.7	322.4
<b>Other comprehensive income after tax</b> .....	<b>-12.8</b>	<b>-12.4</b>	<b>-174.1</b>	<b>345.1</b>
<b>Total comprehensive income</b> .....	<b>-4.6</b>	<b>-9.2</b>	<b>-308.0</b>	<b>505.5</b>
thereof attributable to shareholders of				
Hapag-Lloyd AG .....	-5.4	-9.9	-310.4	503.5
thereof attributable to non-controlling interests .....	0.8	0.7	2.4	2.0

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG  
AS AT 30 SEPTEMBER 2016**

	<u>30.9.2016</u>	<u>31.12.2015</u>
	Million EUR	
<b>Assets</b>		
Goodwill .....	1,571.5	1,610.8
Other intangible assets .....	1,285.8	1,376.3
Property, plant and equipment .....	5,932.6	6,143.6
Investments in equity-accounted investees .....	318.0	326.6
Other assets .....	20.5	22.5
Derivative financial instruments .....	19.2	10.7
Income tax receivables .....	2.4	—
Deferred tax assets .....	22.4	23.6
<b>Non-current assets</b> .....	<b>9,172.4</b>	<b>9,514.1</b>
Inventories .....	108.2	94.1
Trade accounts receivable .....	612.0	716.1
Other assets .....	163.6	148.5
Derivative financial instruments .....	12.0	0.7
Income tax receivables .....	32.9	31.9
Cash and cash equivalents .....	492.0	573.7
<b>Current assets</b> .....	<b>1,420.7</b>	<b>1,565.0</b>
<b>Total assets</b> .....	<b>10,593.1</b>	<b>11,079.1</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG  
AS AT 30 SEPTEMBER 2016**

	<u>30.9.2016</u>	<u>31.12.2015</u>
	Million EUR	
<b>Equity and liabilities</b>		
Subscribed capital .....	118.1	118.1
Capital reserves .....	1,263.2	1,263.2
Retained earnings .....	2,913.5	3,052.3
Cumulative other equity .....	430.8	604.8
<b>Equity attributable to the shareholders of Hapag-Lloyd AG .....</b>	<b>4,725.6</b>	<b>5,038.4</b>
Non-controlling interests .....	3.6	7.8
<b>Equity .....</b>	<b>4,729.2</b>	<b>5,046.2</b>
Provisions for pensions and similar obligations .....	256.0	186.2
Other provisions .....	110.1	144.2
Financial debt .....	3,089.9	3,297.2
Other liabilities .....	11.9	4.7
Derivative financial instruments .....	1.8	—
Deferred tax liabilities .....	1.7	1.5
<b>Non-current liabilities .....</b>	<b>3,471.4</b>	<b>3,633.8</b>
Provisions for pensions and similar obligations .....	5.9	5.6
Other provisions .....	222.3	285.9
Income tax liabilities .....	18.1	22.9
Financial debt .....	816.0	610.1
Trade accounts payable .....	1,150.9	1,293.8
Other liabilities .....	167.8	158.5
Derivative financial instruments .....	11.5	22.3
<b>Current liabilities .....</b>	<b>2,392.5</b>	<b>2,399.1</b>
<b>Total equity and liabilities .....</b>	<b>10,593.1</b>	<b>11,079.1</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG FOR THE PERIOD  
1 JANUARY TO 30 SEPTEMBER 2016**

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>9M 2016</u>	<u>9M 2015</u>
	Million EUR			
Group profit/loss	8.2	3.2	-133.9	160.4
Income tax expenses (+) / income (-)	2.3	7.8	14.8	19.1
Interest result	55.1	69.9	145.0	169.1
Depreciation, amortisation and impairment (+) / write-backs (-)	119.0	116.4	355.4	342.0
Other non-cash expenses (+) / income (-)	9.0	3.7	8.6	-50.4
Profit (-) / loss (+) from hedges or financial debt	—	—	0.3	15.9
Profit (-) / loss (+) from disposals of non-current assets and assets held for sale	1.3	-1.2	0.1	-10.6
Income (-) / expenses (+) from equity-accounted investees and dividends from other investments	-7.5	-8.9	-19.7	-22.6
Increase (-) / decrease (+) in inventories	-6.5	31.9	-16.4	41.0
Increase (-) / decrease (+) in receivables and other assets	12.9	42.9	57.4	124.3
Increase (+) / decrease (-) in provisions	-23.8	-49.7	-86.1	-202.4
Increase (+) / decrease (-) in liabilities (excl. financial debt)	-136.0	-54.8	-80.2	-101.7
Payments for income taxes	-9.1	-0.2	-17.8	-0.6
Payments received (+) for interest	0.3	-0.6	0.8	1.0
<b>Cash inflow (+) / outflow (-) from operating activities</b>	<b>25.2</b>	<b>160.4</b>	<b>228.3</b>	<b>484.5</b>
Payments received from disposals of property, plant and equipment and intangible assets	0.3	1.1	4.6	2.4
Dividends received	0.2	0.3	28.6	33.9
Payments received from the disposal of assets held for sale	—	3.5	—	74.5
Payments made for investments in property, plant and equipment and intangible assets	-32.2	-157.1	-238.3	-594.3
Payments made for investments in other investments	—	—	—	-0.3
<b>Cash inflow (+) / outflow (-) from investing activities</b>	<b>-31.7</b>	<b>-152.2</b>	<b>-205.1</b>	<b>-483.8</b>
Payments made from changes in ownership interests in subsidiaries	—	—	-0.3	—
Payments made for dividends	-3.1	—	-5.4	-2.1
Payments received from raising financial debt	263.9	124.6	528.3	345.5
Payments made for the redemption of financial debt	-181.4	-182.0	-476.5	-456.5
Payments made for interest and fees	-53.1	-60.7	-137.1	-160.1
Payments received (+) and made (-) from hedges for financial debt	0.1	—	-0.2	-15.9
<b>Cash inflow (+) / outflow (-) from financing activities</b>	<b>26.4</b>	<b>-118.1</b>	<b>-91.2</b>	<b>-289.1</b>
<b>Net change in cash and cash equivalents</b>	<b>19.9</b>	<b>-109.9</b>	<b>-68.0</b>	<b>-288.4</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>473.0</b>	<b>594.9</b>	<b>573.7</b>	<b>711.4</b>
Change in cash and cash equivalents due to exchange rate fluctuations	-0.9	-1.0	-13.7	61.0
Net change in cash and cash equivalents	19.9	-109.9	-68.0	-288.4
<b>Cash and cash equivalents at end of period</b>	<b>492.0</b>	<b>484.0</b>	<b>492.0</b>	<b>484.0</b>

Payments for interest and income taxes are shown separately in the Consolidated Statement of Cash Flows. The prior period was amended accordingly.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 30 SEPTEMBER 2016**

	Equity attributable to shareholders of Hapag-Lloyd AG										
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges		Translation reserve	Cumulative other equity	Total	Non-controlling interests	Total equity
					Million EUR	Million EUR					
<b>As per 1.1.2015</b>	<b>104.9</b>	<b>1,651.9</b>	<b>2,286.1</b>	<b>-104.8</b>	<b>0.0</b>	<b>226.2</b>	<b>121.4</b>	<b>4,164.3</b>	<b>5.3</b>	<b>4,169.6</b>	
<b>Total comprehensive income</b>	—	—	<b>158.7</b>	<b>23.1</b>	<b>-0.4</b>	<b>322.1</b>	<b>344.8</b>	<b>503.5</b>	<b>2.0</b>	<b>505.5</b>	
thereof											
Group profit/loss	—	—	158.7	—	—	—	—	158.7	1.7	160.4	
Other comprehensive income	—	—	—	23.1	-0.4	322.1	344.8	344.8	0.3	345.1	
<b>Transactions with shareholders</b>	—	—	—	—	—	—	—	—	<b>-2.1</b>	<b>-2.1</b>	
thereof											
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	-2.1	-2.1	
<b>Deconsolidation</b>	—	—	<b>-0.2</b>	—	—	—	—	<b>-0.2</b>	—	<b>-0.2</b>	
<b>As per 30.9.2015</b>	<b>104.9</b>	<b>1,651.9</b>	<b>2,444.6</b>	<b>-81.7</b>	<b>-0.4</b>	<b>548.3</b>	<b>466.2</b>	<b>4,667.6</b>	<b>5.2</b>	<b>4,672.8</b>	
<b>As per 1.1.2016</b>	<b>118.1</b>	<b>1,263.2</b>	<b>3,052.3</b>	<b>-75.2</b>	<b>1.2</b>	<b>678.8</b>	<b>604.8</b>	<b>5,038.4</b>	<b>7.8</b>	<b>5,046.2</b>	
<b>Total comprehensive income</b>	—	—	<b>-136.4</b>	<b>-64.8</b>	<b>1.4</b>	<b>-110.6</b>	<b>-174.0</b>	<b>-310.4</b>	<b>2.4</b>	<b>-308.0</b>	
thereof											
Group profit/loss	—	—	-136.4	—	—	—	—	-136.4	2.5	-133.9	
Other comprehensive income	—	—	—	-64.8	1.4	-110.6	-174.0	-174.0	-0.1	-174.1	
<b>Transactions with shareholders</b>	—	—	—	—	—	—	—	—	<b>-6.6</b>	<b>-6.6</b>	
thereof											
Acquisition of shares from non-controlling interests	—	—	—	—	—	—	—	—	-1.2	-1.2	
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	-5.4	-5.4	
<b>Deconsolidation</b>	—	—	<b>-2.4</b>	—	—	—	—	<b>-2.4</b>	—	<b>-2.4</b>	
<b>As per 30.9.2016</b>	<b>118.1</b>	<b>1,263.2</b>	<b>2,913.5</b>	<b>-140.0</b>	<b>2.6</b>	<b>568.2</b>	<b>430.8</b>	<b>4,725.6</b>	<b>3.6</b>	<b>4,729.2</b>	



## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### FUNDAMENTAL ACCOUNTING PRINCIPLES

#### General information

Hapag-Lloyd AG, domiciled in Hamburg, Germany, is the parent company of the Hapag-Lloyd Group and a listed public limited company in accordance with German law. The Company's shares are traded on the Frankfurt and Hamburg stock exchanges. Hapag-Lloyd is an international container liner shipping group whose primary purpose is to provide ocean container liner shipping activities, logistical services and all other associated business operations and services.

The interim consolidated financial statements cover the period 1 January 2016 to 30 September 2016 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

#### Accounting principles

The interim consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee, as they are to be applied in the European Union (EU). These interim consolidated financial statements as at 30 September 2016 were prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and interim Group management report of Hapag-Lloyd AG have not been subject to an audit review nor have they been reviewed in accordance with Section 317 of the German Commercial Code (HGB). The standards and interpretations valid in the EU since 1 January 2016 were applied during the preparation of the interim financial statements. The interim financial statements as at 30 September 2016 were prepared in compliance with the same accounting and measurement principles which formed the basis for the preceding consolidated financial statements as at 31 December 2015. The standards and interpretations which became mandatory on 1 January 2016 had no impact on the Group's net asset, financial and earnings position.

The functional currency of Hapag-Lloyd AG and all of its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes the assets and liabilities of the Hapag-Lloyd Group are translated into euros at the exchange rate applicable as at the balance sheet date (closing rate). The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

As at 30 September 2016, the closing US dollar/euro exchange rate was quoted as US\$1.1165/EUR (31 December 2015: US\$1.0893/EUR). For the first nine months of 2016, the average US dollar/euro exchange rate was US\$1.1138/EUR (prior year period: US\$1.1151/EUR).

#### Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. In addition to Hapag-Lloyd AG, the group of consolidated companies included 96 fully consolidated companies and four equity-accounted investees as at 30 September 2016. Since 1 January 2016, seven companies have been removed from the group of consolidated companies.

#### Segment reporting

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

The allocation of resources (use of ships and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world via the complete liner service network, the Executive

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to various trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

*Transport volume per trade*

	Q3 2016	Q3 2015	9M 2016	9M 2015
	TTEU			
Atlantic .....	385	398	1,159	1,173
Transpacific .....	379	363	1,091	1,043
Far East .....	319	320	927	976
Latin America .....	586	550	1,673	1,698
Intra-Asia .....	178	1 40	492	420
EMAO (Europe, Mediterranean, Africa, Oceania) .....	100	90	308	269
<b>Total</b> .....	<b>1,947</b>	<b>1,861</b>	<b>5,650</b>	<b>5,579</b>

*Freight rates per trade*

	Q3 2016	Q3 2015	9M 2016	9M 2015
	US\$/TEU			
Atlantic .....	1,333	1,526	1,344	1,512
Transpacific .....	1,147	1,548	1,237	1,647
Far East .....	757	876	754	977
Latin America .....	1,047	1,025	992	1,157
Intra-Asia .....	515	635	538	684
EMAO (Europe, Mediterranean, Africa, Oceania) .....	1,058	1,226	1,067	1,238
<b>Total (weighted average)</b> .....	<b>1,027</b>	<b>1,189</b>	<b>1,037</b>	<b>1,260</b>

*Revenue per trade*

	Q3 2016	Q3 2015	9M 2016	9M 2015
	Million EUR			
Atlantic .....	460.7	545.8	1,399.0	1,590.6
Transpacific .....	388.9	505.6	1,211.5	1,541.2
Far East .....	216.7	251.8	627.5	855.4
Latin America .....	549.4	508.0	1,490.6	1,761.8
Intra-Asia .....	81.9	79.8	237.7	257.7
EMAO (Europe, Mediterranean, Africa, Oceania) .....	94.4	98.7	295.0	298.6
Others .....	136.3	147.3	452.5	500.7
<b>Total</b> .....	<b>1,928.3</b>	<b>2,137.0</b>	<b>5,713.8</b>	<b>6,806.0</b>

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

*EBITDA*

	Q3 2016	Q3 2015	9M 2016	9M 2015
	Million EUR			
EBIT .....	65.6	80.9	25.9	348.6
Depreciation, amortisation and impairment .....	119.0	116.4	355.4	342.0
<b>EBITDA</b> .....	<b>184.6</b>	<b>197.3</b>	<b>381.3</b>	<b>690.6</b>
<b>EBT</b> .....	<b>10.5</b>	<b>11.0</b>	<b>-119.1</b>	<b>179.5</b>
<b>Share of profit of equity-accounted investees</b> .....	<b>7.5</b>	<b>8.8</b>	<b>19.6</b>	<b>22.5</b>

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Detailed notes to the income statement are contained in the interim management report.

Earnings per share

	Q3 2016	Q3 2015	9M 2016	9M 2015
Basic earnings per share in EUR . . . . .	0.07	0.02	-1.15	1.51
Profit / loss attributable to shareholders in million EUR . . . . .	7.5	2.4	-136.4	158.7
Weighted average number of shares . . . . .	118,110,917	104,882,240	118,110,917	104,882,240

There were no dilutive instruments and therefore no dilutive effects in the third quarter, as well as the first nine months of 2016 and in the corresponding prior year periods. As a result, basic earnings per share were the same as diluted earnings per share.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

The decrease in goodwill and other intangible assets compared with 31 December 2015 was due, on the one hand, to currency translation effects and, on the other, to the amortisation of other intangible assets.

Property, plant and equipment

	30.9.2016	31.12.2015
	Million EUR	
Ships . . . . .	4,617.7	4,832.5
Container . . . . .	931.9	1,023.2
Other equipment . . . . .	131.4	134.2
Prepayments on account and assets under construction . . . . .	251.6	153.7
<b>Total</b> . . . . .	<b>5,932.6</b>	<b>6,143.6</b>

The carrying amounts of property, plant and equipment were reduced primarily by scheduled depreciation in the amount of EUR 297.0 million and currency effects at the reporting date of EUR 147.3 million. On the other hand investments in and payments on account for ocean-going vessels increased fixed assets in the amount of EUR 207.9 million.

Fixed assets of EUR 177.2 million were recognised in conjunction with finance lease contracts (31 December 2015: EUR 188.4 million). Of this, EUR 97.2 million was attributable to ships (31 December 2015: EUR 106.4 million) and EUR 80.0 million to containers (31 December 2015: EUR 82.0 million).

Cash and cash equivalents

	30.9.2016	31.12.2015
	Million EUR	
Cash at bank . . . . .	486.9	568.4
Cash in hand and cheques . . . . .	5.1	5.3
<b>Total</b> . . . . .	<b>492.0</b>	<b>573.7</b>

The balance of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligations due have been settled. These account balances came to EUR 8.1 million as at 30 September 2016 (31 December 2015: EUR 19.1 million), thereof with a maturity of up to three months with an amount of 5.6 (31 December 2015: EUR 1.0 million).

Due to local restrictions, cash and cash equivalents of EUR 3.2 million (31 December 2015: EUR 13.2 million) at individual subsidiaries are restricted.

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Cumulative other equity**

Cumulative other equity comprises the reserve for remeasurements relating to defined benefit pension plans, the reserve for cash flow hedges and the translation reserve.

The item for remeasurements from defined benefit pension plans (30 September 2016: EUR –140.0 million;

31 December 2015: EUR –75.2 million) resulted from income and expenses from the remeasurement of pension obligations and plan assets recognised in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the valuation of pension obligations and the associated plan assets. The discount rate for the pension plans within Germany of 2.6% as at 31 December 2015 needed to be reduced to 1.2% as at 30 September 2016 due to the current interest rate situation. This is the primary reason for the change of EUR –64.8 million.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 2.6 million as at 30 September 2016 (31 December 2015: EUR 1.2 million).

The currency effects of EUR –110.6 million recognised as at 30 September 2016 (prior year period: EUR 322.1 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve as at the end of the first nine months of 2016 amounted to EUR 568.2 million (31 December 2015: EUR 678.8 million).

**Financial instruments**

The carrying amounts and fair values of the financial instruments as at 31 December 2015 are presented in the table below.

	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
	Million EUR		
<b>Assets</b>			
Trade accounts receivable . . . . .	716.1	716.1	716.1
Other assets . . . . .	171.0	77.8	77.8
Derivative financial instruments . . . . .	11.4	11.4	11.4
Cash and cash equivalents . . . . .	573.7	573.7	573.7
<b>Liabilities</b>			
Financial debt . . . . .	3,757.8	3,757.8	3,820.5
Liabilities from financial lease contracts <sup>1)</sup> . . . . .	149.5	149.5	158.0
Trade accounts payable . . . . .	1,293.8	1,293.8	1,293.8
Derivative financial instruments . . . . .	22.3	22.3	22.3
Other liabilities . . . . .	163.2	42.9	42.9

1) Part of financial debt in statement of financial position

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The carrying amounts and fair values of the financial instruments as at 30 September 2016 are presented in the table below.

	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
	Million EUR		
<b>Assets</b>			
Trade accounts receivable	612.0	612.0	612.0
Other assets	184.1	84.0	84.0
Derivative financial instruments	31.2	31.2	31.2
Cash and cash equivalents	492.0	492.0	492.0
<b>Liabilities</b>			
Financial debt	3,769.5	3,769.5	3,808.7
Liabilities from financial lease contracts <sup>1)</sup>	136.4	136.4	145.3
Trade accounts payable	1,150.9	1,150.9	1,150.9
Derivative financial instruments	13.3	13.3	13.3
Other liabilities	179.7	59.1	59.1

1) Part of financial debt in statement of financial position

Derivative financial instruments include positive and negative market values from currency and commodity options and currency forward contracts. This item also contains embedded derivatives for early buy-back options for issued bonds. The derivative financial instruments were measured at fair value.

The liabilities from bonds included within financial debt, which due to the quotation on an active market are allocated to level one within the fair-value-hierarchy, have a fair value of EUR 769.3 million. The fair values indicated for the remaining financial debt, derivative financial instruments and liabilities from finance lease contracts are assigned to level two of the fair-value-hierarchy. This means that the instruments were measured using methods which are based on factors derived directly or indirectly from observable market data.

The carrying amounts of all other financial instruments are a suitable approximation of the fair values.

In first nine months of 2016 there have been no transfers between levels one and two.

### Financial debt

The following tables contain the carrying amounts for the individual categories of financial debt.

#### Financial debt

	30.9.2016	31.12.2015
	Million EUR	
Liabilities to banks	2,822.6	2,786.2
Bonds	778.0	779.9
Liabilities from finance lease contracts	136.4	149.5
Other financial debt	168.9	191.7
<b>Total</b>	<b>3,905.9</b>	<b>3,907.3</b>

#### Financial debt by currency

	30.9.2016	31.12.2015
	Million EUR	
Financial debt denoted in US\$ (excl. transaction costs)	3,121.2	3,167.0
Financial debt denoted in EUR (excl. transaction costs)	819.4	789.9
Interest liabilities	34.7	33.1
Transaction costs	-69.4	-82.7
<b>Total</b>	<b>3,905.9</b>	<b>3,907.3</b>



## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In order to secure the long-term financing of the two 3,500 TEU ships that were acquired from the Dutch shipping company, NileDutch, in the first nine months of 2016, Hapag-Lloyd signed a loan agreement for US\$57.4 million (EUR 51.4 million) with a seven-year maturity term.

In the first nine months of 2016, Hapag-Lloyd sold containers held by the Company to a group of investors on the basis of a Japanese operating lease contract and then leased them back for 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 acting as security. Liabilities to banks generated by this transaction came to US\$48.7 million as at the balance sheet date (EUR 43.6 million).

In the third quarter of 2016, Hapag-Lloyd AG signed an agreement with the existing financial backer to refinance and also increase a real estate loan from the current approximately EUR 55 million to EUR 85 million.

In the third quarter, a further US\$75.0 million (EUR 67.2 million) of the unsecured credit facility which was granted to Hapag-Lloyd by Joint Global Coordinators in connection with the IPO in 2015 was utilised, meaning the full amount of US\$125.0 million (EUR 112.0 million) has been used.

The credit facility to finance investments in containers of US\$135.0 million (EUR 120.9 million) was fully utilised at the balance sheet date. In addition, US\$125.0 million (EUR 112.0 million) of the existing revolving credit facility (RCF) was utilised in September 2016 in order to strengthen the Group's liquidity.

The Hapag-Lloyd Group had total available credit facilities of EUR 67.2 million as at 30 September 2016 (31 December 2015: EUR 388.7 million).

### OTHER NOTES

#### Legal disputes

In addition to the legal disputes listed in the 2015 consolidated financial statements, the following circumstances have arisen in the first nine months of 2016.

Authorities in a number of jurisdictions have launched investigations into possible breaches of competition law; however a quantification of a possible risk, that this may result in, cannot be made at the time of reporting.

As at the reporting date, there were also EUR 138.3 million in contingent liabilities from tax risks not classified as likely (31 December 2015: EUR 124.0 million).

The EU Antitrust Policy, which was initiated in 2011, has been finalised following the ruling of the EU Commission on 7 July 2016. With this ruling, the Commission has accepted the voluntary commitments put forward by the shipping companies, which provide for a new manner of announcement of rate increases. These will come into force as of 7 December 2016.

#### Obligations from operating lease contracts

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for ships and containers, and rental agreements for business premises. Charter agreements for ships are always structured as time charter contracts, *i.e.* in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the first nine months of 2016, lease payments of EUR 785.9 million were posted to expenses (prior year period: EUR 914.3 million), of which EUR 322.8 million were charter expenses (prior year period: EUR 480.7 million).

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	<u>30.9.2016</u>	<u>31.12.2015</u>
	Million EUR	
Ships and container .....	719.7	1,035.7
Administrative buildings .....	100.0	110.1
Other .....	114.1	155.0
<b>Total</b> .....	<u><u>933.8</u></u>	<u><u>1,300.8</u></u>

### Other financial obligations

The Group's other financial obligations as at 30 September 2016 referred to a purchase obligation for investments in container ships amounting to EUR 240.1 million (31 December 2015: EUR 350.1 million), all of which was for a term of up to one year (31 December 2015: EUR 208.3 million). There were no other financial obligations with a term of more than five years.

### Related party disclosures

In carrying out its ordinary business activities, the Hapag-Lloyd Group maintained indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. These supply and service relationships will continue to be transacted at market prices. No significant changes have arisen since 31 December 2015. The contractual relationships with related parties described in the remuneration report from page 80 onwards of the 2015 annual report also remain unchanged, but are not of material importance to the Group.

### Significant events after the balance sheet date

On 2 November 2016, Hapag-Lloyd placed the first ship with a transport capacity of 10,500 TEU into service. The last instalments for the construction work amounting to EUR 46.1 million (US\$51.5 million) were paid upon completion of the shipyard, while at the same time a credit facility amounting to EUR 66.7 million (US\$74.5 million) was also utilised. Another ship will be put into service on 7 December 2016.

From October 2016, the 5,750 new reefer containers (reefers) ordered in September 2016 and comprising 5,000 40-ft. as well as 750 20-ft. reefers will be ready for delivery. While 2,500 of the reefers will be rented, 3,250 will have their ownership transferred to Hapag-Lloyd. This transaction is to be financed via a leasing agreement, comprising a volume of US\$38.8 million (EUR 34.8 million).

As at 31 October 2016, an additional amount of 53.7 million EUR (60 million US\$) from an existing ABS programme was drawn. The liquidity inflow can be used for general business purposes and increases the existing liquidity of the company.

Hamburg, 14 November 2016

**Hapag-Lloyd Aktiengesellschaft**  
Executive Board

Rolf Habben Jansen

Nicolas Burr

Anthony J. Firmin

Thorsten Haeser

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hamburg, 2 March 2016

Hapag-Lloyd AG  
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

**Audited Consolidated Financial Statements  
of Hapag-Lloyd AG  
prepared in Accordance with IFRS  
as of and for the year ended December 31, 2015**



## CONSOLIDATED INCOME STATEMENT

Consolidated income statement of Hapag-Lloyd AG for the period 1 January to 31 December 2015

	Notes	1.1.– 31.12.2015	1.1.– 31.12.2014
Million EUR			
Revenue	(1)	8,841.8	6,807.5
Other operating income	(2)	193.7	116.8
Transport expenses	(3)	7,258.5	6,060.1
Personnel expenses	(4)	484.4	403.3
Depreciation, amortisation and impairment	(5)	464.6	481.7
Other operating expenses	(6)	517.7	393.3
<b>Operating result</b>		<b>310.3</b>	<b>-414.1</b>
Share of profit of equity-accounted investees	(14)	28.5	34.2
Other financial result	(7)	27.6	-2.9
<b>Earnings before interest and taxes (EBIT)</b>		<b>366.4</b>	<b>-382.8</b>
Interest income	(8)	5.6	7.0
Interest expenses	(8)	232.9	216.7
<b>Earnings before income taxes</b>		<b>139.1</b>	<b>-592.5</b>
Income taxes	(9)	25.2	11.2
<b>Group profit/loss</b>		<b>113.9</b>	<b>-603.7</b>
thereof attributable to shareholders of Hapag-Lloyd AG		111.6	-605.0
thereof attributable to non-controlling interests	(22)	2.3	1.3
<b>Basic/Diluted earnings per share (in EUR)</b>	(10)	<b>1.04</b>	<b>-8.81</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income of Hapag-Lloyd AG for the period 1 January to 31 December 2015

	Notes	1.1.– 31.12.2015	1.1.– 31.12.2014
Million EUR			
<b>Group profit/loss</b> .....		<b>113.9</b>	<b>-603.7</b>
<b>Items which will not be reclassified to profit and loss:</b> .....		<b>29.6</b>	<b>-58.2</b>
Remeasurements from defined benefit plans after tax .....	(21)	29.6	-58.2
Remeasurements from defined benefit plans before tax .....		30.8	-60.1
Tax effect .....		-1.2	1.9
<b>Items which may be reclassified to profit and loss:</b> .....		<b>454.3</b>	<b>314.6</b>
Cash flow hedges (no tax effect) .....	(21)	1.2	-6.4
Additions to cumulative other equity .....		-21.8	8.7
Release from cumulative other equity .....		23.0	-15.1
Currency translation (no tax effect) .....	(21)	453.1	321.0
<b>Other comprehensive income after tax</b> .....		<b>483.9</b>	<b>256.4</b>
<b>Total comprehensive income</b> .....		<b>597.8</b>	<b>-347.3</b>
thereof attributable to shareholders of Hapag-Lloyd AG .....		595.0	-348.8
thereof attributable to non-controlling interests .....	(22)	2.8	1.5

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Consolidated statement of financial position of Hapag-Lloyd AG as of 31 December 2015

	Notes	31.12.2015	31.12.2014*
Million EUR			
<b>Assets</b>			
Goodwill	(11)	1,610.8	1,372.7
Other intangible assets	(11)	1,376.3	1,309.7
Property, plant and equipment	(12)	6,143.6	5,176.0
Investments in equity-accounted investees	(14)	326.6	387.0
Other assets	(15)	22.5	13.1
Derivative financial instruments	(15)	10.7	15.8
Deferred tax assets	(9)	23.6	27.9
<b>Non-current assets</b>		<b>9,514.1</b>	<b>8,302.2</b>
Inventories	(17)	94.1	152.1
Trade accounts receivable	(15)	716.1	703.8
Other assets	(15)	148.5	134.3
Derivative financial instruments	(16)	0.7	3.8
Income tax receivables	(9)	31.9	28.6
Cash and cash equivalents	(18)	573.7	711.4
Non-current assets held for sale	(19)	—	59.2
<b>Current assets</b>		<b>1,565.0</b>	<b>1,793.2</b>
<b>Total assets</b>		<b>11,079.1</b>	<b>10,095.4</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section "Judgements, estimations and assessments")

	Notes	31.12.2015	31.12. 2014*
Million EUR			
<b>Equity and liabilities</b>			
Subscribed capital	(20)	118.1	104.9
Capital reserves	(20)	1,263.2	1,651.9
Retained earnings	(20)	3,052.3	2,286.1
Cumulative other equity	(21)	604.8	121.4
<b>Equity attributable to the shareholders of Hapag-Lloyd AG</b>		<b>5,038.4</b>	<b>4,164.3</b>
Non-controlling interests	(22)	7.8	5.3
<b>Equity</b>		<b>5,046.2</b>	<b>4,169.6</b>
Provisions for pensions and similar obligations	(23)	186.2	208.4
Other provisions	(24)	144.2	207.0
Financial debt	(25)	3,297.2	3,309.1
Other liabilities	(26)	4.7	7.2
Deferred tax liabilities	(9)	1.5	1.5
<b>Non-current liabilities</b>		<b>3,633.8</b>	<b>3,733.2</b>
Provisions for pensions and similar obligations	(23)	5.6	6.5
Other provisions	(24)	285.9	385.4
Income tax liabilities	(9)	22.9	18.3
Financial debt	(25)	610.1	408.0
Trade accounts payable	(26)	1,293.8	1,225.4
Other liabilities	(26)	158.5	125.2
Derivative financial instruments	(27)	22.3	23.8
<b>Current liabilities</b>		<b>2,399.1</b>	<b>2,192.6</b>
<b>Total equity and liabilities</b>		<b>11,079.1</b>	<b>10,095.4</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section "Judgements, estimations and assessments")

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**Consolidated statement of changes in equity of Hapag-Lloyd AG for the period 1 January to 31 December 2015**

	Equity attributable to shareholders of Hapag-Lloyd AG							Non-controlling interests	Total equity	
	Subscribed capital	Capital Reserve	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative other equity			Total
Notes	(20)	(20)	(20)	Million EUR			(21)	(22)		
<b>As per 1.1.2014</b>	<b>66.1</b>	<b>935.3</b>	<b>2,045.8</b>	<b>-46.6</b>	<b>6.4</b>	<b>-94.6</b>	<b>-134.8</b>	<b>2,912.4</b>	<b>2.7</b>	<b>2,915.1</b>
<b>Total comprehensive income</b>	—	—	<b>-605.0</b>	<b>-58.2</b>	<b>-6.4</b>	<b>320.8</b>	<b>256.2</b>	<b>-348.8</b>	<b>1.5</b>	<b>-347.3</b>
thereof										
Group profit/loss	—	—	-605.0	—	—	—	—	-605.0	1.3	-603.7
Other comprehensive income	—	—	—	-58.2	-6.4	320.8	256.2	256.2	0.2	256.4
<b>Transactions with shareholders</b>	<b>38.8</b>	<b>716.6</b>	<b>845.3</b>	—	—	—	—	<b>1,600.7</b>	<b>1.1</b>	<b>1,601.8</b>
thereof										
Business combination	28.3	1,202.3	0.1	—	—	—	—	1,230.7	2.0	1,232.7
Capital increase	10.5	359.5	—	—	—	—	—	370.0	—	370.0
Transfer from capital reserves	—	-845.2	845.2	—	—	—	—	—	—	—
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	-0.9	-0.9
<b>As per 31.12.2014</b>	<b>104.9</b>	<b>1,651.9</b>	<b>2,286.1</b>	<b>-104.8</b>	—	<b>226.2</b>	<b>121.4</b>	<b>4,164.3</b>	<b>5.3</b>	<b>4,169.6</b>
<b>Total comprehensive income</b>	—	—	<b>111.6</b>	<b>29.6</b>	<b>1.2</b>	<b>452.6</b>	<b>483.4</b>	<b>595.0</b>	<b>2.8</b>	<b>597.8</b>
thereof										
Group profit/loss	—	—	111.6	—	—	—	—	111.6	2.3	113.9
Other comprehensive income	—	—	—	29.6	1.2	452.6	483.4	483.4	0.5	483.9
<b>Transactions with shareholders</b>	<b>13.2</b>	<b>-388.7</b>	<b>654.8</b>	—	—	—	—	<b>279.3</b>	<b>-0.3</b>	<b>279.0</b>
thereof										
Capital increase initial public offering	13.2	251.3	—	—	—	—	—	264.5	—	264.5
Transaction cost initial public offering	—	-4.3	—	—	—	—	—	-4.3	—	-4.3
Transfer from capital reserves	—	-635.7	635.7	—	—	—	—	—	—	—
Business combination	—	—	19.1	—	—	—	—	19.1	3.6	22.7
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	-3.9	-3.9
<b>Deconsolidation</b>	—	—	<b>-0.2</b>	—	—	—	—	—	—	<b>-0.2</b>
<b>As per 31.12.2015</b>	<b>118.1</b>	<b>1,263.2</b>	<b>3,052.3</b>	<b>-75.2</b>	<b>1.2</b>	<b>678.8</b>	<b>604.8</b>	<b>5,038.4</b>	<b>7.8</b>	<b>5,046.2</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

**Consolidated statement of cash flows of Hapag-Lloyd AG for the period 1 January to 31 December 2015**

	Notes	1.1.– 31.12.2015	1.1.– 31.12.2014*
Million EUR			
Group profit/loss . . . . .		113.9	-603.7
Income tax expenses(+) / income (-) . . . . .		25.2	11.2
Interest result . . . . .		227.3	209.7
Depreciation, amortisation and impairment(+) / write-backs (-) . . . . .		464.6	481.7
Other non-cash expenses(+) / income (-) . . . . .		-87.8	16.9
Profit (-) / loss (+) from hedges for financial debt . . . . .		47.9	—
Profit (-) / loss (+) from disposals of non-current assets and assets held for sale . . . . .		-11.0	0.0
Income (-) / Expenses(+) from equity-accounted investees and dividends . . . . .		-28.6	-34.3
Increase(-) / decrease(+) in inventories . . . . .		74.2	70.9
Increase(-) / decrease(+) in receivables and other assets . . . . .		69.0	58.5
Increase (+) / decrease(-) in provisions . . . . .		-224.7	91.0
Increase (+) / decrease(-) in liabilities (excl. financial debt) . . . . .		-98.7	77.6
Payments for income taxes . . . . .		-0.8	-4.6
Payments received (+) for interest . . . . .		1.6	2.3
<b>Cash inflow (+) / outflow (-) from operating activities . . . . .</b>		<b>572.1</b>	<b>377.2</b>
Payments received from disposals of property, plant and equipment and intangible assets . . . . .		4.0	4.8
Payments received from the disposal of other investments . . . . .		0.3	—
Payments from dividends . . . . .		38.9	34.2
Payments received from the disposal of assets held for sale . . . . .		74.9	—
Payments made for investment in property, plant and equipment and intangible assets . . . . .		-724.3	-340.5
Payments received from acquisitions . . . . .		—	44.0
Payments made for investment in other investments . . . . .		-0.3	-0.1
<b>Cash inflow (+) / outflow (-) from investing activities . . . . .</b>		<b>-606.5</b>	<b>-257.6</b>
	Notes	1.1.– 31.12.2015	1.1.– 31.12.2014*
Million EUR			
Payments received from capital increases . . . . .		264.5	306.9
Payments made for capital increases . . . . .		-5.0	—
Payments made for dividends . . . . .		-2.1	-0.9
Payments received from raising financial debt . . . . .		575.3	748.2
Payments made for the redemption of financial debt . . . . .		-748.6	-790.6
Payments made for interest . . . . .		-213.3	-182.0
Payments received (+) and made (-) from hedges for financial debt . . . . .		-47.9	—
<b>Cash inflow (+) / outflow (-) from financing activities . . . . .</b>		<b>-177.1</b>	<b>81.6</b>
<b>Net change in cash and cash equivalents . . . . .</b>		<b>-211.5</b>	<b>201.2</b>
<b>Cash and cash equivalents at the beginning of period . . . . .</b>		<b>711.4</b>	<b>464.8</b>
Change in cash and cash equivalents due to exchange rate fluctuations . . . . .		73.8	45.4
Net change in cash and cash equivalents . . . . .		-211.5	201.2
<b>Cash and cash equivalents at the end of the period . . . . .</b>		<b>573.7</b>	<b>711.4</b>

\* Payments for interest and income taxes are shown separately in the consolidated statement of cash flows. The prior period was amended accordingly.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

#### General notes

The consolidated financial statements of Hapag-Lloyd AG (hereinafter “the Company”), domiciled in Hamburg, were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and adopted as European law by the European Union (EU), and the German commercial law provisions that must be observed pursuant to Section 315a (1) of the German Commercial Code (HGB).

The consolidated financial statements are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

The consolidated financial statements are for the financial year from 1 January to 31 December 2015 and are due to be examined and approved by the Supervisory Board on 23 March 2015.

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

On 2 December 2014, the Chilean shipping company Compañía Sud Americana de Vapores (“CSAV”) and Tollo Shipping Co. S.A. (“Tollo”), a wholly owned subsidiary of CSAV, incorporated their global container shipping activities (CSAV container shipping activities [“CCS”]) into CSAV Germany Container GmbH, Hamburg (“CC Co”). This company was incorporated into Hapag-Lloyd AG on 2 December 2014 as a contribution in kind. CC Co was merged with Hapag-Lloyd AG with effect from 1 January 2015 by way of an upstream merger.

In the fourth quarter of 2015, Hapag-Lloyd AG carried out the initial public offering (IPO) which it had announced on 28 September 2015. 13.2 million new registered shares were issued at a price of EUR 20 by an international bank consortium to institutional and private investors as part of a book-building process. The shares have been traded on the Frankfurt and Hamburg stock exchanges since 6 November 2015.

As at 31 December 2015, Hapag-Lloyd’s biggest shareholders were CSAV Germany Container Holding GmbH (“CG HoldCo”) with 31.4%, HGV Hamburger Gesellschaft für Vermögensund Beteiligungsmanagement mbH (“HGV”) as a company of the Free and Hanseatic City of Hamburg with 20.6%, Kühne Holding AG together with Kühne Maritime GmbH (“Kühne”) with 20.2% and TUI-Hapag Beteiligungs GmbH with 12.3%. CG HoldCo, HGV and Kühne have agreed to pool voting rights as part of a shareholders’ agreement.

The consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are only comparable with the corresponding prior year period to a limited degree, as CSAV’s container shipping activities were included in the consolidated financial statements for the first time from 2 December 2014.

#### Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Transport volume per trade\**

	1.1.–31.12. 2015	1.1.–31.12. 2014**
	TTEU	
Atlantic .....	1,541	1,446
Transpacific .....	1,390	1,319
Far East .....	1,283	1,135
Latin America .....	2,247	1,158
Intra Asia .....	573	491
EMAO (Europe—Mediterranean—Africa—Oceania) .....	367	358
<b>Total</b> .....	<b>7,401</b>	<b>5,907</b>

\* 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.

\*\* The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

*Freight rate per trade\**

	1.1.–31.12. 2015	1.1.–31.12. 2014**
	US\$/TEU	
Atlantic .....	1,504	1,585
Transpacific .....	1,599	1,768
Far East .....	942	1,179
Latin America .....	1,111	1,357
Intra Asia .....	655	796
EMAO (Europe—Mediterranean—Africa—Oceania) .....	1,210	1,407
<b>Total (weighted average)</b> .....	<b>1,225</b>	<b>1,427</b>

\* 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.

\*\* The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

*Revenue per trade\**

	1.1.–31.12. 2015	1.1.–31.12. 2014**
	Million EUR	
Atlantic .....	2.088,0	1.724,4
Transpacific .....	2.002,2	1.754,8
Far East .....	1.088,0	1.006,8
Latin America .....	2.249,7	1.182,9
Intra Asia .....	338,4	294,5
EMAO (Europe—Mediterranean—Africa—Oceania) .....	400,0	379,0
Other .....	675,5	465,1
<b>Total</b> .....	<b>8.841,8</b>	<b>6.807,5</b>

\* 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.

\*\* The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated on the basis of the Group's earnings before interest and taxes as follows:

	1.1.–31.12. 2015	1.1.–31.12. 2014*
	Million EUR	
EBIT .....	366.4	–382.8
Depreciation, amortisation and impairment .....	464.6	481.7
<b>EBITDA</b> .....	<b>831.0</b>	<b>98.9</b>
<b>Share of profit of equity-accounted investees</b> .....	<b>28.5</b>	<b>34.2</b>
<b>Earnings before income taxes (EBT)</b> .....	<b>139.1</b>	<b>–592.5</b>

\* The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

The profits of the segment's equity-accounted investees correspond to those of the Group (see Note [14]).

### *Non-current assets*

	2015	2014
	Million EUR	
Goodwill .....	1,610.8	1,372.7
Other intangible assets .....	1,376.3	1,309.7
Property, plant and equipment .....	6,143.6	5,176.0
Investments in equity-accounted investees .....	326.6	387.0
<b>Total</b> .....	<b>9,457.3</b>	<b>8,245.4</b>
thereof domestic .....	9,208.0	7,589.4
thereof foreign .....	249.3	656.0
<b>Total</b> .....	<b>9,457.3</b>	<b>8,245.4</b>

When assessing the cash-generating unit (CGU), non-current assets that were acquired as part of business combinations cannot be broken down by region due to their shared use. As a result, these have been assigned to the parent company in Germany.

The Company is not dependent on individual customers.

### **New accounting standards**

The following amendments to existing standards published by the IASB, which have already been endorsed, had to be adopted for the first time in the 2015 financial year. Unless stated otherwise, their first-time adoption did not have a significant effect on the net asset, financial and earnings position of the Hapag-Lloyd Group:

- Amendment to IAS 19: *Employee Contributions*
- IFRIC 21: *Levies*
- Various: Annual Improvements to IFRS (2010–2012)
- Various: Annual Improvements to IFRS (2011–2013)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following standards and interpretations, that were adopted and amended by the IASB at the time these consolidated financial statements were prepared, were not yet mandatory in the 2015 financial year:

	Standard/Interpretation	Mandatory application as per	Adopted by EU Commission
IAS 1	Amendments to IAS 1: Presentation of Financial Statements	1.1.2016	yes
IAS 16 IAS 38	Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1.1.2016	yes
IAS 16 IAS 41	Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	1.1.2016	yes
IAS 27	Amendments to IAS 27: Equity Method in Separate Financial Statements	1.1.2016	yes
IFRS 11	Amendment to IFRS 11: Acquisition of an Interest in a Joint Operation	1.1.2016	yes
Diverse	Annual Improvements to IFRS (2012-2014)	1.1.2016	yes
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	no
IFRS 9	Financial Instruments	1.1.2018	no
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open	no
IFRS 10 IFRS 12 IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1.1.2016	no
IFRS 14	Regulatory Deferral Accounts	1.1.2016	will not be transferred into EU Law
IFRS 15	Revenue from Contracts with Customers	1.1.2018	no
IFRS 16	Leases	1.1.2019	no

The mentioned regulations will not be mandatory until the 2016 financial year or later. The Company does not plan to early adopt any of them. Unless stated otherwise, the effects are currently being reviewed. Changes that have no material effect on the net asset, financial and earnings position of the Hapag-Lloyd Group have not been included in the Notes.

### ***EU endorsement has been given***

The amendments to IAS 1 primarily include the clarification that disclosures made in the Notes are only necessary if their content is not immaterial (even if an IFRS stipulates a list of minimum disclosures), explanations regarding the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income, clarification of how shares in the other comprehensive income of equity-accounted investments are to be presented in the statement of comprehensive income, and the removal of a model for the Notes in favor of considering the relevance to individual companies. The disclosures made by the Hapag-Lloyd Group in the Notes will be adjusted as and from the 2016 financial year with regard to the new requirements of IAS 1 insofar as this is necessary.

A further four standards were amended as part of the *Annual Improvements* to IFRS (2012-2014) process to clarify the existing rules. The standards in question are IFRS 5, IFRS 7, IAS 19 and IAS 34. These amendments currently have no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

### ***EU endorsement still pending***

In July 2014, the IASB published IFRS 9 *Financial Instruments*. IFRS 9 creates a standardised method for the classification and measurement of financial assets and contains revised guidelines for

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the classification and measurement of financial instruments. It also provides for a new impairment model which is based on expected credit defaults. IFRS 9 additionally contains new regulations on the application of hedge accounting, in particular with regard to the management of non-financial risks. It also adopts the IAS 39 regulations on the recognition and derecognition of financial instruments.

With the amendments to IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements*, the total gain or loss on a sale or contribution of assets between an investor and its associate or joint venture shall only be recognised if the assets sold or contributed represent a business within the meaning of IFRS 3, irrespective of whether the transaction is designed as a share deal or asset deal. However, if the assets do not constitute a business, the gain/loss should only be recognised pro rata. The first-time adoption date for the amended standard has been postponed indefinitely.

In May 2014, the IASB published IFRS 15. With the introduction of IFRS 15, the rules on recognising revenue contained in various standards and interpretations were combined. At the same time, uniform basic principles were defined that are applicable to all sectors and to all types of revenue transaction. A five-step model will henceforth apply to assessing the amount of revenue to be recognised and at which time or over which period it is to be recognised. The standard also contains a range of additional rules regarding detailed issues such as presenting contract fees and contract amendments.

Changes may arise for the Hapag-Lloyd Group in particular due to the following new provisions of IFRS 15:

- Recognition of revenue as control is passed: the key factor determining the point in time or period of time of revenue recognition is the passing of the control of goods or services to the customer (control approach).
- New criteria for the recognition of revenue over the period of performance: insofar as it would no longer be possible to recognise revenue based on the percentage of completion and/or transport progress, this would result in changes with regard to the time at which the revenue is recognised
- Clear rules on multi-component transactions
- Expansion of the disclosures required in the Notes

In July 2015, the IASB decided to postpone the first-time application date of the standard to financial years which begin on or after 1 January 2018; the standard may be applied before then. Hapag-Lloyd is currently examining what effects the application of IFRS 15 would have on the Company's consolidated financial statements and will specify the date of first-time application as well as the method of transition.

In January 2016, the IASB published extensive new regulations governing the recognition of leases in IFRS 16 *Leases*. The new standard aims to ensure that all leases and associated contractual rights and obligations are recognised in the lessee's statement of financial position. The previously required distinction between finance and operating lease contracts will no longer apply to the lessee in future. Simplified reporting methods are in place for short-term leases and leased assets with a low value.

With regard to the recognition of leases by the lessor, IFRS 16 specifies regulations which are similar to the currently applicable IAS 17. This stipulates that lease contracts will continue to be classified as either finance leases or operating leases. For classification in accordance with IFRS 16, the criteria of IAS 17 have been adopted. IFRS 16 also includes a range of other regulations governing the presentation and the disclosures made in the Notes to the financial statements, as well as concerning sale-and-leaseback transactions.

### Consolidation principles and methods

All significant subsidiaries, joint ventures and associated companies are included in the consolidated financial statements of Hapag-Lloyd AG.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Subsidiaries*

Subsidiaries are all companies that are subject to direct or indirect control by Hapag-Lloyd AG. Control exists if Hapag-Lloyd AG has the power to make decisions due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions. Subsidiaries are fully consolidated from the time at which control over the subsidiary is acquired. If control over the subsidiary is lost, the company is deconsolidated.

Capital consolidation is carried out using the acquisition method. When the acquisition method is applied, the acquisition costs of the acquired shares are compared with the proportionate fair value of the acquired assets, debts and contingent liabilities of the subsidiary as at the acquisition date. Any positive difference is recognised as goodwill and is recorded as an asset. Any negative difference is recognised in the income statement once the carrying amounts of the assets and liabilities have been reviewed again. The option to capitalise the proportionate goodwill on non-controlling interests is not applied. Transaction costs incurred in connection with a business combination are recognised as expenses.

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

The individual financial statements of Hapag-Lloyd AG and its subsidiaries, which were prepared using the standard Group accounting and measurement principles, with the statements of the key companies being reviewed by auditors, were included in the preparation of the consolidated financial statements.

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

The share of Group net result and of subsidiaries' equity which is attributable to non-controlling interests is reported separately in the consolidated income statement, in the consolidated statement of comprehensive income and within Group equity. When non-controlling interests are acquired, the difference between the acquisition cost of these shares and the non-controlling interests previously reported in the Group's equity for these shares is recognised directly in equity. When shares are sold to other shareholders without any loss of control, any difference between the realisable value and the proportion of net assets attributable to other shareholders is recognised directly in equity under the item "Retained earnings".

If a subsidiary is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in cumulative other equity, is recognised at the disposal date in the consolidated income statement.

### **Joint arrangements**

If the Hapag-Lloyd Group jointly controls a company together with other parties, an assessment is made as to whether this is a joint operation or a joint venture. A joint operation exists if the jointly controlling parties have direct rights to assets and direct obligations for liabilities. In a joint venture, the jointly controlling parties only have rights to the equity. This right is disclosed in the consolidated financial statements using the equity method.

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

### **Associated companies and joint ventures**

Companies in which the Hapag-Lloyd Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled with other parties



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(joint ventures) are included in the consolidated financial statements from their acquisition date using the equity method. The acquisition date constitutes the point in time from which it becomes possible to exert significant influence or exercise joint control.

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

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

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

If it is no longer possible to exert significant influence or joint control due to the sale of shares, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement.

### Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 107 companies are included in the group of consolidated companies:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	foreign	
31.12.2014 .....	9	111	1	3	124
Disposals .....	3	14	0	0	17
31.12.2015 .....	6	97	1	3	107

With the incorporation of CSAV's container shipping activities into the Hapag-Lloyd Group, 74 fully consolidated companies and one equity-accounted investee were included in the group of consolidated companies in the previous year.

In the 2015 financial year, some subsidiaries were combined with each other as part of the successful integration of the operating activities and the subsequent restructuring at the level of the respective countries. This was achieved through business transfers and subsequent liquidation as well as through mergers between the subsidiaries. As a result of this, four companies left the group of consolidated companies in the 2015 financial year through liquidation, and a further 13 companies did so through mergers with other subsidiaries.

#### Liquidations

Hapag-Lloyd (Eastwind) Pte. Ltd.	Singapore
CSAV Group Agencies Puerto Rico Inc.	Guaynabo
CSAV North & Central Europe B.V.	Rotterdam
CSAV North & Central Europe N.V.	Antwerp

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Merger merged company	receiving company
CSAV Germany Container GmbH	Hapag-Lloyd AG
Compañía Sudamericana de Vapores GmbH	Hapag-Lloyd AG
CSAV North & Central Europe GmbH	Hapag-Lloyd AG
CSAV Agency Italy, S.p.A.	Hapag-Lloyd (Italy) S.R.L.
CSAV Agency France, S.A.S.	Hapag-Lloyd (France) S.A.S.
CSAV Argentina S.A.	Hapag-Lloyd Argentina S.R.L.
CSAV Agency (Costa Rica) S.A.	Hapag-Lloyd Costa Rica S.A.
CSAV Group Agencies Korea Co. Ltd	Hapag-Lloyd (Korea) Ltd.
Hapag-Lloyd Brasil Agenciamento Marítimo Ltda.	Companhia Libra de Navegacao S.A.
Hapag-Lloyd Chile Agencia Maritima Ltda.	Hapag-Lloyd Chile SpA (ex. CSAV Portacontenedores SpA)
CSAV Agenciamiento Marítimo SpA	Hapag-Lloyd Chile SpA (ex. CSAV Portacontenedores SpA)
CSAV Group Agencies (Taiwan) Ltd.	Hapag-Lloyd (Taiwan) Ltd.
Compañía Sud Americana de Vapores Agencia Maritima S.L.	Hapag-Lloyd Spain S.L.

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok, 49.0% of the shares in Hapag-Lloyd Agency LLC, Dubai, and 49.0% of the shares in CSAV Shipping LLC, Dubai. As Hapag-Lloyd AG has majority voting rights in all of these companies, it exerts full control over them and they are therefore fully consolidated.

Hapag-Lloyd AG holds 49.94% of the voting shares in the fully consolidated CSAV Austral SpA, Valparaíso. Hapag-Lloyd AG also holds almost 100% of the shares entitled to dividend payments. As such, beneficial ownership is exclusively within the Hapag-Lloyd Group. The investment share therefore totals 49.99%. Hapag-Lloyd accounts for the majority of the members of the decision-making body.

For details of non-controlling interests, please refer to Note (13).

The financial year for a number of CCS companies had to be changed in the 2014 financial year due to the carve-out activities required in order to incorporate CSAV's container shipping business. 41 fully consolidated companies and one equity-accounted investee had a financial year that differed from that of the Group in the reporting year. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

Three domestic and nine foreign subsidiaries of overall minor significance for the Group's net asset, financial and earnings position are not included in the consolidated financial statements. The shares are recognised as other assets.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (40).

### **Business combinations**

As part of the successful integration and restructuring of the operating activities of the acquired container shipping companies in the Group, operating activities in some countries were combined into one legal unit in the respective country. These legal measures were taken so that targeted synergies could be harnessed in the individual national companies.

In this context, the agency business of the then equity-accounted investee Consorcio Naviero Peruano S.A., San Isidro ("CNP Peru") was acquired on 1 December 2015. The agency business was initially hived off from CNP Peru into a newly established company. The newly established company was incorporated into Hapag-Lloyd (Peru) S.A.C., Lima ("HL Peru") on 1 December 2015 in return for new shares. Prior to the transaction, Hapag-Lloyd held all of the shares and voting rights in HL Peru, which had already been fully incorporated into the consolidated financial statements. In return for providing the agency business, the previous joint venture partner was granted 40% of the shares and voting rights in HL Peru. This means that, since the transaction, Hapag-Lloyd has held 60% of the shares and the non-controlling interest has held 40% of the shares in HL Peru.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Transferred contribution

The contribution transferred for the acquisition corresponds to the fair value of the 40% of shares transferred at the time of acquisition, with corresponding voting rights in HL Peru. In addition, the fair value of the shares previously held by Hapag-Lloyd in the agency business of CNP Peru was taken into account.

Given that the value of the respective shares cannot be observed on the market, their fair value was calculated on the basis of a discounted cash flow method using level 3 inputs (non-observable parameters) in accordance with IFRS 13. This valuation method is based on a cash flow forecast derived from the available budgets of the companies valued, which a hypothetical market participant would assume if they held equity instruments in HL Peru and/or CNP Peru on the date of acquisition.

The non-controlling interests were measured based on their share of CNP Peru's reported assets and liabilities.

There is no conditional contribution.

The significant assumptions used to derive the fair value are based on internal and external sources and comprise, in particular, the sustainable development of the agency business on the basis of the business brokered for Hapag-Lloyd AG.

No significant costs were incurred as part of the transaction.

### Fair values at time of acquisition

The contribution transferred for the acquisition, comprising the fair value of the transferred 40% of the shares in HL Peru in the amount of EUR 23.3 million, the discontinuing fair value of CNP Peru's agency business in the amount of EUR 55.9 million and the non-controlling interests based on the percentage held in the recognised assets and liabilities of CNP Peru's agency business in the amount of EUR 0.1 million, is partly offset by the fair value of the identifiable net assets of EUR 0.3 million, as the company primarily has property, plant and equipment (EUR 0.2 million), receivables (EUR 1.9 million) and liabilities (EUR 1.8 million). The Group's goodwill increased by EUR 79.0 million as a result of the acquisition. With regard to the assets and liabilities acquired, it was not possible to identify any difference in fair value due to the monetary character. The purchase price allocation is complete.

The resulting goodwill comprises synergies that the merger of the agency business in Peru is expected to deliver, in particular in the form of increased purchasing advantages and reduced costs. The goodwill of EUR 79.0 million is not tax-deductible.

The carrying amount of the equity-accounted investment in CNP Peru's agency business immediately before the acquisition was EUR 56.7 million. The remeasurement of this investment as a result of the gradual acquisition led to a loss of EUR 0.8 million, which was recognised in the profits of equity-accounted investees in the 2015 financial year.

### Pro forma disclosures

Since the date of acquisition, revenue of EUR 1.4 million and earnings (EBIT) of EUR 1.1 million have been attributed to the transferred agency business of CNP Peru. Had the acquisition taken place on 1 January 2015 (*pro forma* consideration), Group revenue would have come to EUR 16.6 million and earnings (EBIT) would have totalled EUR 12.9 million.

### Currency translation

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

For purposes relating to their inclusion in the consolidated financial statements of Hapag-Lloyd AG, the assets and liabilities of the Hapag-Lloyd Group are translated into euros at the exchange rate

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

applicable as at the balance sheet date (closing rate). The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

Transactions in foreign currency are recorded at the applicable exchange rate as at the date of the transaction. As at the balance sheet date, monetary items are translated at the closing rate at year-end, while non-monetary items are translated at the historical rate. Any differences arising during translation are recognised through profit or loss. Exceptions are gains and losses that must be recorded as qualified cash flow hedges as part of other comprehensive income.

Gains and losses due to exchange rates are shown in the items of the consolidated income statement which result in the currency effects. For example, gains and losses due to exchange rates that are in connection with transport services are recorded in both revenue and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses and income taxes.

### *Exchange rates of significant currencies:*

	Closing rate		Average rate	
	31.12.2015	31.12.2014	2015	2014
	per EUR			
US dollar . . . . .	1.08930	1.21550	1.11000	1.32880
British pound sterling . . . . .	0.73510	0.77880	0.72647	0.80715
Indian rupee . . . . .	72.54400	77.01500	71.20931	81.100615
Brazilian real . . . . .	4.25325	3.22825	3.69701	3.12760
Chinese renminbi . . . . .	7.07348	7.43764	6.97574	8.18740
Australian dollar . . . . .	1.48970	1.48090	1.47811	1.47452
Japanese yen . . . . .	131.12940	145.04000	134.34097	140.68782
Hong Kong dollar . . . . .	8.44280	9.42640	8.60544	10.30447
Swiss franc . . . . .	1.08210	1.20230	1.06870	1.21619
Chilean peso . . . . .	773.57729	738.27039	726.28749	758.45444
Singapore dollar . . . . .	1.53980	1.60589	1.52603	1.68379
Canadian dollar . . . . .	1.51301	1.40750	1.41935	1.46783
Mexican peso . . . . .	18.74548	17.89079	17.61828	17.68353

### **Accounting and measurement**

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles. The amounts stated in the consolidated financial statements are determined by the commercial presentation of the earnings, financial and net assets position as set out in the rules of the IASB.

### **Realisation of income and expenses**

Revenue and other operating income are realised when the transport service has been rendered, *i.e.* the hazards have been transferred to the customer. Revenue is therefore recognised using the percentage-of-completion method as per IAS 18.20. The percentage of completion/transport progress is determined on the basis of the ratio of expenses incurred to expected total expenses.

The revenue amount is measured by the fair value of the consideration received or to which there will be an entitlement. Revenue is recognised net of value added tax and reductions in earnings. Other operating income and other revenue are generally recorded upon delivery of the assets or upon transfer of their ownership or risk.

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

Please refer to Note (28) for the recording of gains and losses from derivative financial instruments used in hedges.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

### Earnings per share

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

### Goodwill

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

### Other intangible assets

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

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

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

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

	<u>Useful life in years</u>
Customer base .....	22–30
“Hapag-Lloyd” brand .....	unlimited
“CSAV” brand .....	20
Charter and lease agreements .....	5–10
Transport and supply contracts .....	2–5
Computer software .....	5–8
Other .....	3

Until now, the global container liner service has been exclusively operated under the acquired brand “Hapag-Lloyd”, which, due to national and international declaration and registration, is subject to indefinite legal protection. The indefinite useful life is the result of the brand recognition already being maintained by international operations, so that additional measures or investments for the conservation of the value of the brand are not necessary. With the incorporation of CCS’s global business activities, the right to also use the “CSAV” brand was acquired, which will initially continue to be used in particular for some South America services.

For intangible assets with finite useful lives, their useful life is examined at least at the end of every financial year. For intangible assets with indefinite useful lives, an annual check is carried out as to whether the assessment of an indefinite useful life can be maintained. Any changes in the anticipated useful life are treated prospectively as changes in estimates.

### Property, plant and equipment

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

Borrowing costs as defined by IAS 23 which are directly associated with the acquisition, construction or production of qualifying assets are included in the cost of acquisition or production until the assets in question are ready for their intended use. The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 6.83% p.a. for the 2015 financial year (2014: 8.29% p.a.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Use-related depreciation using the straight-line method is based on the following useful economic lives, which are the same as in the previous year:

	<u>Useful life in years</u>
Buildings .....	40
Vessels .....	25
Containers, chassis .....	13
Other equipment .....	3–10

Dry dock work carried out to obtain an operating licence (vessel classification costs) is depreciated as a separate component over a period of five years. Furthermore, the level of depreciation is determined by the residual values expected at the end of the useful economic life of an asset. The residual value of container ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements.

Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

### **Leases**

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rental agreements for buildings and containers as well as charter agreements for vessels. On the basis of the commercial opportunities and risks inherent in a leased item, it is assessed whether beneficial ownership of the leased item is attributable to the lessee or the lessor.

#### ***Finance lease***

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

At the same time, a lease obligation is entered which is equivalent to the carrying amount of the leased asset upon recognition. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is recognised as an expense in the consolidated income statement; the repayment element reduces the lease obligation recognised.

#### ***Operating lease***

Rental expenses from operating lease contracts are recorded through the consolidated income statement using the straight-line method over the terms of the respective contracts.

If the Group acts as lessor in the context of operating leases, the respective leasing object is still recorded and depreciated as planned in the consolidated financial statements. Lease income from operating leases is recorded in revenue or other operating income using the straight-line method over the term of the respective contracts.

Profits or losses from sale-and-leaseback transactions that result in operating lease contracts are recognised immediately if the transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Impairment testing

Intangible assets with finite useful lives and property, plant and equipment are tested regularly for impairment if there are any indications of a possible loss in value. This test compares the recoverable amount of the asset in question with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

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

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

Intangible assets with indefinite useful lives are tested for impairment if circumstances require, but at least annually at the end of the financial year. This applies in particular to the Hapag-Lloyd brand, for which the recoverable amount at fair value was determined at the level of the container shipping CGU. A need for impairment was not ascertained. For further information on determining value in use, we refer to the following explanations concerning the impairment testing of goodwill.

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

An impairment loss is recognised if the recoverable amount is lower than the cash-generating unit's carrying amount. If a need for impairment has been ascertained, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

If, following an impairment recognised in previous years, the asset or cash-generating unit has a higher recoverable amount at some later date, a reversal of the impairment to no higher than the amortised cost is carried out. No reversals of impairment of goodwill are carried out as they are not permitted under IAS 36.

The recoverable amount is the higher of the fair value and the value in use of the cash-generating unit. If one of these amounts is greater than the carrying amount, it is not always necessary to calculate both values.

The fair value is the price that independent market participants would pay at the balance sheet date under normal market conditions if the asset or cash-generating unit were sold. The value in use is ascertained by discounting the cash flows anticipated from future operational use.

The recoverable amount for the impairment of goodwill is calculated on the basis of the value in use. This was calculated on the basis of a discounted cash flow method. The future expected cash flows from Hapag-Lloyd's management planning, which has been approved by the Supervisory Board, are taken as calculation basis. This planning includes various strategic synergy, cost-saving and efficiency-boosting measures and projects that aim to sustainably strengthen the Group's EBITDA margin.

The cash flow forecasts contain specific estimates for five years and a perpetual rate of growth thereafter. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group's own competitive position on its various trades. At the time of planning, IHS Global Insight expected an increase in global container traffic of 4.6% in 2016 and of between 5.0% and 5.6% for the subsequent years. On this basis, Hapag-Lloyd intends to increase the transport volume in line with market growth. Additionally, it is expected that freight rates will increase slightly only in the context of typical seasonal fluctuations, alongside an increase in transport expenses. The exchange rates were kept constant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The long-term growth rate was ascertained on the basis of the forecast for long-term annual average industry developments.

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after income taxes. This is calculated on the basis of capital market-oriented models as a weighted average of the costs of equity and borrowed capital. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

The weighted average cost of capital after income taxes as used for discounting purposes is 8.2% for the planning period (2014: 8.5%). In order to extrapolate the plans beyond the planning period, a growth reduction of 1.0% was taken into consideration (2014: 1.0%). As such, the weighted average cost of capital for the subsequent period is 7.2% (2014: 7.5%).

As part of the impairment test performed, the respective results were verified using a sensitivity analysis.

Various capitalisation rates were used for this. There was no need for impairment for capitalisation costs of up to approximately 9.5%. In addition, to take account of the volatility of the value-driving factors (transport volumes, freight rates, bunker prices and the US\$/EUR exchange rate) a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash flow determination. A decrease in the free cash flow of up to 20% in the period thereafter and an unchanged cost of capital did not result in a need for impairment. After consideration of new findings up until the completion of the consolidated financial statement on 2 March 2016 no significant changes in the previous estimates regarding future development were necessary.

At the balance sheet date, the value in use exceeded the carrying amount on the basis of the plans and the sensitivity analyses, with the result that no impairment needed to be recognised at the level of the cash-generating unit.

### Financial instruments

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

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities measured at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other liabilities. The valuation category of financial assets or liabilities measured at fair value through profit or loss is subdivided into the categories “held for trading” and “fair value option”.

Derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (hedge accounting) are classified as “held for trading”. The Group also holds financial assets in the “loans and receivables” and “available-for-sale financial assets” categories. By contrast, there are no held-to-maturity investments in these financial statements. Primary liabilities only exist in the category of financial liabilities measured at amortised cost.

Non-derivative host contracts are analysed to determine the existence of embedded derivatives. Embedded derivatives are to be recognised separately from the host contract as an independent financial instrument if the two components demonstrate different economic properties which are not closely linked to each other. Embedded derivatives are likewise classified as “held for trading”.

Financial assets and financial liabilities that fall within the scope of IAS 39 can be irrecoverably assigned to the subcategory “fair value option” under certain circumstances. Neither for financial assets nor for financial liabilities was the fair value option used.

In the 2015 financial year, as in the previous financial year, there were no reclassifications within the individual classification categories.

### Primary financial assets

Financial assets are recognised at their value as at the trading date, *i.e.* the date on which the Group commits to buying the asset. Primary financial assets are classified as loans and receivables or

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as available-for-sale financial assets when recognised for the first time. Loans and receivables as well as available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable contractual payments which are not listed on an active market. They are shown in the statement of financial position under trade accounts receivable and other assets, and are classified as current assets if they mature within twelve months of the balance sheet date.

As part of subsequent measurements, loans and receivables are measured at amortised cost using the effective interest method. Impairments are recognised for identifiable individual risks. Where default of a certain proportion of the receivables portfolio is probable, impairments are recognised to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for identifiable individual risks include, for example, a material deterioration in creditworthiness, considerable default as well as a high probability of insolvency and the corresponding inability of the customer to repay debt. If the reasons for impairment cease to exist, write-backs are recorded, albeit not in excess of the amortised costs. Impairments and impairment reversals are recorded in other operating expenses and income.

Impairments of trade accounts receivables are, in part, recorded using an impairment account. The decision to record impairment either by using an impairment account or by directly reducing the trade receivable depends on the degree of reliability of the risk evaluation. Concrete losses lead to a write-off of the respective asset.

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or are unable to be allocated to any other category of financial assets. In the Hapag-Lloyd Group, these consist of securities and shares in companies. They are allocated to non-current assets unless the management intends to sell them within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value after their initial measurement. Changes in fair values are recorded under other comprehensive income until the disposal of the assets. A long-term reduction in fair value gives rise to impairments recognised in the income statement. In the event of a subsequent write-back of the impairment recorded in the income statement, the impairment is not reversed, but is posted against other comprehensive income. If no listed market price on an active market is available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

Assets are no longer recognised as at the date when all the risks and opportunities associated with their ownership are transferred or cease.

### **Cash and cash equivalents**

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

### **Primary financial liabilities**

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

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability continues to exist with the new conditions.

### **Derivative financial instruments and hedge accounting**

Derivative financial instruments are initially measured at their fair values on the day when the agreement was concluded. Subsequent measurement is also carried out at the fair value applicable on

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the respective balance sheet date. The method used to record gains and losses depends on whether the derivative financial instrument is classified as a hedge and on the type of hedging relationship.

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

Upon conclusion of the transaction in accordance with IAS 39, the hedging relationships between the hedging instrument and the underlying transaction and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to whether the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The effective proportion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in other comprehensive income. The ineffective proportion of such changes in fair value is recognised immediately in the other financial result. Hedge accounting by means of options records the changes in fair value affecting net income because they are excluded from the hedging relationship. Amounts recorded in other comprehensive income are reclassified to the consolidated income statement and recognised as income or expenses in the period in which the hedged underlying transaction impacts the consolidated income statement. In the case of hedging relationships based on currency forward contracts, the entire effective market value change in the hedging transaction is initially recorded under other comprehensive income. In the next step, the spot component is reclassified from other comprehensive income to the consolidated income statement and is recognised through profit or loss in line with the change in the value of the underlying transaction. The forward component is recognised through profit or loss on a pro rata basis over the term of the hedging relationship.

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

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives, are recognised directly in the consolidated income statement with effect on net income.

Hedging measures that do not comply with the strict requirements of hedge accounting according to IAS 39 are used to hedge currency risks of monetary liabilities in the statement of financial position. This is done based on risk management principles and effectively contributes to the hedging of a financial risk. The use of hedge accounting according to IAS 39 is foregone since gains and losses from conversions of the underlying transactions to be measured through profit or loss are realised at the same time as gains and losses from the respective hedging instrument.

### **Inventories**

Inventories are measured at the lower of cost of acquisition or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel and lubricants.

### **Pensions and similar obligations**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

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

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

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

### Other provisions

Provisions are recognised for all legal or factual obligations resulting from a past event insofar as their utilisation is probable and their amount can be reliably determined. Provisions are recorded at the best estimate of their repayable amount and take account of cost increases. The present value is assessed for provisions with terms exceeding twelve months. Over the course of time, the provisions are adjusted on the basis of new knowledge gained. Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

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

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

### Share-based payment

The share-based payment plans used by the Group are payment plans which are settled in cash. The debt incurred by the Group as a result is recognised in expenses at fair value at the time when the service is rendered by the eligible party. Until the debt is settled, the fair value of the debt is remeasured at every balance sheet date. Any changes in the fair value are recognised in profit or loss.

### Taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Group, has opted for taxation in accordance with tonnage. Tax liability for tonnage taxation is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company's ship fleet. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or rebate from the tax authority is anticipated. They are ascertained on the basis of the Company's tax rates as at the balance sheet date. Income tax provisions are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Expected tax savings from temporary differences or from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations on the loss carry-forwards are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, *i.e.* recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2016 to 2020, which has been extended to ten years for tax purposes.

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

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

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

### **Fair value**

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

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

#### ***Level 1:***

Unchanged adoption of prices from active markets for identical assets or liabilities.

#### ***Level 2:***

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

#### ***Level 3:***

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

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

Additional explanations of fair values can be found in Note (28) “Financial instruments”.

### **Discretionary decisions, estimates and assessments**

#### ***Discretionary decisions when applying accounting and measurement principles***

The preparation of consolidated financial statements in accordance with IFRS requires discretionary decisions. All discretionary decisions are continuously re-evaluated and are based on historic experiences and expectations regarding future events which seem reasonable under the existing conditions. This specifically applies to the following cases:

#### ***Classification of leasing relationships***

During the classification of leasing relationships, discretionary decisions are made regarding the assignment of beneficial ownership to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leasing relationships; regarding the amounts, see Note (32).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Fair value hierarchy*

In a number of cases, the valuation parameters used to determine the fair value of an asset or liability can be assigned to various levels of the fair value hierarchy. In such cases, fair value measurement as a whole is assigned to the same hierarchy level as the valuation parameter of the lowest level that is of significance to the measurement in its entirety. The evaluation of the significance of a specific valuation parameter for measurement as a whole requires a discretionary decision in which the characteristic factors relating to the asset or liability are to be taken into consideration. See the section “Impairment testing” and Note (28) “Financial instruments” on the approach taken.

### *Management estimates and assessments*

In the consolidated financial statements, a certain number of estimates and assessments are made in order to determine the assets and liabilities shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

### *Intangible assets and property, plant and equipment*

Verification of the realisable values of intangible assets and property, plant and equipment also requires assumptions and estimates to be made regarding future cash flows, anticipated growth rates, exchange rates and discount rates. All material parameters are therefore at the discretion of the management regarding the future development, particularly in terms of the global economy. They involve the uncertainty of all forecasting activity. The assumptions made for this purpose can be subject to alterations which could lead to impairments in value in future periods. Regarding the approach, we refer to the presentation concerning impairment testing; regarding the amounts, see Notes (11) and (12).

### *Allowance for doubtful receivables*

The allowance for doubtful receivables largely comprises estimates and valuations of both individual receivables and groups of receivables that are based on the respective credit-worthiness of the customer, current economic trends and analysis of maturity structures and historical defaults. For further explanations, we refer to Note (15).

### *Deferred tax assets on loss carry-forwards*

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9).

### *Provisions*

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions, and mortality tables. These assumptions can diverge from the actual figures as a result of changes in the economic conditions or the market situation as well as mortality rates. For detailed explanations, see Note (23).

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must some-times use empirical values as the basis for making assumptions regarding the likelihood of occurrence of the obligation or future developments, e.g. the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

To integrate CCS's business activities, the Executive Board decided on and communicated a comprehensive restructuring programme in December 2014. This included merging the two head offices in Hamburg and reducing the number of regional headquarters to lower both personnel and overhead costs. In connection with this, operational efficiency was improved by merging the companies' IT platforms and by further reducing overheads, e.g. costs relating to rent, suppliers and insurance. A provision was therefore created in the previous year which was based on estimates and expectations with regard to the forecast amount required to fulfil the restructuring obligations. For example, the amount relating to employee termination costs took into account the target number of employees determined in the reorganisation plan and country-specific expectations regarding the severance payments necessary. A definitive, legally binding agreement was not reached at the time with the majority of the employees concerned.

For detailed explanations, see Note (24).

### *Discount rates*

The valuation of non-current receivables and liabilities, either non-interest bearing or with interest rates not in line with the market, and of non-current other provisions, depends primarily on the choice and development of discount rates.

### *Changes in assumptions and estimates*

The purchase price allocation in the previous year for the acquisition of CCS was provisional, as the date of acquisition was shortly before the balance sheet date. Recognition of the company acquisition was adjusted in the 2015 financial year, as new facts and circumstances that already existed on the acquisition date of 2 December 2015 became known after the acquisition date.

As a result of new information about the fair value of trade accounts receivable and payable taken over as part of the acquisition, the corresponding values have been retroactively adjusted. This reduced trade accounts receivable by EUR 12.2 million (US\$14.8 million) and trade accounts payable by EUR 6.9 million (US\$8.4 million).

Furthermore, other liabilities of EUR 6.1 million (US\$7.4 million) had to be derecognised as they were realised before the date of the initial consolidation.

In addition, an equity-accounted investment was subsequently increased as a result of new information about the circumstances of the investment. As well as the adjustment to goodwill, this led to a subsequent increase of EUR 2.1 million (US\$2.5 million) in the carrying amount of the investment. Overall, goodwill fell by EUR 2.9 million as a result of the aforementioned adjustments to the estimated value.

The previous year's figures were adjusted accordingly.

The purchase price allocation is therefore no longer provisional.

### **Risks and uncertainties**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**NOTES TO THE CONSOLIDATED INCOME STATEMENT**

The figures in the consolidated income statement for 2015 are only comparable with the corresponding prior year period to a limited degree, as CSAV's container shipping activities were included in the consolidated financial statements for the first time from 2 December 2014.

**(1) Revenue**

Revenue in the amount of EUR 8,841.8 million (2014: EUR 6,807.5 million) was primarily generated from the rendering of transport services amounting to EUR 8,750.2 million (2014: EUR 6,694.0 million).

**(2) Other operating income**

	<u>1.1.–31.12. 2015</u>	<u>1.1.–31.12. 2014</u>
	<u>Million EUR</u>	
Exchange rate gains .....	94.7	70.6
Income from the reversal of provisions .....	27.6	4.9
Income from the disposal of assets .....	13.5	0.3
Government assistance .....	14.7	11.0
Other income .....	43.2	30.0
<b>Total</b> .....	<u><b>193.7</b></u>	<u><b>116.8</b></u>

The exchange rate gains from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, the measurement of financial assets and financial liabilities, the measurement of currency forward contracts and the realisation of currency options and currency forward contracts.

The income from the release of provisions includes the release of restructuring provisions in the amount of EUR 26.6 million.

The income from the disposal of assets is due to the sale of ships that were recognised as non-current assets held for sale in the previous year.

**(3) Transport expenses**

	<u>1.1.–31.12. 2015</u>	<u>1.1.–31.12. 2014</u>
	<u>Million EUR</u>	
Expenses for raw materials, supplies and purchased goods .....	1,067.9	1,362.3
Cost of purchased services .....	6,190.6	4,697.8
thereof		
Port, canal and terminal costs .....	2,766.2	2,030.4
Container transport costs .....	2,148.4	1,841.4
Chartering, leases and container rentals .....	1,119.6	693.5
Maintenance/repair/other .....	156.4	132.5
<b>Total</b> .....	<u><b>7,258.5</b></u>	<u><b>6,060.1</b></u>

The cost of raw materials and supplies refers in particular to fuel expenses and effects from fuel hedging instruments.

**(4) Personnel expenses**

	<u>1.1.–31.12. 2015</u>	<u>1.1.–31.12. 2014</u>
	<u>Million EUR</u>	
Wages and salaries .....	401.0	343.7
Social security costs, pension costs and other benefits .....	83.4	59.6
<b>Total</b> .....	<u><b>484.4</b></u>	<u><b>403.3</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Pension costs include, among other things, expenses for defined benefit and defined contribution pension obligations. The interest portion of the measurement of pension provisions and the interest income from the associated fund assets are recorded within the interest result. A detailed presentation of pension commitments is provided in Note (23).

Personnel expenses include the release of restructuring provisions in the amount of EUR 22.8 million.

### *Employees*

The average number of employees was as follows:

	1.1.–31.12. 2015	1.1.–31.12. 2014
Marine personnel . . . . .	1,420	1,318
Shore-based personnel . . . . .	8,307	5,835
Apprentices . . . . .	218	188
<b>Total</b> . . . . .	<b>9,945</b>	<b>7,341</b>

### (5) Depreciation, amortisation and impairment

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Amortisation/depreciation . . . . .	464.6	354.3
Amortisation of intangible assets . . . . .	79.8	51.1
Depreciation of property, plant and equipment . . . . .	384.8	303.2
Impairment of intangible assets and property, plant and equipment . . . . .	—	127.4
<b>Total</b> . . . . .	<b>464.6</b>	<b>481.7</b>

The amortisation of intangible assets largely concerned amortisation of the customer base. The depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers.

Impairment in the previous year related to a portfolio of ships whose cash flows were largely determined by the budgeted sales proceeds in the planned sale process and which were then reclassified as assets held for sale.

### (6) Other operating expenses

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Exchange rate losses . . . . .	122.0	66.7
EDP costs . . . . .	95.3	67.1
Commissions . . . . .	76.2	56.2
Other taxes . . . . .	38.1	29.2
Rental and lease expenses . . . . .	34.0	22.0
Other social security expenses . . . . .	25.7	14.7
Expenses for charges, fees, consultancy and other professional services . . . . .	24.5	33.5
Administrative expenses . . . . .	18.6	11.2
Other operating expenses . . . . .	83.3	92.7
<b>Total</b> . . . . .	<b>517.7</b>	<b>393.3</b>

The exchange rate losses from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial assets, liabilities, currency options and currency forward contracts as at the balance sheet date.

Other operating expenses include travel costs, insurance payments, audit fees, and maintenance and repair costs. The previous year's figure also included restructuring costs of EUR 39.5 million relating to the integration of CSAV's container shipping business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(7) Other financial result

The other financial result essentially contains income due to changes in the fair value of derivative financial instruments amounting to EUR 27.5 million (2014: expenses of EUR 3.0 million).

(8) Interest result

The interest result was as follows:

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Interest income . . . . .	5.6	7.0
Interest income from fund assets for the financing of pensions and similar obligations . . . . .	3.9	4.5
Other interest and similar income . . . . .	1.7	2.5
Interest expenses . . . . .	232.9	216.7
Interest expenses from the valuation of pensions and similar obligations . . . . .	8.5	9.6
Interest expenses from the change in fair value of embedded derivatives . . . . .	5.3	17.0
Other interest and similar expenses . . . . .	219.1	190.1
<b>Total</b> . . . . .	<b>-227.3</b>	<b>-209.7</b>

As in the previous year, other interest and similar income mainly comprises income from interest-bearing bank accounts. Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from finance leases and other financial debt.

(9) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income tax. For domestic companies subject to corporate income tax, as in the previous year, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax apply. Additionally, these companies are subject to trade earnings tax, which for the years 2015 and 2014 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries; in the Group for the years 2015 and 2014 these range from 12.5% to 39.0%.

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

Income taxes were as follows:

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Actual income taxes . . . . .	20.6	11.1
thereof domestic . . . . .	2.4	4.1
thereof foreign . . . . .	18.2	7.0
Deferred tax income/expenses . . . . .	4.6	0.1
thereof from temporary differences . . . . .	-6.2	-0.5
thereof from loss carry-forwards . . . . .	10.8	0.6
<b>Total</b> . . . . .	<b>25.2</b>	<b>11.2</b>

Prior-period tax income in the amount of EUR 3.8 million is included in the actual income taxes (2014: expenses of EUR 1.9 million).

For domestic companies subject to corporate income tax, a combined income tax rate of 32.3% and 19.1% was used in 2015 and 2014 respectively to calculate the deferred taxes. The combined income tax rate in 2015 and 2014 takes into account corporate income tax of 15.0%, a solidarity surcharge of 5.5% of the corporate income tax and trade earnings tax of 16.5% or 3.3%, insofar as it relates to income from vessel operations in international transport.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates which were applied for foreign-based companies in 2015 and 2014 ranged from 16.5% to 39.0%.

The following table shows a reconciliation statement from the expected to the reported income tax expense. In order to ascertain the expected tax expense, the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year is multiplied by the pre-tax profit, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Earnings before income taxes . . . . .	139.1	–592.5
<b>Expected income tax expenses (+) / income (–) (tax rate 32.3%)</b> . . . . .	<b>44.9</b>	<b>–191.2</b>
Difference between the actual tax rates and the expected tax rates . . . . .	1.2	0.3
Effects of income not subject to income tax . . . . .	–42.5	182.2
Non-deductible expenses and trade tax additions and reductions . . . . .	28.7	8.3
Changes in unrecognised deferred taxes . . . . .	–1.9	20.1
Effective tax expenses and income relating to other periods . . . . .	–3.8	1.9
Tax effect from equity-accounted investees . . . . .	–7.9	–10.9
Exchange rate differences . . . . .	5.2	0.7
Other differences . . . . .	1.3	–0.2
<b>Reported income tax expenses (+) / income (–)</b> . . . . .	<b>25.2</b>	<b>11.2</b>

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

The effects from income not subject to income tax primarily comprise the effects from tonnage tax.

The adjustments to the recognition of deferred taxes include income amounting to EUR 0.4 million related to the non-recognition of deferred taxes on tax interest carried forward (2014: expenses of EUR 6.1 million) and income amounting to EUR 2.8 million related to adjustments to the recognition of corporate income tax loss carry-forwards both domestic and foreign (2014: expenses of EUR 16.0 million).

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

	31.12.2015		31.12.2014	
	Asset	Liability	Asset	Liability
	Million EUR			
Recognition and valuation differences for property, plant and equipment and other non-current assets . . . . .	2.8	2.7	2.2	6.0
Recognition differences for receivables and other assets . . . . .	3.4	0.2	0.9	0.3
Valuation of pension provisions . . . . .	4.7	0.1	6.0	0.1
Recognition and valuation differences for other provisions . . . . .	4.2	0.4	1.9	—
Other transactions . . . . .	3.6	1.1	5.0	0.3
Capitalised tax savings from recoverable loss carry-forwards . . . . .	7.9	—	17.1	—
Netting of deferred tax assets and liabilities . . . . .	–3.0	–3.0	–5.2	–5.2
<b>Balance sheet recognition</b> . . . . .	<b>23.6</b>	<b>1.5</b>	<b>27.9</b>	<b>1.5</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	As per 1.1.2014	Change in the group of consolidated companies	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2014
Million EUR						
Recognition and valuation differences for property, plant, and equipment and other non-current assets . . . . .	-3.6	0.1	-0.4	—	0.1	-3.8
Recognition differences for receivables and other assets . . . . .	0.2	0.3	0.2	—	-0.1	0.6
Valuation of pension provisions . . . . .	4.0	—	-0.1	1.9	0.1	5.9
thereof recognized directly in equity . . . . .	3.5	—	—	1.9	0.1	5.5
Recognition and valuation differences for other provisions . . . . .	1.5	1.1	-0.5	—	-0.2	1.9
Other transactions . . . . .	3.6	—	1.3	—	-0.2	4.7
Capitalised tax savings from recoverable loss carry-forwards . . . . .	5.9	12.1	-0.6	—	-0.3	17.1
<b>Balance sheet recognition . . . . .</b>	<b>11.6</b>	<b>13.6</b>	<b>-0.1</b>	<b>1.9</b>	<b>-0.6</b>	<b>26.4</b>
	As per 1.1.2015	Change in the group of consolidated companies	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2015
Million EUR						
Recognition and valuation differences for property, plant and equipment and other non-current assets . . . . .	-3.8		4.7		-0.8	0.1
Recognition differences for receivables and other assets . . . . .	0.6		1.9		0.7	3.2
Valuation of pension provisions . . . . .	5.9			-1.2	-0.1	4.6
thereof recognised directly in equity . . . . .	5.5			-1.2		4.3
Recognition and valuation differences for other provisions . . . . .	1.9		1.9			3.8
Other transactions . . . . .	4.7	—	-2.3	—	0.1	2.5
Capitalised tax savings from recoverable loss carry-forwards . . . . .	17.1		-10.8		1.6	7.9
<b>Balance sheet recognition . . . . .</b>	<b>26.4</b>	<b>0.0</b>	<b>-4.6</b>	<b>-1.2</b>	<b>1.5</b>	<b>22.1</b>

Deferred tax liabilities of EUR 0.3 million (2014: none) were recognised for temporary differences between the net assets and the carrying amount of subsidiaries for tax purposes, whereby the reversal of the temporary differences is likely in the foreseeable future.

No deferred tax liabilities were recognised for the remaining taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 25.2 million (2014: EUR 16.8 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	<b>31.12.2015</b>	<b>31.12.2014</b>
	Million EUR	
<b>Loss carry-forwards for which deferred tax assets were recognized</b> .....	<b>39.0</b>	<b>69.7</b>
<b>Loss carry-forwards for which no deferred tax assets were recognized</b> .....	<b>1,352.9</b>	<b>1,314.6</b>
thereof loss carry-forwards forfeitable in more than 5 years .....	1.1	2.0
Non-forfeitable loss carry-forwards .....	1,351.8	1,312.6
thereof interest carry-forwards .....	33.9	33.0
<b>Total of unutilised loss carry-forwards</b> .....	<b>1,391.9</b>	<b>1,384.3</b>

### (10) Earnings per share

	<b>1.1.–31.12.</b>	<b>1.1.–31.12.</b>
	<b>2015</b>	<b>2014</b>
Basic earnings per share in EUR .....	1.04	–8.81
Profit/loss attributable to shareholders in million EUR .....	111.6	–605.0
Weighted average number of shares .....	106.9	68.7

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year. The average number of shares is derived from the number of shares outstanding at the start of the year (104,882,240 shares) and the pro rata number of shares issued on 6 November 2015 as part of the IPO (13,228,677 shares). There were no dilutive effects in the 2015 financial year or in the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(11) Intangible assets

	Goodwill	Customer base	Advantageous contracts	Brand	Software	Other	Total
	Million EUR						
<b>Historical cost</b>							
As per 1.1.2014	664.6	300.0	250.1	182.9	81.5	3.8	1,482.9
Additions from business combination	604.0	707.4	—	32.7	8.6	0.1	1,352.8
Additions	—	—	—	—	3.6	—	3.6
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	-5.4	—	-1.8	-0.1	-7.3
Exchange rate differences	104.1	58.4	22.3	25.2	11.4	0.6	222.0
<b>As per 31.12.2014*</b>	<b>1,372.7</b>	<b>1,065.8</b>	<b>157.9</b>	<b>240.8</b>	<b>103.3</b>	<b>4.4</b>	<b>2,944.9</b>
<b>Accumulated amortization</b>							
As per 1.1.2014	—	63.3	176.0	—	49.0	0.3	288.6
Additions from business combination	—	—	—	—	3.8	0.1	3.9
Additions	—	15.8	23.7	0.1	11.5	—	51.1
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	-2.6	—	-1.8	-0.1	-4.5
Exchange rate difference	—	9.8	15.0	—	7.7	—	32.5
<b>As per 31.12.2014*</b>	<b>—</b>	<b>88.9</b>	<b>103.0</b>	<b>0.1</b>	<b>70.2</b>	<b>0.3</b>	<b>262.5</b>
<b>Carrying amounts 31.12.2014*</b>	<b>1,372.7</b>	<b>976.9</b>	<b>54.9</b>	<b>240.7</b>	<b>33.1</b>	<b>4.1</b>	<b>2,682.4</b>
<b>Historical cost</b>							
As per 1.1.2015	1,372.7	1,065.8	157.9	240.8	103.3	4.4	2,944.9
Additions	79.0	—	—	—	2.4	—	81.4
Disposals	—	—	—	—	0.2	—	0.2
Transfers	—	—	-18.2	—	0.0	—	-18.2
Exchange rate difference	159.1	123.4	18.0	27.9	11.9	0.4	340.7
<b>As per 31.12.2015</b>	<b>1,610.8</b>	<b>1,189.2</b>	<b>157.7</b>	<b>268.7</b>	<b>117.4</b>	<b>4.8</b>	<b>3,348.6</b>
<b>Accumulated amortization</b>							
As per 1.1.2015	—	88.9	103.0	0.1	70.2	0.3	262.5
Additions	—	43.0	19.2	1.8	15.8	—	79.8
Disposals	—	—	—	—	0.1	—	0.1
Transfers	—	—	-12.3	—	—	—	-12.3
Exchange rate difference	—	11.1	12.1	0.1	8.3	—	31.6
<b>As per 31.12.2015</b>	<b>—</b>	<b>143.0</b>	<b>122.0</b>	<b>2.0</b>	<b>94.2</b>	<b>0.3</b>	<b>361.5</b>
<b>Carrying amounts 31.12.2015</b>	<b>1,610.8</b>	<b>1,046.2</b>	<b>35.7</b>	<b>266.7</b>	<b>23.2</b>	<b>4.5</b>	<b>2,987.1</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

In order to assess the goodwill for impairment, an impairment test was carried out for the entire cash-generating unit container shipping at the end of the 2015 financial year, as was the case in the previous year. Please refer to the section “Impairment testing” within the accounting and measurement principles in the Notes to the consolidated financial statements. A need for impairment was not ascertained.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,610.8 million (2014: EUR 1,372.7 million) and the Hapag-Lloyd brand in the amount of EUR 231.3 million (2014: EUR 207.2 million).

As part of the business combinations, existing contracts were identified as being advantageous if their contractual terms had a positive market value compared with the market conditions at the time of acquisition of the companies. This particularly included charter and lease contracts and transport and delivery contracts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

As in the previous year, no development costs were capitalised. The costs for the maintenance of software, which cannot be capitalised, amounted to EUR 5.4 million (2014: EUR 7.1 million) and were recognised as expenses.

**(12) Property, plant and equipment**

	Vessels	Containers, chassis	Other equipment Million EUR	Payments on account and assets under construction	Total
<b>Historical cost</b>					
As per 1.1.2014	3,938.7	753.6	128.1	222.8	5,043.2
Additions from business combination	627.1	32.7	24.4	82.5	766.7
Additions	128.1	136.1	9.0	61.1	334.3
Disposals	14.8	4.1	0.5	—	19.4
Reclassifications to held for sale	411.6	—	—	—	411.6
Transfers	302.4	—	1.9	-298.8	5.5
Exchange rate differences	532.8	112.8	6.2	10.6	662.4
<b>As per 31.12.2014</b>	<b>5,102.7</b>	<b>1,031.1</b>	<b>169.1</b>	<b>78.2</b>	<b>6,381.1</b>
<b>Accumulated depreciation</b>					
As per 1.1.2014	812.5	151.0	12.1	—	975.6
Additions from business combination	12.7	0.7	20.5	—	33.9
Additions	224.3	71.2	7.7	—	303.2
Impairments	127.4	—	—	—	127.4
Disposals	11.5	2.6	0.5	—	14.6
Reclassifications to held for sale	357.5	—	—	—	357.5
Transfers	2.7	—	—	—	2.7
Exchange rate differences	106.4	26.1	1.9	—	134.4
<b>As per 31.12.2014</b>	<b>917.0</b>	<b>246.4</b>	<b>41.7</b>	<b>—</b>	<b>1,205.1</b>
<b>Carrying amounts 31.12.2014</b>	<b>4,185.7</b>	<b>784.7</b>	<b>127.4</b>	<b>78.2</b>	<b>5,176.0</b>
<b>Historical cost</b>					
As per 1.1.2015	5,102.7	1,031.1	169.1	78.2	6,381.1
Additions	338.5	250.9	14.5	149.6	753.5
Disposals	54.4	2.3	3.1	—	59.8
Transfers	102.6	—	—	-84.4	18.2
Exchange rate differences	597.7	123.9	8.6	10.3	740.5
<b>As per 31.12.2015</b>	<b>6,087.1</b>	<b>1,403.6</b>	<b>189.1</b>	<b>153.7</b>	<b>7,833.5</b>
<b>Accumulated depreciation</b>					
As per 1.1.2015	917.0	246.4	41.7	—	1,205.1
Additions	269.3	103.8	11.7	—	384.8
Disposals	54.4	—	2.2	—	56.6
Transfers	12.3	—	—	—	12.3
Exchange rate differences	110.4	30.2	3.7	—	144.3
<b>As per 31.12.2015</b>	<b>1,254.6</b>	<b>380.4</b>	<b>54.9</b>	<b>—</b>	<b>1,689.9</b>
<b>Carrying amounts 31.12.2015</b>	<b>4,832.5</b>	<b>1,023.2</b>	<b>134.2</b>	<b>153.7</b>	<b>6,143.6</b>

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 4,931.8 million as at the balance sheet date (2014: EUR 4,481.1 million). These restrictions of ownership mainly pertain to ship mortgages from existing financing contracts for ships. Additional collateral exists with containers transferred by way of security.

Land charges of EUR 43.4 million and EUR 18.6 million were registered in the land register as collateral for the loan from Deutsche Genossenschafts-Hypothekenbank for the purchase of the Ballindamm property.

In the 2015 financial year, there was no capitalisation of directly attributable borrowing costs (2014: EUR 2.0 million). The capitalisation of borrowing costs relating to general external financing came to EUR 4.9 million (2014: EUR 2.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**(13) Subsidiaries with non-controlling interests**

The following companies within the Hapag-Lloyd Group had non-controlling interests as at the balance sheet date:

Name of the company	Registered office	Proportion of ownership interest (in %)		Proportion of voting rights held (in %)	
		2015	2014	2015	2014
CSAV Austral SpA	Valparaiso	50.01	50.01	50.06	50.06
CSAV Group Agencies South Africa (Pty) Ltd.	Durban	0.00	40.00	0.00	40.00
CSAV Shipping LLC	Dubai	51.00	51.00	0.00	0.00
Florida Vessel Management LLC	Wilmington	25.00	25.00	25.00	25.00
Hapag-Lloyd Agency LLC	Dubai	51.00	51.00	49.00	49.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	5.10	5.10	5.10	5.10
Hapag-Lloyd (Peru) S.A.C.	Lima	40.00	0.00	40.00	0.00
Hapag-Lloyd Spain S.L.	Barcelona	10.00	10.00	10.00	10.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	50.10	50.10	0.00	0.00
Southern Shipmanagement Co. S.A.	Panama City	50.00	50.00	50.00	50.00
Southern Shipmanagement (Chile) Ltda.	Valparaiso	49.50	49.50	49.50	49.50

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative and qualitative perspective.

**(14) Equity-accounted investees**

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2015.

Name of the company	Registered office	Proportion of ownership in the group (in %)	
		2015	2014
Joint venture			
Hapag-Lloyd Denizasiri Nakliyat A.S.*	Izmir	50.00	50.00
Consorcio Naviero Peruano S.A.*	San Isidro	47.93	47.97
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd*	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH**	Hamburg	25.10	25.10

\* Ship agents and local shipping companies

\*\* Container terminal

As in the previous year, there were no unrecognised proportionate losses for equity-accounted investees in the reporting period. No impairment losses are included in the proportionate equity result.

HHLA Container Terminal Altenwerder GmbH provides terminal services for the Hapag-Lloyd Group.

Summarised financial information for the main equity-accounted investee reported in the statement of financial position (on a 100% basis and therefore not adjusted to the percentage holding) is contained in the following table:

	HHLA Container Terminal Altenwerder GmbH	
	2015	2014
	Million EUR	
<b>Balance sheet</b>		
Current assets	120.9	168.8
Non-current assets	84.1	93.2
Current liabilities	83.1	134.0
Non-current liabilities	41.5	47.6
<b>Statement of comprehensive income</b>		
Revenues	227.9	261.5
Annual result	60.5	84.4
Dividend payments to Hapag-Lloyd Group	-30.3	-30.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Non-material joint ventures	
	2015	2014	2015	2014	2015	2014*
	Million EUR					
<b>Participation as at 1.1.</b> . . . . .	<b>327.3</b>	<b>327.6</b>	<b>0.3</b>	<b>0.3</b>	<b>59.4</b>	<b>4.9</b>
Addition from business combination . . . . .						52.2
Disposals . . . . .	—	—	—	—	–56.7	—
Pro-rata share at earnings after taxes . . . . .	21.6	30.3	0.4	0.2	7.3	3.7
Dividend payments . . . . .	–30.3	–30.6	–0.3	–0.2	–9.0	–3.2
Earnings neutral changes . . . . .	—	—	—	—	–0.1	—
Exchange rate differences . . . . .	—	—	—	—	6.7	1.8
<b>Participation as at 31.12.</b> . . . . .	<b>318.6</b>	<b>327.3</b>	<b>0.4</b>	<b>0.3</b>	<b>7.6</b>	<b>59.4</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

On 1 December 2015, the Group acquired 100% of the agency business of the then equity-accounted investee Consorcio Naviero Peruano S.A., San Isidro (“CNP Peru”). The agency business was initially hived off from CNP into a newly established company. The newly established company was incorporated into Hapag-Lloyd (Peru) S.A.C., Lima, on 1 December 2015 in return for new shares. As a result, the hived-off shares were presented as a disposal of a part of the equity-accounted investee. Due to its low productive value, the remaining local liner business was recognised with an equity carrying amount of US\$1.

**(15) Trade accounts receivable and other assets**

	31.12.2015		31.12.2014*	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	Million EUR			
<b>Financial assets</b>				
Trade accounts receivable . . . . .	716.1	—	703.8	—
thereof from third parties . . . . .	714.5	—	700.8	—
thereof from affiliated non-consolidated companies . . . . .	1.6	—	3.0	—
Other assets . . . . .	77.8	3.1	59.1	4.1
Receivables relating to offset or advanced payments . . . . .	47.2	0.0	37.3	0.0
Other assets . . . . .	29.8	2.3	21.6	3.9
Available-for-sale financial assets . . . . .	0.8	0.8	0.2	0.2
<b>Total</b> . . . . .	<b>793.9</b>	<b>3.1</b>	<b>762.9</b>	<b>4.1</b>
<b>Non-financial assets</b>				
Other assets . . . . .	93.2	19.4	88.3	9.0
Claim arising from the refund of other taxes . . . . .	51.2	2.5	54.8	3.6
Other assets . . . . .	10.8	0.9	18.4	3.2
Capitalised transaction costs . . . . .	16.8	15.1	1.5	0.8
Prepaid expenses . . . . .	14.4	0.9	13.6	1.4
<b>Total</b> . . . . .	<b>93.2</b>	<b>19.4</b>	<b>88.3</b>	<b>9.0</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

As at 31 December 2015, in relation to ship financing there were assignments on earnings of a type customary on the market for trade accounts receivable resulting from revenue.

In addition to this, trade accounts receivable were pledged as part of the programme to securitise receivables.

If no prices listed on an active market are available and the fair value cannot be determined reliably, the available-for-sale financial assets are measured at cost. In the 2015 financial year, as in the previous year, no impairment was recognised in the “available-for-sale financial assets” category.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Credit risks*

The following table provides information about the credit risks involved in trade accounts receivable and other assets:

	Carrying amounts of financial instruments	Thereof neither overdue nor impaired	Thereof not impaired and overdue in the following periods				
			less than 60 days	between 31 and 90 days	between 61 and 180 days	between 91 and 180 days	more than 30 days
Million EUR							
<b>31.12.2014*</b>							
Trade accounts receivable . . . . .	703.8	556.0	131.0	14.4	2.4	—	—
Other assets . . . . .	59.1	59.1	—	—	—	—	—
<b>Total . . . . .</b>	<b>762.9</b>	<b>615.1</b>	<b>131.0</b>	<b>14.4</b>	<b>2.4</b>	<b>—</b>	<b>—</b>
<b>31.12.2015</b>							
Trade accounts receivable . . . . .	716.1	489.9	122.9	21.8	4.6	8.5	68.4
Other assets . . . . .	77.8	77.8	—	—	—	—	—
<b>Total . . . . .</b>	<b>793.9</b>	<b>567.7</b>	<b>122.9</b>	<b>21.8</b>	<b>4.6</b>	<b>8.5</b>	<b>68.4</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

With regard to the portfolio of trade accounts receivable and other assets which are neither impaired nor defaulted, there are no indications as at the balance sheet date that the respective debtors will not honour their obligations to pay.

*Impairment allowances*

The impairment allowances on trade accounts receivable developed as follows:

	2015	2014*
Million EUR		
<b>Impairment allowances as at 1.1. . . . .</b>	<b>33.1</b>	<b>12.5</b>
Addition from business combination . . . . .	—	21.3
Additions . . . . .	25.3	9.1
Utilisation . . . . .	1.0	3.7
Release . . . . .	7.3	7.9
Exchange rate differences . . . . .	-2.6	-1.7
<b>Impairment allowances as at 31.12. . . . .</b>	<b>52.7</b>	<b>33.1</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

In the financial year, there were minor cash inflows from trade accounts receivable that were already written off.

**(16) Derivative financial instruments**

	31.12.2015		31.12.2014	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Million EUR				
Receivables from derivative financial instruments . . . . .	11.4	10.7	19.6	15.8
thereof derivatives in hedge accounting . . . . .	0.7	—	0.2	—
thereof derivatives not included in hedge accounting . . . . .	10.7	10.7	19.4	15.8

Derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks in the area of financing. This item also contains embedded derivatives in the form of buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note [28]).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### (17) Inventories

The inventories were as follows:

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>Million EUR</b>	
Raw materials and supplies .....	92.2	149.0
Prepayments .....	1.9	3.1
<b>Total</b> .....	<b>94.1</b>	<b>152.1</b>

The raw materials and supplies were primarily fuel and lubricating oil (2015: EUR 86.8 million; 2014: EUR 146.7 million).

The carrying amount of inventories recognised at fair value comes to EUR 43.1 million (2014: EUR 52.3 million).

Of the expenses for raw materials, supplies and purchased goods totalling EUR 1,067.9 million, EUR 1,002.8 million was recognised as fuel expenses in the reporting period (2014: EUR 1,296.9 million).

Impairments of fuel inventories in the amount of EUR 15.5 million were recognised as expenses in the reporting period (2014: EUR 19.0 million). No write-backs were recognised.

### (18) Cash and cash equivalents

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>Million EUR</b>	
Securities .....	0.0	0.3
Cash at bank .....	568.4	707.7
Cash in hand and cheques .....	5.3	3.4
<b>Total</b> .....	<b>573.7</b>	<b>711.4</b>

The balances of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligations due have been settled. These account balances came to EUR 19.1 million as at 31 December 2015 (2014: EUR 7.8 million).

Due to local restrictions, the Hapag-Lloyd Group can only hold limited cash and cash equivalents of EUR 13.2 million (2014: EUR 11.3 million) at individual subsidiaries.

### (19) Non-current assets held for sale

In the 2015 financial year, a total of 16 vessels to be decommissioned (“Old Ladies”) were sold or given to a certified ship breaking yard. In view of the intention to sell them, they were reported as non-current assets held for sale in accordance with IFRS 5 as at 31 December 2014. The disposals resulted in gains totalling EUR 10.1 million.

### (20) Subscribed capital, capital reserves and retained earnings

#### *Subscribed capital and capital reserves*

As at 31 December 2015, Hapag-Lloyd AG’s subscribed capital is divided into 118.1 million (2014: 104.9 million) no-par registered shares with equal rights.

The Company’s subscribed capital increased by EUR 28.3 million and the capital reserves by EUR 1,202.3 million with effect from 2 December 2014 as a result of the incorporation of CSAV’s container shipping business in Hapag-Lloyd AG in exchange for new shares. In a second capital increase on 19 December 2014, the subscribed capital was increased by a further EUR 10.5 million and capital reserves by EUR 359.5 million.

The rise in subscribed capital in the 2015 financial year was due to 13.2 million new no-par registered shares being issued on the Frankfurt and Hamburg stock exchanges in return for a minimum price of EUR 1.00 per share, payable in cash. At the end of the subscription period, the issue price for the new shares was set at EUR 20.00 per share. The shares were issued to institutional and private

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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. The proceeds from the issue of the new shares totalled EUR 264.5 million gross. The new shareholders' contributions totalling EUR 251.3 million were allocated to the capital reserves. In connection with the IPO, transaction costs totalling EUR 4.3 million were deducted from the capital reserves.

### *Authorised share capital*

Under a resolution approved at the Annual General Meeting (AGM) on 25 June 2014, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's subscribed capital by up to EUR 33.0 million up to 31 March 2015 by issuing new no-par registered shares in exchange for cash and/or contributions in kind on one or more occasions. This authorised share capital was utilised to effect the capital increase of EUR 28.3 million on 2 December 2014.

In addition, under a resolution approved at the AGM on 2 December 2014, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's subscribed capital by up to EUR 12.5 million up to 31 December 2017 by issuing up to 12.5 million 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).

Under a resolution approved at the AGM on 23 September 2015, the Executive Board is, subject to the approval of the Supervisory Board, also authorised to increase the Company's subscribed capital by up to EUR 15.0 million 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, on one or more occasions (Authorised Share Capital III).

Under a resolution adopted by the Executive Board and approved by the Supervisory Board on 3 November 2015, the subscribed 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.

EUR 14.3 million of authorised share capital therefore now remains.

### *Retained earnings*

Retained earnings essentially comprise earnings from the financial year and previous years as well as reclassifications from the capital reserves. In the previous financial years, a total of EUR 1,480.9 million was withdrawn from the capital reserves in the individual financial statements under German commercial law and reclassified accordingly in the consolidated financial statements as retained earnings.

### *Use of retained earnings*

In accordance with the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions regarding use of the retained earnings reported in the annual financial statements prepared on the basis of German commercial law. Taking into account a withdrawal of EUR 635.7 million (2014: withdrawal of EUR 845.2 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 recognised retained earnings of EUR 108.4 million, which will be carried forward.

### **(21) Cumulative other equity**

Cumulative other equity comprises the reserve for remeasurements relating to defined benefit pension plans, the reserve for cash flow hedges and the translation reserve.

The item for remeasurements from defined benefit plans (2015: EUR-75.2 million; 2014: EUR-104.8 million) results from income and expenses from the remeasurement of pension obligations and plan assets recognised in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the valuation of pension obligations and the associated fund assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 1.2 million as at 31 December 2015 (2014: EUR 0.0 million).

The differences from currency translation of EUR 452.6 million recognised in the year under review (previous year: EUR 320.8 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve as at 31 December 2015 amounted to EUR 678.8 million (2014: EUR 226.2 million).

### **(22) Non-controlling interests**

Non-controlling interests changed in the year under review, primarily due to the sale of 40% of the interests in Hapag-Lloyd (Peru) S.A.C., Lima, to Inversiones Piuranas S.A., Lima.

### **(23) Provisions for pensions and similar obligations**

#### *Defined benefit pension plans*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Financing status of the pension plans*

	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR	
<b>Domestic defined benefit obligations</b>		
Net present value of defined benefit obligations . . . . .	170.1	182.1
Less fair value of plan assets . . . . .	<u>10.8</u>	<u>10.8</u>
<b>Deficit (net liabilities)</b> . . . . .	<u><b>159.3</b></u>	<u><b>171.3</b></u>
<b>Foreign defined benefit obligations</b>		
Net present value of defined benefit obligations . . . . .	141.6	150.6
Less fair value of plan assets . . . . .	<u>109.1</u>	<u>107.1</u>
<b>Deficit (net liabilities)</b> . . . . .	<u><b>32.5</b></u>	<u><b>43.5</b></u>

*Composition and management of plan assets*

The Group's plan assets are as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR	
Equity instruments		
with quoted market price in an active market . . . . .	25.3	20.6
without quoted market price in an active market . . . . .	2.4	2.3
Government bonds		
with quoted market price in an active market . . . . .	35.1	34.6
without quoted market price in an active market . . . . .	—	—
Corporate bonds		
with quoted market price in an active market . . . . .	26.2	22.9
without quoted market price in an active market . . . . .	—	—
Other debt instruments		
mortgage-backed securities		
with quoted market price in an active market . . . . .	5.7	6.2
without quoted market price in an active market . . . . .	—	—
(other) asset-backed securities		
with quoted market price in an active market . . . . .	3.5	3.5
without quoted market price in an active market . . . . .	—	—
Derivatives		
with quoted market price in an active market . . . . .	3.4	2.1
without quoted market price in an active market . . . . .	—	—
Pension plan reinsurance . . . . .	10.8	10.8
Real estate . . . . .	1.2	1.0
Cash and cash equivalents . . . . .	0.6	8.5
Other . . . . .	<u>5.7</u>	<u>5.4</u>
<b>Fair value of plan assets</b> . . . . .	<u><b>119.9</b></u>	<u><b>117.9</b></u>

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

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

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for taking the investment decision in close consultation with Hapag-Lloyd AG; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

pension payments, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from eight to twelve years, low-risk investment forms are chosen, e.g. fixed-interest or index-linked government and corporate bonds. For other obligations falling due beyond this, investments are made with a higher risk, but with a greater expected return.

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

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

### *Development of the present value of defined benefit obligations*

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

	2015	2014
	Million EUR	
<b>Net present value of defined benefit obligations as at 1.1.</b> . . . . .	<b>332.6</b>	<b>248.7</b>
Current service cost . . . . .	9.3	6.7
Interest expenses . . . . .	8.5	9.7
Remeasurements:		
Gains (-) / losses (+) from changes in demographic assumptions . . . . .	-0.4	—
Gains (-) / losses (+) from changes in financial assumptions . . . . .	-34.1	68.2
Gains (-) / losses (+) from changes due to experience . . . . .	-0.3	-0.5
Past service cost . . . . .	1.0	1.3
Plan settlements . . . . .	—	-0.1
Contributions by plan participants . . . . .	0.5	0.5
Benefits paid . . . . .	-8.1	-7.1
Exchange rate differences . . . . .	2.7	4.5
Additions from change in the group of consolidated companies . . . . .	—	0.7
<b>Net present value of defined benefit obligations as at 31.12.</b> . . . . .	<b>311.7</b>	<b>332.6</b>

The weighted average maturity of defined benefit obligations was 19.4 years as at 31 December 2015 (2014: 20.4 years).

### *Development of the fair value of the plan assets*

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

	2015	2014
	Million EUR	
<b>Fair value of plan assets as at 1.1.</b> . . . . .	<b>117.9</b>	<b>101.9</b>
Interest income . . . . .	3.9	4.5
Return and losses on plan assets (excluding interest income) . . . . .	-3.2	8.9
Employer contributions . . . . .	3.1	2.8
Contributions by plan participants . . . . .	0.4	0.4
Plan settlements . . . . .	—	-0.1
Benefits paid . . . . .	-4.5	-3.8
Exchange rate differences . . . . .	2.3	3.3
<b>Fair value of plan assets as at 31.12.</b> . . . . .	<b>119.9</b>	<b>117.9</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Net pension expenses*

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

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Current service cost .....	9.3	6.7
Interest expenses .....	8.5	9.6
Interest income .....	-3.9	-4.5
(Negative (-)) Past service cost .....	1.0	1.3
Plan settlements .....	—	-0.1
<b>Net pension expenses</b> .....	<b>14.9</b>	<b>13.0</b>

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

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Personnel expenses .....	10.3	7.9
Interest expenses (+) / interest income (-) .....	4.6	5.1
<b>Total</b> .....	<b>14.9</b>	<b>13.0</b>

### *Actuarial assumptions*

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

The 2005 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension provisions. The following significant financial and actuarial assumptions were also used:

<u>Percentage points</u>	2015	2014
Discount factors .....	2.60	2.00
Expected rate of pension increases .....	1.80	1.80

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

<u>Percentage points</u>	2015	2014
Discount factors for pension obligations		
—United Kingdom .....	3.90	3.60
—Netherlands .....	2.60	2.00
—Canada .....	4.00	3.75
—Mexico .....	7.09	7.20
Expected rate of pension increases		
—United Kingdom .....	2.95	2.90
—Netherlands .....	2.00	2.00
—Canada .....	n. a.	n. a.
—Mexico .....	3.30	3.30

The discount factors for the pension plans are determined annually as at 31 December on the basis of first-rate corporate bonds with maturities and values matching those of the pension payments. An index based on corporate bonds with relatively short terms is used for this purpose. The resultant interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk premium, and the discount rate is then determined in line with the duration of the obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Remeasurements*

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR 30.8 million before tax as at 31 December 2015 for the 2015 financial year (2014: EUR-60.1 million) and can be broken down as follows:

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>Million EUR</b>	
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions .....	0.4	0.0
Changes in financial assumptions .....	34.1	–68.2
Changes from experience .....	0.4	0.4
Return on plan assets (excluding interest income) .....	–3.2	8.9
Exchange rate differences .....	–0.9	–1.2
<b>Remeasurements</b> .....	<b>30.8</b>	<b>–60.1</b>

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR-75.2 million as at 31 December 2015 (2014: EUR-104.8 million).

### *Future contribution and pension payments*

For 2016, the Group is planning to make contributions to pension plan assets amounting to EUR 4.1 million (2015: EUR 4.4 million). Payments for unfunded pension plans are anticipated in the amount of EUR 3.5 million in 2016 (2015: EUR 3.2 million).

### *Sensitivity analyses*

An increase or decrease in the significant actuarial assumptions would have the following effects on the present value of pension provisions as at 31 December 2015:

	<b>Present value 31.12.2015</b>	<b>Present value 31.12.2014</b>
	<b>Million EUR</b>	
Discount factor 0.8% points higher .....	–41.5	–55.1
Discount factor 0.8% points lower .....	51.7	70.4
Expected rate of pension increase 0.2% higher .....	6.4	18.3
Expected rate of pension increase 0.2% lower .....	–6.1	–17.6
Life expectancy 1 year longer .....	9.7	22.2

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2015. In order to present the effects on the present value of pension provisions as at 31 December 2015 separately, the calculations for the key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension provisions and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

### *Defined contribution pension plans*

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2015, expenses incurred in connection with defined contribution pension plans totalled EUR 21.7 million (2014: EUR 18.2 million). This amount includes an expense of EUR 0.9 million in connection with a joint plan operated by several employers (2014: EUR 0.7 million).

In the 2008 financial year, pension and medical benefit provisions in the USA were transferred, together with the corresponding plan assets, from the Company's own benefit plan to the joint plan of several employers. This plan is a defined benefit pension plan. As the joint plan does not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, this plan has been recognised as a contribution plan since then.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Contributions are paid to finance the plan. These are determined on the basis of current service cost, the anticipated costs of the earned entitlement of active participants for the current year and the distribution of shortfalls. The total amount required is spread in an amount calculated per working hour which falls due per participant and paid working hour.

A total of 17 shipping companies participate in the plan. When joining the plan, the companies brought with them deficits of EUR 20.6 million (pensions) and EUR 57.7 million (medical care). Hapag-Lloyd's share amounted to a surplus of EUR 0.9 million (pensions) and a deficit of EUR 1.9 million (medical care). These initial surpluses and deficits are being equalised over a period of ten years by means of reduced contributions or additional contributions respectively. In this context, the Company reported a net liability of EUR 0.1 million as at 31 December 2015 (2014: EUR 1.0 million).

Deficits which have arisen since the calculation of the initial deficits are spread over 15 years, which results in higher contributions. Deficits are calculated by deducting the market value of the plan assets from the cumulative obligations.

According to the most recent report (1 January 2015; previous year: 1 January 2014), the plan participants were as follows:

<u>Plan participants (total)</u>	Medical care		Pensions	
	2015	2014	2015	2014
Active vested participants	558	525	559	523
Inactive vested participants	—	46	—	47
Beneficiaries	173	173	144	144
<b>Total</b>	<b>731</b>	<b>744</b>	<b>703</b>	<b>714</b>

<u>Plan participants (Hapag-Lloyd)</u>	Medical care		Pensions	
	2015	2014	2015	2014
Active vested participants	43	41	39	39
Inactive vested participants	—	—	2	2
Beneficiaries	3	2	2	1
<b>Total</b>	<b>46</b>	<b>43</b>	<b>43</b>	<b>4</b>

In the event that a company wishes to leave the plan, they must pay a so-called withdrawal liability. This withdrawal liability is calculated on the basis of the current proportionate deficit by taking into account only the non-forfeitable benefits less the market value of the plan assets. If a company leaves the plan without being able to pay the withdrawal liability, for instance in the event of insolvency, the deficit remains within the plan and must be covered by the other companies.

For 2016, payments to the plan are expected to amount to EUR 1.0 million (2015: EUR 0.8 million). Financial debt includes liabilities to banks, bonds, liabilities from finance lease contracts and other financial debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(24) Other provisions

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

	As per 1.1.2014	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate difference	As per 31.12.2014
	Million EUR							
Risks from pending transactions and lawsuits	33.6	265.6	—	24.0	10.8	17.4	9.9	291.7
Guarantee, warranty and liability risks	36.1	43.7	—	8.3	0.8	12.7	6.4	89.8
Restructuring	0.1	—	—	0.1	—	82.0	7.7	89.7
Personnel costs	38.1	5.2	0.1	27.8	2.2	25.4	2.7	41.5
Insurance premiums	5.7	—	—	4.9	0.3	8.0	1.0	9.5
Provisions for other taxes	1.9	3.9	—	2.0	—	2.2	0.3	6.3
Other provisions	17.5	17.5	—	8.2	3.0	35.5	4.6	63.9
<b>Other provisions</b>	<b>133.0</b>	<b>335.9</b>	<b>0.1</b>	<b>75.3</b>	<b>17.1</b>	<b>183.2</b>	<b>32.6</b>	<b>592.4</b>

	As per 1.1.2015	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2015
	Million EUR							
Risks from pending transactions and lawsuits	291.7	—	-6.1	146.5	1.6	1.0	31.0	169.5
Guarantee, warranty and liability risks	89.8	—	19.6	15.6	11.4	6.4	10.5	99.3
Personnel costs	41.5	—	0.3	25.7	2.4	58.1	2.3	74.1
Restructuring	89.7	—	-0.1	33.0	49.4	—	8.8	16.0
Insurance premiums	9.5	—	—	6.3	—	11.4	1.2	15.8
Provisions for other taxes	6.3	—	-4.4	2.5	—	2.6	0.4	2.4
Other provisions	63.9	—	-27.3	11.5	1.2	23.4	5.7	53.0
<b>Other provisions</b>	<b>592.4</b>	<b>—</b>	<b>-18.0</b>	<b>241.1</b>	<b>66.0</b>	<b>102.9</b>	<b>59.9</b>	<b>430.1</b>

In relation to the incorporation of CSAV's container shipping business into the Hapag-Lloyd Group with effect from 2 December 2014, the Hapag-Lloyd Group's Executive Board approved a comprehensive restructuring plan at the end of 2014 to implement the Group's new organisational structure directly caused by this integration. Following the announcement of the plan, the Group recognised provisions for the expected restructuring costs, including estimated costs incurred for closing and merging offices, IT modifications, discontinuing and restructuring services, agent terminations, consultancy costs and employee termination costs, amounting to EUR 16.0 million as at 31 December 2015 (31 December 2014: EUR 89.7 million). EUR 49.4 million of the restructuring provision had to be released in the 2015 financial year, as implementation of some of the measures cost less than originally planned.

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo.

Provisions for risks from pending transactions relate to contracts identified with regard to purchase price allocations pursuant to IFRS 3 that have a negative market value compared to the market conditions at the time of the purchase. In the previous year, disadvantageous charter and lease agreements amounting to EUR 256.6 million were reported in connection with the acquisition of CSAV's container shipping activities. Provisions for risks from pending transactions are utilised over the respective average contractual terms of the underlying contracts. For this purpose, no new increases in the discounted amount were recorded during the financial year due to the passage of time. The change in other discounted provisions caused by the change in the discount rate is immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Provisions for personnel costs comprise provisions for leave not yet taken, bonuses not yet paid, severance compensation, anniversary payments and share-based payment agreements which are part of the Executive Board's variable remuneration. Details of the long term incentive plans are outlined in section (34). Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

Other provisions in particular include provisions for country-specific risks (EUR 42.2 million; 2014:EUR 19.0 million) and archiving provisions (EUR 4.9 million; 2014:EUR 3.9 million).

The maturities of the other provisions are as follows:

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Risks for pending transactions and lawsuits	169.5	72.3	86.6	10.6	291.7	150.7	122.3	18.7
Restructuring	16.0	14.8	1.2	—	89.7	88.3	1.4	—
Guarantee, warranty and liability risks	99.3	74.9	20.0	4.4	89.8	44.3	43.2	2.3
Personnel costs	74.1	60.5	7.4	6.2	41.5	27.4	6.4	7.7
Insurance premiums	15.8	15.8	—	—	9.5	9.5	—	—
Provisions for other taxes	2.4	2.4	—	—	6.3	6.3	—	—
Other provisions	53.0	45.2	2.2	5.6	63.9	58.9	0.9	4.1
<b>Other provisions</b>	<b>430.1</b>	<b>285.9</b>	<b>117.4</b>	<b>26.8</b>	<b>592.4</b>	<b>385.4</b>	<b>174.2</b>	<b>32.8</b>

### (25) Financial debt

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Liabilities to banks	2,786.2	540.6	1,440.8	804.8	2,489.1	337.2	1,396.7	755.2
Bonds	779.9	19.0	760.9	—	869.3	18.7	850.6	—
Liabilities from finance lease contracts	149.5	24.7	92.1	32.7	206.3	34.3	122.1	49.9
Other financial liabilities	191.7	25.8	114.8	51.1	152.4	17.8	78.6	56.0
<b>Total</b>	<b>3,907.3</b>	<b>610.1</b>	<b>2,408.6</b>	<b>888.6</b>	<b>3,717.1</b>	<b>408.0</b>	<b>2,448.0</b>	<b>861.1</b>

Financial debt by currency exposure:

	31.12.2015	31.12.2014
	million EUR	
Financial liabilities denoted in US\$ (excl. transaction costs)	3,167.0	2,970.1
Financial liabilities denoted in EUR (excl. transaction costs)	789.9	786.5
Financial liabilities denoted in CLP (excl. transaction costs)	—	12.2
Interest payable	33.1	29.8
Accounting for transaction costs	-82.7	-81.5
<b>Total</b>	<b>3,907.3</b>	<b>3,717.1</b>

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

#### *Liabilities to banks*

Liabilities to banks comprise loans to finance the existing fleet of vessels and to finance containers.

In the 2015 financial year, loans were received in connection with the delivery of five ship newbuilds (totalling EUR 218.5 million or US\$238.0 million as at 31 December 2015). In the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

previous year, a total of US\$276.7 million (EUR 227.6 million) was received in connection with the delivery of three “Hamburg Express” class newbuilds alongside loans arising from the acquired CSAV companies. The existing bridging loans for these vessels in the amount of US\$143.2 million (EUR 117.8 million) were repaid in full in the previous year.

As part of the receivables securitisation programme, liabilities to banks increased again in the previous year by EUR 90.3 million.

For the finance lease contracts of two ships, the purchase options were exercised in the 2015 financial year and ownership of the vessels was transferred to the Company. In relation to this, two new ship financing agreements were paid out.

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of land charges in connection with the Ballindamm property and securitised trade accounts receivable amounting to EUR 234.8 million (2014:EUR 236.9 million).

### ***Bonds***

On 20 November 2014, Hapag-Lloyd issued another corporate bond on the capital market with a maturity of five years. The bond has a volume of EUR 250.0 million and a coupon of 7.5% p.a. The proceeds from the bond’s issuance and an additional EUR 30.0 million of existing cash balances were used for the early repayment of the EUR bond due in 2015.

The US\$ bond due in 2017 with an original nominal volume of US\$250.0 million was repaid on 30 December 2015 by exercising the buy-back option in the amount of US\$125.0 million. The partial repayment was financed exclusively with available cash funds and was linked to the refinancing of the fleet financing in place since 2011 by means of new ship financing (EUR 105.6 million or US\$115.0 million as at 31 December 2015).

### ***Liabilities from finance lease contracts***

In the 2015 financial year, Hapag-Lloyd committed to purchasing the containers leased on the basis of existing operating lease contracts for containers by March and June 2017. The agreements are therefore now classified as finance lease contracts. Legal title will be transferred to Hapag-Lloyd upon acquisition of the containers. The liabilities from finance lease contracts resulting from the transaction amounted to EUR 16.2 million as at 31 December 2015.

### ***Other financial debt***

In addition, various sale and leaseback transactions were effected and investments were made in new containers. The economic substance of these transactions is credit financing secured by the assignment of containers as collateral. These transactions expire between 2016 and 2023. Classification is in accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. Four such transactions were concluded in the 2015 financial year. Part of these transactions is included in liabilities to banks. Overall, transactions of this kind resulted in liabilities to banks totalling EUR 232.5 million as at the reporting date (2014:EUR 199.6 million) and other financial debt totalling EUR 190.8 million (2014:EUR 151.5 million). Interest totalling EUR 19.8 million was recognised in interest expenses in the 2015 financial year (2014:EUR 14.2 million).

### ***Credit facilities***

An unsecured credit line amounting to US\$125.0 million (EUR 114.8 million) was guaranteed by the Joint Global Coordinators in connection with the IPO.

To boost the liquidity reserve, the existing revolving credit facility (RCF) of US\$95.0 million was increased to US\$200.0 million.

Additionally, a loan agreement in the form of a credit line to finance investments in containers of US\$135.0 million (EUR 123.9 million) was concluded in August 2015, of which US\$41.0 million (EUR 37.6 million) had not been utilised as at 31 December 2015.

Overall, Hapag-Lloyd had available credit facilities in the amount of EUR 388.7 million (2014:EUR 210.5 million) at the balance sheet date. These free liquidity reserves have maturities ranging between one and three years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the 2015 financial year, Hapag-Lloyd signed a loan agreement with a bank consortium for EUR 341.9 million (US\$372.4 million) with a twelve-year term for the long-term financing of further ship investments.

### (26) Trade accounts payable and other liabilities

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
Million EUR								
<b>Financial liabilities</b>								
Trade accounts payable . . . . .	1,293.8	1,293.8	—	—	1,225.4	1,225.4	—	—
thereof to third parties . . . . .	1,292.5	1,292.5	—	—	1,221.5	1,221.5	—	—
thereof to investments . . . . .	1.3	1.3	—	—	3.9	3.9	—	—
Other liabilities . . . . .	42.9	41.6	1.1	0.2	38.2	32.7	5.3	0.2
Other liabilities . . . . .	38.6	37.5	1.1	—	36.3	31.0	5.3	—
Other liabilities to employees . . . . .	4.3	4.1	—	0.2	1.9	1.7	—	0.2
<b>Total . . . . .</b>	<b>1,336.7</b>	<b>1,335.4</b>	<b>1.1</b>	<b>0.2</b>	<b>1,263.6</b>	<b>1,258.1</b>	<b>5.3</b>	<b>0.2</b>
<b>Non financial liabilities</b>								
Other liabilities . . . . .	120.3	116.9	3.2	0.2	94.2	92.5	1.3	0.4
Prepayments received . . . . .	95.0	95.0	—	—	78.3	78.3	—	—
Other liabilities as part of social security . . . . .	17.4	15.4	1.9	0.1	9.2	8.1	1.0	0.1
Other liabilities from other taxes . . . . .	6.3	6.2	0.1	—	5.3	5.3	—	—
Other liabilities . . . . .	1.6	0.3	1.2	0.1	1.4	0.8	0.3	0.3
<b>Total . . . . .</b>	<b>120.3</b>	<b>116.9</b>	<b>3.2</b>	<b>0.2</b>	<b>94.2</b>	<b>92.5</b>	<b>1.3</b>	<b>0.4</b>

\* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

### (27) Derivative financial instruments

	31.12.2015		31.12.2014	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
million EUR				
Liabilities from derivative financial instruments . . . . .	-22.3	—	-23.8	—
thereof derivatives in hedge accounting . . . . .	-22.3	—	-0.2	—
thereof derivatives not included in hedge accounting . . . . .	—	—	-23.6	—

Liabilities from derivative financial instruments are solely the result of currency forward contracts. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note [28]).

### (28) Financial instruments

#### **FINANCIAL RISKS AND RISK MANAGEMENT**

##### *Risk management principles*

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

In addition to market risks, the Hapag-Lloyd Group is subject to liquidity risks and default risks, which involve the risk that the Group itself or one of its contractual partners cannot meet its contractually agreed payment obligations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

The derivative financial instruments used to limit market risks are acquired only through financial institutions with first-rate creditworthiness. The hedging strategy is approved by the Executive Board of Hapag-Lloyd AG. Implementation, reporting and ongoing financial risk management are the responsibility of the Treasury department.

### *Market risk*

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

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

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

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

### *Currency risk*

Currency risks are hedged if they influence the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing future disadvantageous fluctuations of the currency exchange rate.

The Hapag-Lloyd Group's functional currency is the US dollar. Currency risks mainly result from incoming or outgoing payments in currencies other than the US dollar and from financial debt taken on in euros. In addition to the euro, 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 significant currencies.

If necessary, currency hedging transactions are conducted, while taking account of internal guidelines. The Group hedges a portion of its operating cost exposure denominated in euros by using options on a twelve-month basis with the aim of limiting currency risks.

The repayment of euro-denominated financial debt is also hedged up to as much as 100%. The risks are hedged by making customised use of derivative financial instruments in the form of currency options and currency forward contracts, as well as instruments that have a natural hedging effect (e.g. euro money market investments).

The following sensitivity analysis contains the Hapag-Lloyd Group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that arises in the event that the US dollar as the functional currency appreciates or depreciates by 10% against the major Group currencies (EUR, CAD, GBP). The analysis is accordingly depicted in US dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	31.12.2015		31.12.2014	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
	million US\$			
<b>US\$/EUR</b>				
+10% .....	-0.2	0.6	-20.1	—
-10% .....	0.2	-0.6	44.6	—
<b>US\$/CAD</b>				
+10% .....	-3.3	—	-4.9	—
-10% .....	3.3	—	4.9	—
<b>US\$/GBP</b>				
+10% .....	4.3	—	0.9	—
-10% .....	-4.3	—	-0.9	—

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

*Fuel price risk*

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

The risk management's basic objective is securing up to 80% of the forecasted bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed, with an implied hypothetical market price change of +/-10%. Based on the current hedging instruments and the underlying market prices, a hypothetical market price change of +/-10% would have virtually no effect on the reserve for cash flow hedges or the Group net result. The decision was therefore made not to present this information in a table.

*Interest rate risk*

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly from financial debt based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate hedging instruments were not used in 2015. In addition, non-cash interest rate risks relating to the measurement of separately recognised embedded derivatives exist in the form of early buy-back options for issued bonds. Effects from the market valuation of these financial instruments are also reflected in the interest result.

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2015 was increased or decreased by +/-100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to nil. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 2,553.8 million that existed at the balance sheet date (2014:EUR 2,197.1 million) and the market value of embedded derivatives totalling EUR 10.7 million (2014:EUR 14.5 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

	31.12.2015		31.12.2014	
	+100 base points	-100 base points	+100 base points	-100 base points
	million EUR			
Change in variable interest rate .....				
Earnings before income taxes .....	-28.0	16.2	-17.8	2.3

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Credit risk*

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

Generally, a risk of this kind is minimised by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to its operating activities, the Group has an established credit and receivables management system at area, regional and head office level which is based on internal guidelines. Payment periods for customers are determined and continuously monitored within the framework of a credit check. This process takes account of both internal data based on empirical values and external information on the respective customer's creditworthiness and rating. To provide protection against default risks, a credit insurance policy or bank guarantees are also used to hedge around three quarters of the trade accounts receivable as at the balance sheet date.

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

If there are discernible risks in the area of trade accounts receivable and other assets, these are taken into account by means of appropriate impairment allowances. With regard to the age structure analysis for the trade accounts receivable and other assets, please refer to Note (15).

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

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

Taking into account the positive and negative market values of the derivative financial instruments in the amount of EUR 0.7 million and EUR-22.3 million respectively, this results in the potential to offset financial assets and financial liabilities to the tune of EUR 0.1 million subject to the German Master Agreement for Financial Derivatives Transactions. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 10.7 million were not taken into account.

In addition to these, there are no further long-term financial obligations or loans with external contracting partners from which a potential default risk may arise.

### *Liquidity risk*

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

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

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

Further explanatory notes regarding the management of liquidity risks are included in the Group management report.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

### *Cash flows of financial instruments (31.12.2014)<sup>1)</sup>*

	2015	Cash inflows and outflows			Total
		2016	2017–2019	from 2020	
Million EUR					
<b>Primary financial liabilities</b>					
Liabilities to banks <sup>2)</sup> . . . . .	-423.9	-721.1	-871.0	-874.4	-2,890.4
Bonds . . . . .	-67.3	-69.8	-1,000.4	—	-1,137.5
Liabilities from finance leases . . . . .	-49.9	-41.2	-111.3	-59.3	-261.7
Other financial liabilities (excl. operating leases) . . . . .	-25.3	-24.8	-76.7	-71.8	-198.6
Trade accounts payable . . . . .	-1,225.4	—	—	—	-1,225.4
Other liabilities . . . . .	-32.7	-5.5	—	—	-38.2
<b>Total primary financial liabilities</b> . . . . .	<b>-1,824.5</b>	<b>-862.3</b>	<b>-2,059.4</b>	<b>-1,005.5</b>	<b>-5,751.8</b>
<b>Total derivative financial liabilities</b> . . . . .	<b>-22.8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-22.8</b>

- 1) 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section judgements, estimations and assessments)
- 2) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$247.9 million to be paid upon delivery of the vessels. The loans have a term of ten years starting with the delivery of the financed vessels and are subject to an interest rate of US\$ LIBOR +2.81%.

### *Cash flows of financial instruments (31.12.2015)*

	2016	Cash inflows and outflows			Total
		2017	2018–2020	from 2021	
Million EUR					
<b>Primary financial liabilities</b>					
Liabilities to banks <sup>1)</sup> . . . . .	-629.1	-410.9	-1,272.6	-867.4	-3,180.0
Bonds . . . . .	-58.7	-175.7	-725.0	—	-959.4
Liabilities from finance leases . . . . .	-33.4	-39.8	-73.0	-36.9	-183.1
Other financial liabilities (excl. operating leases) . . . . .	-33.7	-34.9	-106.3	-53.0	-227.9
Trade accounts payable . . . . .	-1,293.8	—	—	—	-1,293.8
Other liabilities . . . . .	-41.6	-1.1	—	-0.2	-42.9
<b>Total primary financial liabilities</b> . . . . .	<b>-2,090.3</b>	<b>-662.4</b>	<b>-2,176.9</b>	<b>-957.5</b>	<b>-5,887.1</b>
<b>Total derivative financial liabilities</b> . . . . .	<b>-24.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-24.4</b>

- 1) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$372.4 million to be paid upon delivery of the vessels. The loans have a term of twelve years starting with the delivery of the financed vessels and are subject to an interest rate of US\$ LIBOR +1.71%.

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

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2015 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the balance sheet date were used for the following periods as well.

Cash outflows from derivative financial instruments include the undiscounted market values of the currency forward contracts used as at the balance sheet date.

### *Derivative financial instruments and hedges*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Currency risks are currently hedged by means of currency forward contracts and currency options. Commodity options are used as hedges for fuel price risks.

Hedging relationships in accordance with IAS 39 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review. The hedged cash flows from the underlying transactions are expected to be recognised in profit or loss within a period of one to four years, with early transactions possible for long-term underlying transactions. The corresponding hedging transactions have maturities of less than one year. To ensure that the underlying transactions are fully hedged, subsequent hedging transactions are intended, insofar as the Company does not make use of the option to enter into an early transaction.

In the 2015 financial year, changes in the fair values of derivative financial instruments in hedging relationships resulted in losses totalling EUR 21.8 million, which were recognised in other comprehensive income (2014: EUR 8.9 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, losses of EUR 23.1 million from other comprehensive income were reclassified and recognised through profit or loss (2014: EUR 15.3 million). EUR 21.0 million (2014: EUR 12.5 million) of this related to exchange rate hedging, which was recognised in other operating income along with the exchange rate gains from the hedged underlying transactions. The respective interest portion from currency forward contracts in the amount of EUR 2.1 million (2014: EUR 1.6 million) was recognised as interest expense.

In addition, the Hapag-Lloyd Group uses optional hedges to hedge currency risks from existing foreign currency liabilities which are in an economic relationship with the respective underlying transaction, but were not designated as a hedging relationship according to IAS 39. Derivative financial instruments were at no time used for speculative purposes.

The following table shows the nominal values of the derivative financial instruments:

	31.12.2015 Remaining terms			31.12.2014 Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
	Million EUR					
<b>Currency options</b>						
Asset .....	100.0	—	100.0	320.0	100.0	420.0
Liability .....	—	—	—	80.0	—	80.0
<b>Currency forward contracts</b>						
Liability .....	664.6	—	664.6	319.6	—	319.6
<b>Cross-currency swaps</b> .....	—	—	—	12.7	—	12.7
<b>Commodity options</b> .....	211.6	—	211.6	279.4	—	279.4

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

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

An analysis of the underlying contracts conducted on the bonds issued by Hapag-Lloyd resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair values as separate derivatives independently of the underlying contract and are classified as held for trading. 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	31.12.2015		31.12.2014	
	Positive market values	Negative market values	Positive market values	Negative market values
	Million EUR			
Hedging instruments acc. to IAS 39 (Hedge accounting)				
Currency options . . . . .	—	—	—	—
Commodity options . . . . .	0.7	—	0.2	—
Currency forwards contracts . . . . .	—	-22.3	—	—
Cross-currency swaps . . . . .	—	—	—	-0.2
<b>Hedges</b> . . . . .	<b>0.7</b>	<b>-22.3</b>	<b>0.2</b>	<b>-0.2</b>
Hedging instruments (Held for trading)				
Currency options . . . . .	0.0	—	4.9	-0.9
Currency forwards contracts . . . . .	—	—	—	-22.7
Embedded derivatives . . . . .	10.7	—	14.5	—
Cross-currency swaps . . . . .	—	—	—	—
<b>Other derivative financial instruments</b> . . . . .	<b>10.7</b>	<b>—</b>	<b>19.4</b>	<b>-23.6</b>
<b>Total</b> . . . . .	<b>11.4</b>	<b>-22.3</b>	<b>19.6</b>	<b>-23.8</b>

### *Financial instruments—additional disclosures, carrying amounts and fair values*

The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the relevant day in the course of a normal transaction between market participants.

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

The carrying amounts of cash and cash equivalents, trade accounts receivable and significant portions of other assets, and trade accounts payable and other liabilities are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases. The available-for-sale financial assets included in other assets are generally measured at fair value. If no reliable fair value is available, the assets are measured at cost.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2014<sup>1)</sup>

	Classification category according to IAS 39	Carrying amount	Amount recognised in the balance sheet under IAS 39					Fair value of financial instruments
		31.12.2014	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognised in the balance sheet under IAS 17	
Million EUR								
<b>Assets</b>								
Other assets	LaR	58.9	58.9	—	—	—	—	58.9
	n. a.	88.5	—	—	—	—	—	—
		0.2	—	0.2	—	—	—	0.2
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	19.4	—	—	—	19.4	—	19.4
Hedges (Hedge accounting)	n. a.	0.2	—	—	0.2	—	—	0.2
Trade accounts receivable	LaR	703.8	703.8	—	—	—	—	703.8
Cash and cash equivalents	LaR	711.4	711.4	—	—	—	—	711.4
<b>Liabilities</b>								
Financial debt	FLAC	3,510.8	3,510.8	—	—	—	—	3,796.4
Liabilities from finance leases <sup>2)</sup>	n. a.	206.3	—	—	—	—	206.3	216.2
Other liabilities	FLAC	38.0	38.0	—	—	—	—	38.0
	n. a.	94.4	—	—	—	—	—	—
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	23.6	—	—	—	23.6	—	23.6
Hedges (Hedge accounting)	n. a.	0.2	—	—	0.2	—	—	0.2
Trade accounts payable	FLAC	1,225.4	1,225.4	—	—	—	—	1,225.4
<b>Thereof aggregated according to IAS 39 classification category</b>								
Loans and receivables (LaR)		1,474.1	1,474.1	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—
Financial assets held for trading (FAHfT)		19.4	—	—	—	19.4	—	—
Financial liabilities measured at amortised cost (FLAC)		4,774.2	4,774.2	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		23.6	—	—	—	23.6	—	—

1) 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

2) Part of financial debt.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2015*

	Classification category according to IAS 39	Carrying amount 31.12.2015	Amount recognised in the balance sheet under IAS 39				Amount recognised in the balance sheet under IAS 17	Fair value of financial instruments
		Total	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss		
<b>Assets</b>								
Other assets	LaR	77.0	77.0	—	—	—	—	77.0
	n. a.	93.2	—	—	—	—	—	—
	AfS	0.8	—	0.8	—	—	—	0.8
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	10.7	—	—	—	10.7	—	10.7
Hedges (Hedge accounting)	n. a.	0.7	—	—	0.7	—	—	0.7
Trade accounts receivable	LaR	716.1	716.1	—	—	—	—	716.1
Cash and cash equivalents	LaR	573.7	573.7	—	—	—	—	573.7
<b>Liabilities</b>								
Financial debt	FLAC	3,757.8	3,757.8	—	—	—	—	3,820.5
Liabilities from finance								
leases <sup>1)</sup>	n. a.	149.5	—	—	—	—	149.5	158.0
Other liabilities	FLAC	42.9	42.9	—	—	—	—	42.9
	n. a.	120.3	—	—	—	—	—	—
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	—	—	—	—	—	—	—
Hedges (Hedge accounting)	n. a.	22.3	—	—	22.3	—	—	22.3
Trade accounts payable	FLAC	1,293.8	1,293.8	—	—	—	—	1,293.8
<b>Thereof aggregated according to IAS 39 classification category</b>								
Loans and receivables (LaR)		1,366.8	1,366.8	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.8	—	0.8	—	—	—	—
Financial assets held for trading (FAHfT)		10.7	—	—	—	10.7	—	—
Financial liabilities measured at amortised cost (FLAC)		5,094.5	5,094.5	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		—	—	—	—	—	—	—

1) Part of financial debt.

The financial instruments in the available-for-sale category which are included in other assets contain investments not listed on a stock exchange for which there are no market prices listed on an active market. The market values were not determined as these do not provide any additional information of value. The disposal of the investments is not planned at present.

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter “Accounting and measurement principles” in the Notes to the consolidation financial statements. There were no transfers between levels 1 to 3 in the previous financial year.

The following table shows the classification of the financial instruments measured at fair value in the three levels of the fair value hierarchy. In addition to the fair value of the financial instruments that are recognised at fair value under IAS 39, the table also includes financial instruments that are recognised at amortised cost and whose fair value differs from this.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Classification category according to IAS 39	31.12.2014			
		Level 1	Level 2	Level 3	Total
		Million EUR			
<b>Assets</b>					
Derivative financial instruments (Hedge accounting) . . . . .	n. a.	—	0.2	—	0.2
Derivative financial instruments (Trading) . . . . .	FLHfT	—	19.4	—	19.4
<b>Liabilities</b>					
Derivative financial instruments (Hedge accounting) . . . . .	n. a.	—	0.2	—	0.2
Derivative financial instruments (Trading) . . . . .	FLHfT	—	23.6	—	23.6
Financial debt . . . . .	FLAC	—	3,796.4	—	3,796.4
Liabilities from finance leases <sup>1)</sup> . . . . .	n. a.	—	216.2	—	216.2

1) Part of financial debt.

	Classification category according to IAS 39	31.12. 2015			
		Level 1	Level 2	Level 3	Total
		Million EUR			
<b>Assets</b>					
Derivative financial instruments (Hedge accounting) . . . . .	n. a.	—	0.7	—	0.7
Derivative financial instruments (Trading) . . . . .	FLHfT	—	10.7	—	10.7
<b>Liabilities</b>					
Derivative financial instruments (Hedge accounting) . . . . .	n. a.	—	22.3	—	22.3
Derivative financial instruments (Trading) . . . . .	FLHfT	—	—	—	—
Financial debt . . . . .	FLAC	—	3,820.5	—	3,820.5
Liabilities from finance leases <sup>1)</sup> . . . . .	n. a.	—	158.0	—	158.0

*Net earnings*

The net earnings of the financial instruments by classification category pursuant to IAS 39 are as follows:

	31.12.2015			31.12.2014		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
Million EUR						
Loans and receivables . . . . .	-1.4	-74.7	-76.1	-0.2	-63.3	-63.5
Available-for-sale financial assets . . . . .	0.0	—	0.0	0.0	—	0.0
Financial assets and liabilities held for trading . . . . .	-5.3	-25.4	-30.7	-18.1	-28.7	-46.8
Financial liabilities measured at amortised cost . . . . .	-195.1	103.5	-91.6	-154.5	60.8	-93.7
<b>Total . . . . .</b>	<b>-201.8</b>	<b>3.4</b>	<b>-198.4</b>	<b>-172.8</b>	<b>-31.2</b>	<b>-204.0</b>

In addition to interest income and expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of the EUR bonds issued by Hapag-Lloyd AG as well as the valuation result from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39.

*Capital management*

The Hapag-Lloyd Group aims to achieve an adequate financial profile in order to guarantee the continuation of the Company and its financial flexibility and independence.

The goal of its capital management is to safeguard the capital base over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

In the course of the successful IPO, 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. This performance indicator will be used at Group level as of the 2016 financial year with a view to earning the weighted average cost of capital starting

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

Covenant clauses that are customary in the market have been arranged for existing financing from bonds or loans (financial covenants regarding equity, liquidity and loan-to-value ratio), and are used as an additional control tool. In the reporting period, as in the previous year, the financial covenants were adhered to for all the reporting dates. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

### OTHER NOTES

#### (29) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 9.1 million in 2015 (2014: EUR 7.4 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income. Overall, the Group received government assistance of EUR 14.7 million in the reporting year (2014: EUR 11.0 million).

#### (30) Contingencies

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

As at 31 December 2015, there were merely guarantees and sureties for liabilities of affiliated consolidated companies.

#### (31) Legal disputes

Hapag-Lloyd AG and several of its foreign subsidiaries are involved in legal proceedings. These encompass a range of topics, such as disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with customers, former agents and suppliers. It is regarded as unlikely that these proceedings will result in any noteworthy payment obligations. Consequently, no provisions for litigation risks are formed and no contingent liabilities are reported in the Notes in this context.

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.

Hapag-Lloyd is subject to regular tax audits which 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 India and Brazil. In addition, the Mexican tax authorities published a letter of application designed to limit non-refundable value added tax in Mexico retroactively from 2014. To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions. Furthermore, as at the reporting date, contingent liabilities in the amount of EUR 124.0 million existed related to tax risks not classified as probable (previous year: EUR 91.5 million).

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2015. Such payment obligations will not have any significant influence on the Group's net asset, financial and earnings position.

#### (32) Leases

##### *Lessee—finance leases*

The items leased on the basis of finance lease contracts are primarily vessels and containers. In the previous year, existing short-term operating lease contracts for containers were turned into long-term

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

lease contracts, resulting in the classification of the amended container rental agreements as finance lease contracts. The contracts have terms of up to twelve years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2015, the vessels recognised in connection with the finance lease contracts had a net carrying amount of EUR 106.4 million (2014: EUR 179.5 million); the containers were recognised at EUR 82.0 million as at 31 December 2015 (2014: EUR 66.5 million).

The future minimum lease payments and their present values are as follows:

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Future minimum lease payments	182.9	33.4	112.6	36.9	253.7	46.4	150.7	56.6
Interest portion	-33.4	-8.7	-20.5	-4.2	-47.4	-12.1	-28.6	-6.7
<b>Present value</b>	<b>149.5</b>	<b>24.7</b>	<b>92.1</b>	<b>32.7</b>	<b>206.3</b>	<b>34.3</b>	<b>122.1</b>	<b>49.9</b>

At the balance sheet date, there were no expectations of future income from non-cancellable subletting arrangements, nor were there any contingent rental payments.

*Lessee—operating leases*

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises. The agreements have terms of between one year and 16 years, with the majority of them maturing after a term of up to five years. A number of the agreements include prolongation and purchase options. The containers are used in the short term at standard market leasing rates until they are ultimately transferred to the purchaser. There is no obligation to repurchase them. Some of the rental agreements for business premises include contingent rental payments based on the consumer price index for Germany.

Charter agreements for ships are always structured as time charter contracts, *i. e.* in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the 2015 financial year, lease payments of EUR 1,180.8 million were posted to expenses (2014: EUR 651.7 million), of which EUR 585.1 million were charter expenses (2014: EUR 334.5 million), of which EUR 0.3 million related to contingent rental payments (2014: EUR 0.0 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	31.12.2015				31.12.2014			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Vessels and containers	1,035.7	521.1	470.9	43.7	1,082.1	389.3	561.9	130.9
Business premises	110.1	25.4	49.0	35.7	104.9	20.5	43.5	40.9
Other	155.0	56.0	99.0	—	177.9	50.3	127.6	—
<b>Total</b>	<b>1,300.8</b>	<b>602.5</b>	<b>618.9</b>	<b>79.4</b>	<b>1,364.9</b>	<b>460.1</b>	<b>733.0</b>	<b>171.8</b>
<b>Fair value</b>	<b>1,278.2</b>	<b>600.1</b>	<b>603.8</b>	<b>74.3</b>	<b>1,340.1</b>	<b>458.5</b>	<b>718.7</b>	<b>162.9</b>

The fair value was ascertained by discounting the future minimum lease payments using an interest rate suitable for the average term of 0.83% p.a. (31 December 2014: 0.67% p.a.). Due to the change in the discount rate, other financial obligations increased by EUR 4.2 million.

As at 31 December 2015, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 3.4 million (2014: EUR 15.2 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Lessor—operating leases*

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. The assets let within the scope of the operating lease contracts are essentially fully owned vessels and slot charters.

The following future minimum lease payments relate to non-cancellable operating lease contracts:

	31.12.2015				31.12.2014			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Vessels . . . . .	58.7	45.9	12.8	—	26.0	26.0	—	—
Business premises . . . . .	1.1	0.3	0.8	0.0	0.6	0.4	0.2	0.0
<b>Total . . . . .</b>	<b>59.8</b>	<b>46.2</b>	<b>13.6</b>	<b>0.0</b>	<b>26.6</b>	<b>26.4</b>	<b>0.2</b>	<b>0.0</b>

At the reporting date, the gross carrying amounts of the chartered ships totalled EUR 230.2 million (2014: EUR 95.9 million). The accumulated depreciation amounted to EUR 35.9 million (2014: EUR 28.1 million) and depreciation for the period amounted to EUR 8.5 million (2014: EUR 4.3 million). No contingent rental payments were recorded through profit or loss in the 2015 financial year.

### **(33) Other financial obligations**

The Group's other financial obligations as at 31 December 2015 include a purchase obligation for investments in container ships amounting to EUR 350.1 million (2014: EUR 276.1 million), of which EUR 208.3 million is for a term of up to one year (2014: EUR 276.1 million). Neither in the 2015 financial year nor in the previous year was the remaining term of the purchase obligation greater than five years.

### **(34) Share-based payment**

As part of the Company's IPO, long-term variable remuneration was introduced for Executive Board members in the form of virtual shares. Under the long-term incentive plan (LTIP), a specified euro amount (allocation amount) contractually agreed on an individual basis is allocated to each Executive Board member at the start of every calendar year, reflecting performance in the current and following three financial years (performance period).

This allocation amount is converted into virtual shares in the Company based on the average price of the Hapag-Lloyd share over the 60 trading days preceding the day on which the shares are granted. For the first tranche after the IPO in November 2015 ("IPO tranche"), the share price is calculated differently and is based on the average of the 20 trading days that follow the 30th trading day after the IPO.

The virtual shares are divided equally into performance share units and retention share units.

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

The number of performance share units relevant for the payment is dependent on a performance factor. This factor is calculated by comparing the performance of the Hapag-Lloyd share (total shareholder return—TSR) with a specific, industry-based reference index—the DAXglobal Shipping index—over the four-year performance period. The number of performance share units can be a maximum of 1.5 times and a minimum of zero, as measured by a performance factor, when the performance period ends. If the performance factor is zero, all of the performance share units are forfeited.

When the performance period ends and the performance share units have been calculated, payments under the LTIP are automatically made. The number of non-forfeitable virtual shares is

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

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

The maturities of the other provisions are as follows:

	<u>Virtual shares</u>	<u>Fair value million EUR</u>
<b>As per 1.1.2014</b> .....	—	—
Virtual shares granted .....	—	—
Virtual shares exercised .....	—	—
Virtual shares forfeited .....	—	—
Measurement result .....	—	—
<b>As per 31.12.2014</b> .....	—	—
Virtual shares granted .....	112,586	2.2
Virtual shares exercised .....	—	—
Virtual shares forfeited .....	—	—
Measurement result .....	—	—
<b>As per 31.12.2015</b> .....	112,586	2.2

The measurement of the virtual shares at the time they are granted is based on the allocation amount and takes account of the performance factor for the performance share units.

In the reporting period, EUR 0.6 million was recognised for share-based payments through profit or loss. The provision for share-based payments amounted to EUR 0.6 million as at 31 December 2015 (2014: EUR 0.0 million).

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

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

- Hapag-Lloyd Grundstücksholding GmbH, Hamburg
- Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Hamburg-Amerika Linie GmbH, Hamburg
- First CSAV Ships Germany GmbH, Hamburg
- Second CSAV Ships Germany GmbH, Hamburg
- Third CSAV Ships Germany GmbH, Hamburg

### (36) Services provided by the auditors of the consolidated financial statements

In the 2015 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

	<u>1.1.–31.12. 2015 Total</u>	<u>1.1.–31.12. 2015 Domestic</u>	<u>1.1.–31.12. 2014 Total</u>	<u>1.1.–31.12. 2014 Domestic</u>
	Million EUR			
Audit fees for annual audit .....	1.9	0.7	1.7	0.5
Audit fees for other assurance services .....	1.4	1.2	0.7	0.6
Audit fees for tax consultancy .....	0.3	0.1	0.7	0.6
Audit fees for other services .....	1.1	0.7	0.5	0.4
<b>Total</b> .....	<u>4.7</u>	<u>2.7</u>	<u>3.6</u>	<u>2.1</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

With regard to the services provided by the auditors of the consolidated financial statements in Germany, EUR 0.1 million of the annual auditing services, EUR 0.3 million of the other assurance services and EUR 0.2 million of the other services related to the previous year.

### (37) Related party disclosures

In carrying out its ordinary business activities, Hapag-Lloyd AG maintains indirect or direct relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

With the incorporation of CSAV's container shipping business into the Hapag-Lloyd Group in the previous year in exchange for shares, Quinenco S.A. through CSAV and its CSAV Germany Container Holding GmbH subsidiary, became Hapag-Lloyd's largest indirect shareholder. CG HoldCo, HGV and Kühne have agreed to pool voting rights as part of a shareholders' agreement. In the following disclosures on transactions with shareholders, the relationships with Kühne, CSAV and their respective Group companies are outlined. With regard to HGV and its shareholder, the Free and Hanseatic City of Hamburg, as well as its Group companies, the Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. Essentially, there are loan relationships collateralised at standard market conditions with HSH Nordbank AG, a subsidiary of the Free and Hanseatic City of Hamburg, which are outlined in the following disclosures on transactions with shareholders.

<u>Voting rights</u>	<u>2015</u>	<u>2014</u>
CSAV Germany Container Holding GmbH .....	31.4%	34.0%
HGV Hamburger Gesellschaft für VermögensundBeteiligungsmanagement mbH .....	20.6%	23.2%
Kühne Holding AG / Kühne Maritime GmbH .....	20.2%	20.8%
TUI AG / TUI-Hapag Beteiligungs GmbH .....	12.3%	13.9%
Free Float .....	15.5%	8.1%
<b>Total</b> .....	<b>100.0%</b>	<b>100.0%</b>

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

	<u>Delivered goods and services and other income recognised</u>		<u>Goods and services received and other expenses recognised</u>	
	<u>1.1.–31.12.2015</u>	<u>1.1.–31.12.2014</u>	<u>1.1.–31.12.2015</u>	<u>1.1.–31.12.2014</u>
	Million EUR			
Shareholders .....	362.2	279.1	82.8	40.7
Associated companies .....	0.6	0.2	68.8	57.7
Other investments .....	8.8	5.5	2.3	2.2
<b>Total</b> .....	<b>371.6</b>	<b>284.8</b>	<b>153.9</b>	<b>100.6</b>
	<u>Receivables</u>		<u>Liabilities</u>	
	<u>31.12.2015</u>	<u>31.12.2014</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR			
Shareholders .....	122.9	179.8	286.1	241.9
Affiliated non-consolidated Companies .....	—	—	0.2	0.2
Associated companies .....	3.7	1.5	5.2	5.1
Other investments .....	1.7	1.1	0.4	0.3
<b>Total</b> .....	<b>128.3</b>	<b>182.4</b>	<b>291.9</b>	<b>247.5</b>

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 369.9 million; 2014: EUR 284.0 million), interest income (EUR 0.1 million; 2014: EUR 0.4 million) and other services (EUR 1.6 million; 2014: EUR 0.4 million).

Of the expenses shown above, EUR 127.5 million result from operating services (2014: EUR 80.6 million), EUR 13.3 million relate to interest expenses (2014: EUR 16.8 million), and EUR 13.1 million are from other services (2014: EUR 3.2 million).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Board of Hapag-Lloyd AG. The basic features of the remuneration system and the amount of remuneration for the Executive Board and Supervisory Board are presented and explained in more detail in the remuneration report. The remuneration report is part of the Group management report.

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

	<u>Executive Board</u>		<u>Supervisory Board</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	Million EUR			
Short-term benefits .....	4.3	3.2	1.2	1.2
Termination benefits .....	0.3	0.9	—	—
Post-employment benefits .....	0.4	0.8	—	—
Share-based benefits .....	0.6	—	—	—
<b>Total</b> .....	<b><u>5.6</u></b>	<b><u>4.9</u></b>	<b><u>1.2</u></b>	<b><u>1.2</u></b>

In the 2015 financial year, the employee representatives on the Supervisory Board received EUR 0.3 million (2014: EUR 0.3 million) in emoluments for employee representatives paid as part of their employment contracts, in addition to their Supervisory Board emoluments. These are included in the remuneration for members of the Supervisory Board pursuant to IAS 24.

Additional disclosures concerning total remuneration pursuant to Section 315a HGB

	<u>Executive Board</u>		<u>Supervisory Board</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	Million EUR			
Active board members .....	6.5	3.2	0.9	0.9
Former board members .....	1.0	1.4	—	—
<b>Total</b> .....	<b><u>7.5</u></b>	<b><u>4.6</u></b>	<b><u>0.9</u></b>	<b><u>0.9</u></b>

\* The emoluments paid to the employee representatives within the Supervisory Board as part of their employment contracts are not included. The previous year's figures were adjusted accordingly.

\*\* The emoluments of former members of the Executive Board 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.

The active Executive Board members were granted 112,586 virtual shares in total in the financial year, with a fair value of EUR 2.2 million at the time they were granted.

A total of EUR 22.2 million was allocated to pension provisions for former Executive Board members as at 31 December 2015 (2014: EUR 21.9 million). In the previous year, the pension provisions were disclosed netted with the plan assets from reinsurance policies.

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

### **(38) Declaration of conformity with the German Corporate Governance Code pursuant to Section 161 AktG**

The declaration required under Section 161 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, [www.hapag-lloyd.com](http://www.hapag-lloyd.com).

### **(39) Significant transactions 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 Nile Dutch. The wide-beam design of the hull allows the ships, which were built in 2015, to maintain a comparatively high cargo capacity despite having a lower draught.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Name of the company	Registered office	Shareholding in %
<b>Affiliated consolidated companies</b>		
<b>Head Office</b>		
Hamburg-Amerika Linie GmbH . . . . .	Hamburg	100.00
Hapag-Lloyd Grundstücksholding GmbH . . . . .	Hamburg	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH . . . . .	Hamburg	100.00
First CSAV Ships Germany GmbH . . . . .	Hamburg	100.00
Second CSAV Ships Germany GmbH . . . . .	Hamburg	100.00
Third CSAV Ships Germany GmbH . . . . .	Hamburg	100.00
<b>Europe</b>		
Hapag-Lloyd Africa PTY Ltd. . . . .	Durban	100.00
Hapag-Lloyd (Austria) GmbH . . . . .	Vienna	100.00
Oy Hapag-Lloyd Finland AB . . . . .	Helsinki	100.00
Hapag-Lloyd (France) S.A.S. . . . .	Asnières-sur-Seine	100.00
Hapag-Lloyd (Ireland) Ltd. . . . .	Dublin	100.00
Hapag-Lloyd (Italy) S.R.L. . . . .	Milan	100.00
Hapag-Lloyd Polska Sp.z.o.o. . . . .	Gdynia	100.00
Hapag-Lloyd Portugal LDA . . . . .	Lisbon	100.00
Hapag-Lloyd (Schweiz) AG . . . . .	Basel	100.00
Hapag-Lloyd Special Finance Limited . . . . .	Dublin	100.00
Hapag-Lloyd (Sweden) AB . . . . .	Gothenburg	100.00
Hapag-Lloyd Spain S.L. . . . .	Barcelona	90.00
Hapag-Lloyd (UK) Ltd. . . . .	Barking	100.00
CSAV Group Agencies South Africa (Pty) Ltd. . . . .	Durban	100.00
CSAV Denizcilik Acentasi A.S. . . . .	Istanbul	100.00
CSAV Holding Europe S.L. . . . .	Barcelona	100.00
Norasia Container Lines Ltd. . . . .	Valetta	100.00
CSAV UK & Ireland Limited . . . . .	Liverpool	100.00
<b>Asia</b>		
Hapag-Lloyd Agency LLC. . . . .	Dubai	49.00 <sup>1)</sup>
Hapag-Lloyd (Australia) Pty. Ltd. . . . .	Pyrmont	100.00
Hapag-Lloyd (China) Ltd. . . . .	Hong Kong	100.00
Hapag-Lloyd (China) Shipping Ltd. . . . .	Shanghai	100.00
Hapag-Lloyd Global Services Pvt. Ltd. . . . .	Thane	100.00
Hapag-Lloyd India Private Ltd. . . . .	Mumbai	100.00
Hapag-Lloyd (Japan) K.K. . . . .	Tokyo	100.00
Hapag-Lloyd (Korea) Ltd. . . . .	Seoul	100.00
Hapag-Lloyd (Malaysia) Sdn. Bhd. . . . .	Kuala Lumpur	100.00
Hapag-Lloyd (New Zealand) Ltd. . . . .	Auckland	100.00
Hapag-Lloyd Pte. Ltd. . . . .	Singapore	100.00
Hapag-Lloyd (South East Asia) Sdn. Bhd i.L. . . . .	Kuala Lumpur	100.00
Hapag-Lloyd (Taiwan) Ltd. . . . .	Taipei	100.00
Hapag-Lloyd (Thailand) Ltd . . . . .	Bangkok	49.90
Hapag-Lloyd (Vietnam) Ltd. . . . .	Ho Chi Minh City	100.00
CSAV Shipping LLC . . . . .	Dubai	49.00 <sup>2)</sup>
CSAV Agencies (Malaysia) Sdn Bhd. i.L. . . . .	Kuala Lumpur	100.00
CSAV Group (China) Shipping Co. Ltd. . . . .	Shanghai	100.00
CSAV Group (Hong Kong) Ltd. . . . .	Hong Kong	100.00
CSAV Group Agencies (Hong Kong) Ltd. . . . .	Hong Kong	100.00
CSAV Group (India) Private Ltd. . . . .	Gurgaon	100.00
CSAV Group Agencies (India) Private Ltd. . . . .	Mumbai	100.00
<b>North America</b>		
Hapag-Lloyd (America) LLC . . . . .	Wilmington	100.00
Hapag-Lloyd (Canada) Inc. . . . .	Montreal	100.00
Hapag-Lloyd Mexico S.A. de C.V. . . . .	Mexico City	100.00

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

<u>Name of the company</u>	<u>Registered office</u>	<u>Shareholding in %</u>
Hapag-Lloyd USA LLC .....	Wilmington	100.00
Florida Vessel Management LLC .....	Wilmington	75.00
<b>North America</b>		
Servicios Corporativos Portuarios S.A. de C.V. ....	Mexico City	100.00
CSAV Agency LLC .....	Wilmington	100.00
AgenciAS Grupo CSAV (Mexico) S.A. de C.V. ....	Mexico City	100.00
Prestadora de servicios integrados de personal de SA de C.V. ....	Mexico City	100.00
CSAV Agency Ltd. ....	Montreal	100.00
<b>South America</b>		
Hapag-Lloyd Argentina S.R.L .....	Buenos Aires	100.00
Hapag-Lloyd Colombia LTDA .....	Bogota	100.00
Hapag-Lloyd Costa Rica S.A. ....	San Jose	100.00
Hapag-Lloyd Guatemala S.A. ....	Guatemala	100.00
Hapag-Lloyd (Peru) S.A.C. ....	Lima	60.00
Hapag-Lloyd Venezuela C.A. ....	Caracas	100.00
CSAV Austral SpA .....	Valparaiso	49.99
Hapag-Lloyd Chile SpA (ex. CSAV Portacontenedores SpA) .....	Valparaiso	100.00
CSAV Group Agencies Uruguay S.A. ....	Montevideo	100.00
CSAV Group Agency Colombia Ltda. ....	Bogota	100.00
Servicios de Procesamiento Naviero S.R.L. ....	Montevideo	100.00
Libra Agency (Argentina) S.A. ....	Buenos Aires	100.00
Invermar Management S.A .....	Panama City	100.00
Companhia Libra de Navegacao S.A. ....	Sao Paulo	100.00
Andes Operador Multimodal Ltda. ....	Sao Paulo	100.00
Corvina Maritime Holding S.A. ....	Panama City	100.00
Sea Lion Shipping Co. S.A. ....	Panama City	100.00
Southern Shipmanagement Co. S.A. ....	Panama City	50.00
Southern Shipmanagement (Chile) Ltda. ....	Valparaiso	50.50
Wellington Holding Group S.A. ....	Road Town	100.00
Compañía Libra de Navegación (Uruguay) S.A. ....	Montevideo	100.00
Inversiones CNP S.A. ....	Lima	100.00
Torksey S.A. ....	Montevideo	100.00
Lanco Investments Internacional Co. S.A. ....	Panama City	100.00
Rahue Investment Co. S.A. ....	Panama City	100.00
CNP Holding S.A. ....	Panama City	100.00
<b>Other</b>		
CSAV Ships S.A. ....	Panama City	100.00
CSBC Hull 9QQ Ltd. ....	Douglas	100.00
CSBC Hull 898 Ltd. ....	Douglas	100.00
Hull 1794 Co. Ltd. ....	Majuro	100.00
Hull 1796 Co. Ltd. ....	Majuro	100.00
Hull 1798 Co. Ltd. ....	Majuro	100.00
Hull 1800 Co. Ltd. ....	Majuro	100.00
Hull 19Q6 Co. Ltd. ....	Majuro	100.00
Hull 1975 Co. Ltd. ....	Majuro	100.00
Hull 1976 Co. Ltd. ....	Majuro	100.00
Hull 2082 Co. Ltd. ....	Majuro	100.00
Hull 2083 Co. Ltd. ....	Majuro	100.00
Hull 2084 Co. Ltd. ....	Majuro	100.00
Hull 2085 Co. Ltd. ....	Majuro	100.00
Hull 2086 Co. Ltd. ....	Majuro	100.00
Hull 2087 Co. Ltd. ....	Majuro	100.00
Hull 2088 Co. Ltd. ....	Majuro	100.00
Bureo Shipping Co. S.A. ....	Majuro	100.00
Norasia Alya S.A. ....	Panama City	100.00
Malleco Shipping Co. S.A. ....	Panama City	100.00



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

<u>Name of the company</u>	<u>Registered office</u>	<u>Shareholding in %</u>
Maule Shipping Co. S.A. . . . . .	Panama City	100.00
Joint Venture		
Hapag-Lloyd Denizasiri Nakliyat A.S. . . . . .	Izmir	50.00
Associated companies		
Hapag-Lloyd Lanka (Pvt) Ltd . . . . .	Colombo	40.00
HHLA Container Terminal Altenwerder GmbH . . . . .	Hamburg	25.10
Affiliated non-consolidated companies		
Hapag-Lloyd Container Ltd . . . . .	Barking	100.00
Hapag-Lloyd Container (No. 2) Ltd. . . . .	Barking	100.00
Hapag-Lloyd Container (No. 3) Ltd. . . . .	Barking	100.00
Hapag-Lloyd Ships Ltd. . . . .	Barking	100.00
Hapag-Lloyd Ships (No. 2) Ltd. . . . .	Barking	100.00
Chacabuco Shipping Ltd. . . . .	Majuro	100.00
Limarí Shipping Ltd. . . . .	Majuro	100.00
Longavi Shipping Ltd. . . . .	Majuro	100.00
Palena Shipping Ltd. . . . .	Majuro	100.00
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbH . . . . .	Hamburg	100.00
Norddeutscher Lloyd GmbH . . . . .	Bremen	100.00
Zweite Hapag-Lloyd Schiffvermietungsgesellschaft mbH . . . . .	Hamburg	100.00

- 1) Additional 2.00% are hold by a trustee on behalf of the Hapag-Lloyd group.
- 2) Additional 51.00% are hold by a trustee on behalf of the Hapag-Lloyd group.

## SHAREHOLDINGS OF MORE THAN 10% OF THE VOTING RIGHTS OF THE SHARE CAPITAL

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, Hannover, 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 Orenge S.A., of which 3% or more are assigned in each case.

Inversiones Orenge 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 05/11/2015 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) 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) 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) 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) 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) 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.

Hamburg, 2 March 2016

Hapag-Lloyd AG  
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

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

We confirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements of Hapag-Lloyd AG give a true and fair view of the net asset, financial and earnings position of Hapag-Lloyd AG and that the Group management report of Hapag-Lloyd AG includes a fair review of the development and performance of the business and the position of Hapag-Lloyd AG, 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

### Auditor's report

We have audited the consolidated financial statements of Hapag-Lloyd Aktiengesellschaft, Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, notes to the consolidated financial statements and the group management report for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) of the German Commercial Code [HGB] are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit

We conducted our audit of the consolidated 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 promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 2 March 2016

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Heckert  
Wirtschaftsprüfer (German Public Auditor)

Lippmann  
Wirtschaftsprüfer (German Public Auditor)



**Audited Consolidated Financial Statements  
of Hapag-Lloyd AG  
prepared in Accordance with IFRS  
as of and for the year ended December 31, 2014**

## CONSOLIDATED INCOME STATEMENT

### Consolidated income statement of Hapag-Lloyd AG for the period 1 January to 31 December 2014

	Notes	1.1.– 31.12.2014	1.1.– 31.12.2013
Million EUR			
Revenue	(1)	6,807.5	6,567.4
Other operating income	(2)	116.8	156.3
Transport expenses	(3)	6,060.1	5,773.1
Personnel expenses	(4)	403.3	365.2
Depreciation, amortisation and impairment	(5)	481.7	325.4
Other operating expenses	(6)	393.3	251.7
<b>Operating result</b>		<b>(414.1)</b>	<b>8.3</b>
Share of profit of equity-accounted investees	(13)	34.2	36.8
Other financial result	(7)	(2.9)	18.6
<b>Earnings before interest and tax (EBIT)</b>		<b>(382.8)</b>	<b>63.7</b>
Interest income	(8)	7.0	5.6
Interest expenses	(8)	216.7	159.2
<b>Earnings before income taxes</b>		<b>(592.5)</b>	<b>(89.9)</b>
Income taxes	(9)	11.2	7.5
<b>Group profit/loss</b>		<b>(603.7)</b>	<b>(97.4)</b>
thereof attributable to shareholders of Hapag-Lloyd AG		(605.0)	(98.3)
thereof attributable to non-controlling interests	(21)	1.3	0.9

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Consolidated statement of comprehensive income of Hapag-Lloyd AG for the period 1 January to 31 December 2014

	Notes	1.1.– 31.12.2014	1.1.– 31.12.2013
Million EUR			
<b>Group profit/loss</b> .....		<b>(603.7)</b>	<b>(97.4)</b>
<b>Items which will not be reclassified to profit and loss:</b> .....		<b>(58.2)</b>	<b>16.1</b>
Remeasurements from defined benefit plans after tax .....	(20)	(58.2)	16.1
Remeasurements from defined benefit plans before tax .....		(60.1)	16.9
Tax effect .....		1.9	(0.8)
<b>Items which may be reclassified to profit and loss:</b> .....		<b>314.6</b>	<b>(118.6)</b>
Cash flow hedges (no tax effect) .....	(20)	(6.4)	(2.7)
Additions to cumulative other equity .....		8.7	38.7
Release from cumulative other equity .....	(20)	(15.1)	(41.4)
Currency translation (no tax effect) .....		321.0	(115.9)
<b>Other comprehensive income after tax</b> .....		<b>256.4</b>	<b>(102.5)</b>
<b>Total comprehensive income</b> .....		<b>(347.3)</b>	<b>(199.9)</b>
thereof attributable to shareholders of Hapag-Lloyd AG .....		(348.8)	(200.8)
thereof attributable to non-controlling interests .....	(21)	1.5	0.9

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Consolidated statement of financial position of Hapag-Lloyd AG as of 31 December 2014

	Notes	31.12.2014	31.12.2013
		Million EUR	
<b>Assets</b>			
Goodwill	(10)	1,375.6	664.6
Other intangible assets	(10)	1,309.7	529.7
Property, plant and equipment	(11)	5,176.0	4,067.6
Investments in equity-accounted investees	(13)	384.9	332.8
Other assets	(14)	13.1	7.9
Derivative financial instruments	(15)	15.8	74.5
Deferred tax assets	(9)	27.9	12.6
<b>Non-current assets</b>		<b>8,303.0</b>	<b>5,689.7</b>
Inventories	(16)	152.1	168.9
Trade accounts receivable	(14)	716.0	473.3
Other assets	(14)	134.3	106.8
Derivative financial instruments	(15)	3.8	25.1
Income tax receivables	(9)	28.6	21.2
Cash and cash equivalents	(17)	711.4	464.8
Non-current assets held for sale	(18)	59.2	—
<b>Current assets</b>		<b>1,805.4</b>	<b>1,260.1</b>
<b>Total assets</b>		<b>10,108.4</b>	<b>6,949.8</b>
<b>Equity and liabilities</b>			
Subscribed capital	(19)	104.9	66.1
Capital reserves	(19)	1,651.9	935.3
Retained earnings	(19)	2,286.1	2,045.8
Cumulative other equity	(20)	121.4	(134.8)
<b>Equity attributable to the shareholders of Hapag-Lloyd AG</b>		<b>4,164.3</b>	<b>2,912.4</b>
Non-controlling interests	(21)	5.3	2.7
<b>Equity</b>		<b>4,169.6</b>	<b>2,915.1</b>
Provisions for pensions and similar obligations	(22)	208.4	142.4
Other provisions	(23)	207.0	41.7
Financial debt	(24)	3,309.1	2,460.1
Trade accounts payable	(25)	0.5	—
Other liabilities	(25)	6.7	5.2
Derivative financial instruments	(26)	—	6.7
Deferred tax liabilities	(9)	1.5	1.0
<b>Non-current liabilities</b>		<b>3,733.2</b>	<b>2,657.1</b>
Provisions for pensions and similar obligations	(22)	6.5	4.4
Other provisions	(23)	385.4	91.3
Income tax liabilities	(9)	18.3	7.4
Financial debt	(24)	408.0	474.9
Trade accounts payable	(25)	1,232.3	700.3
Other liabilities	(25)	131.3	99.3
Derivative financial instruments	(26)	23.8	—
<b>Current liabilities</b>		<b>2,205.6</b>	<b>1,377.6</b>
<b>Total equity and liabilities</b>		<b>10,108.4</b>	<b>6,949.8</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**Consolidated statement of changes in equity of Hapag-Lloyd AG for the period 1 January to 31 December 2014**

	Equity attributable to shareholders of Hapag-Lloyd AG									
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative other equity	Total	Non-controlling interests	Total equity
Notes	(19)	(19)	(19)				(20)		(21)	
<b>As per 1.1.2013</b>	<b>66.1</b>	<b>3,269.8</b>	<b>(190.4)</b>	<b>(62.7)</b>	<b>9.1</b>	<b>21.3</b>	<b>(32.3)</b>	<b>3,113.2</b>	<b>0.8</b>	<b>3,114.0</b>
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(98.3)</b>	<b>16.1</b>	<b>(2.7)</b>	<b>(115.9)</b>	<b>(102.5)</b>	<b>(200.8)</b>	<b>0.9</b>	<b>(199.9)</b>
thereof										
Group profit/loss			(98.3)					(98.3)	0.9	(97.4)
Other comprehensive income				16.1	(2.7)	(115.9)	(102.5)	(102.5)		(102.5)
<b>Transactions with shareholders</b>	<b>—</b>	<b>(2,334.5)</b>	<b>2,334.5</b>						<b>1.0</b>	<b>1.0</b>
thereof										
Merger		(2,334.5)	2,334.5							
Sale of shares									1.6	1.6
Distribution to non-controlling interest									(0.6)	(0.6)
<b>As per 31.12.2013</b>	<b>66.1</b>	<b>935.3</b>	<b>2,045.8</b>	<b>(46.6)</b>	<b>6.4</b>	<b>(94.6)</b>	<b>(134.8)</b>	<b>2,912.4</b>	<b>2.7</b>	<b>2,915.1</b>
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(605.0)</b>	<b>(58.2)</b>	<b>(6.4)</b>	<b>320.8</b>	<b>256.2</b>	<b>(348.8)</b>	<b>1.5</b>	<b>(347.3)</b>
thereof										
Group profit/loss			(605.0)					(605.0)	1.3	(603.7)
Other comprehensive income				(58.2)	(6.4)	320.8	256.2	256.2	0.2	256.4
<b>Transactions with shareholders</b>	<b>38.8</b>	<b>716.6</b>	<b>845.3</b>					<b>1,600.7</b>	<b>1.1</b>	<b>1,601.8</b>
thereof										
First-time consolidation of CC Co	28.3	1,202.3	0.1					1,230.7	2.0	1,232.7
Capital increase	10.5	359.5						370.0		370.0
Transfer from capital reserves		(845.2)	845.2							
Distribution to non-controlling interests									(0.9)	(0.9)
<b>As per 31.12.2014</b>	<b>104.9</b>	<b>1,651.9</b>	<b>2,286.1</b>	<b>(104.8)</b>		<b>226.2</b>	<b>121.4</b>	<b>4,164.3</b>	<b>5.3</b>	<b>4,169.6</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

**Consolidated statement of cash flows of Hapag-Lloyd AG for the period 1 January to 31 December 2014**

	Notes	1.1.– 31.12.2014	1.1.– 31.12.2013
Million EUR			
Group profit/loss . . . . .		(603.7)	(97.4)
Depreciation, amortisation and impairment (+) / write-backs (–) . . . . .		481.7	324.8
Other non-cash expenses (+) / income (–) . . . . .		16.9	58.5
Interest expenses (excl. interest expenses relating to pension obligations) . . . . .		207.1	150.2
Profit (–) / loss (+) from disposals of non-current assets . . . . .		—	(54.8)
Income (–) / expenses (+) from equity-accounted investees and dividends . . . . .		(34.3)	(36.9)
Increase (–) / decrease (+) in inventories . . . . .		70.9	2.9
Increase (–) / decrease (+) in receivables and other assets . . . . .		58.2	(89.9)
Increase (+) / decrease (–) in provisions . . . . .		96.2	(43.0)
Increase (+) / decrease (–) in debt (excl. financial debt) . . . . .		84.2	(147.9)
<b>Cash inflow (+) / outflow (–) from operating activities . . . . .</b>	(28)	<b>377.2</b>	<b>66.5</b>
Payments received from disposals of property, plant and equipment and intangible assets . . . . .		4.8	66.0
Payments received from the disposal of companies . . . . .		—	20.6
Payments from dividends . . . . .		34.2	33.2
Payments made for investment in property, plant and equipment and intangible assets . . . . .		(340.5)	(664.5)
Payments made for investment in financial assets . . . . .		(0.1)	—
Payments received from acquisitions . . . . .		44.0	—
<b>Cash inflow (+) / outflow (–) from investing activities . . . . .</b>	(29)	<b>(257.6)</b>	<b>(544.7)</b>
Payments made for capital increases . . . . .		306.9	—
Payments made for dividends . . . . .		(0.9)	(0.6)
Payments received from the issuance of financial debt . . . . .		748.2	1,118.8
Payments made for the redemption of financial debt . . . . .		(790.6)	(531.8)
Payments made for interest . . . . .		(182.0)	(176.1)
Payments received (+) and made (–) from hedges for financial debt . . . . .		—	(7.1)
<b>Cash inflow (+) / outflow (–) from financing activities . . . . .</b>	(30)	<b>81.6</b>	<b>403.2</b>
<b>Net change in cash and cash equivalents . . . . .</b>		<b>201.2</b>	<b>(75.0)</b>
<b>Cash and cash equivalents at beginning of period . . . . .</b>		<b>464.8</b>	<b>560.8</b>
Change in cash and cash equivalents due to exchange rate fluctuations . . . . .		45.4	(21.0)
Net change in cash and cash equivalents . . . . .		201.2	(75.0)
<b>Cash and cash equivalents at the end of the period . . . . .</b>	(31)	<b>711.4</b>	<b>464.8</b>



## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

### NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

#### General notes

Hapag-Lloyd AG (hereinafter “the Company” or “Hapag-Lloyd”) domiciled in Hamburg, Ballindamm 25, is a German corporation registered in the commercial register of Hamburg district court under HRB 97937. The purpose of the Company is primarily ocean liner shipping, providing logistical, shipping company, ship brokerage, freight forwarding, agency and warehousing services, and all other associated business operations and services.

Hapag-Lloyd AG and the Chilean shipping company Compañía Sud Americana de Vapores (“CSAV”) signed a business combination agreement on 16 April 2014. As a result, CSAV and Tollo Shipping Co. S.A. (“Tollo”), a wholly owned subsidiary of CSAV, incorporated their global container shipping activities (CSAV container shipping activities (“CCS”)) into CSAV Germany Container GmbH, Hamburg, (“CC Co”) on 2 December 2014. The GmbH shares in CC Co were transferred to Hapag-Lloyd AG as a contribution in kind (“first capital increase”) in the amount of EUR 1,230.6 million. Subsequent to closing, a further capital increase (“second capital increase”) with a mixed contribution (cash capital increase and contribution in kind) totalling EUR 370 million was effected. Hapag-Lloyd AG held all the shares in CC Co on 31 December 2014. CC Co is to be merged into Hapag-Lloyd AG in the 2015 financial year by way of an upstream merger with economic effect from 1 January 2015.

As at 31 December 2014, Hapag-Lloyd’s biggest shareholders were CSAV Germany Container Holding GmbH (“CG Hold Co”) with 34.0%, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“HGV”) as a company of the Free and Hanseatic City of Hamburg with 23.2%, Kühne Maritime GmbH (“Kühne”) with 20.7% and TUI-Hapag Beteiligungs GmbH with 13.9%. CG Hold Co, HGV and Kühne have agreed to pool their voting rights as part of a shareholder agreement.

Hapag-Lloyd AG prepares the consolidated financial statements for the largest circle of group companies.

These consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and adopted as European law by the European Union (EU), and the German commercial law provisions that must be observed pursuant to Section 315a (1) of the German Commercial Code (HGB).

These consolidated financial statements encompass the financial year from 1 January to 31 December 2014. The consolidated financial statements were prepared in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

The consolidated financial statements for the 2014 financial year are due to be examined and approved by the Supervisory Board on 26 March 2015.

#### Segment reporting

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume (= revenue) by geographic region and adjusted EBIT at the overall Group level. Decisions regarding the allocation of resources (use of vessels and containers) are made on the basis of the entire liner service network and deployment of the entire fleet. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world via a complete liner service network, the Executive Board has decided that there is no appropriate measure for internal reporting with which assets, liabilities and adjusted EBIT as the key performance indicators can be allocated to multiple geographic regions. All of the Group’s assets, liabilities, income and expenses are thus only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Transport volume per trade*

	1.1.–31.12. 2014	1.1.–31.12. 2013
	TTEU	
Atlantic .....	1,272	1,204
Far East .....	1,354	1,246
Latin America .....	1,226	1,172
Transpacific .....	1,249	1,245
Australasia .....	656	629
<b>Total Hapag-Lloyd excluding CSAV's container shipping activities</b> .....	<b>5,757</b>	<b>5,496</b>
CSAV's container shipping activities December 2014 .....	150	n a
<b>Total</b> .....	<b>5,907</b>	<b>5,496</b>

*Freight rate per trade*

	1.1.–31.12. 2014	1.1.–31.12. 2013
	US\$/TEU	
Atlantic .....	1,634	1,679
Far East .....	1,162	1,237
Latin America .....	1,365	1,390
Transpacific .....	1,740	1,747
Australasia .....	1,153	1,236
<b>Total Hapag-Lloyd excluding CSAV's container shipping activities (weighted average)</b> .....	<b>1,434</b>	<b>1,482</b>
CSAV's container shipping activities December 2014 .....	1,154	n a

*Revenue per trade*

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Atlantic .....	1,563.8	1,522.6
Far East .....	1,184.0	1,160.7
Latin America .....	1,259.7	1,266.0
Transpacific .....	1,635.5	1,636.8
Australasia .....	569.1	584.7
Other .....	394.7	436.6
<b>Total Hapag-Lloyd excluding CSAV's container shipping activities</b> .....	<b>6,606.8</b>	<b>6,567.4</b>
CSAV's container shipping activities December 2014 .....	200.7	n a
<b>Total</b> .....	<b>6,807.5</b>	<b>6,567.4</b>

Adjusted EBIT is calculated on the basis of the operating earnings before interest and taxes as follows:

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
EBIT .....	(382.8)	63.7
Purchase price allocation .....	12.8	22.6
Transaction and restructuring costs .....	107.3	0.0
Impairments .....	127.4	0.0
One-off effects .....	23.2	0.0
Sale of Montreal Gateway Terminals Ltd. Partnership, Montreal .....	0.0	(19.1)
<b>Total</b> .....	<b>(112.1)</b>	<b>67.2</b>

The adjusted items include impairments of EUR 127.4 million for a portfolio of older vessels held for sale. In addition, adjustments were made for transaction and restructuring costs totalling

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

EUR 107.3 million in the financial year. These were incurred in the course of the acquisition of CSAV's container shipping activities and relate in particular to the creation of a restructuring provision in the amount of EUR 82.0 million. Adjustments were also made for other unusual one-off effects totalling EUR 23.2 million.

### New accounting standards

The following new standards and amendments of already endorsed existing standards issued by the IASB had to be adopted for the first time for these financial statements. The first-time adoption did not have a significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group, unless otherwise stated:

- Amendment to IAS 27: *Separate Financial Statements*
- Amendment to IAS 28: *Investments in Associates and Joint Ventures*
- Amendment to IAS 32: *Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*
- IFRS 10: *Consolidated Financial Statements*
- IFRS 11: *Joint Arrangements*
- IFRS 12: *Disclosure of Interests in Other Entities*
- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Transition Guidance*
- Amendments to IFRS 10, IFRS 12 and IAS 27: *Investment Entities*

The amendment to IAS 27 *Separate Financial Statements* is a consequence of the combination of provisions stated in the new IFRS 10 *Consolidated Financial Statements*, the previous IAS 27 *Consolidated and Separate Financial Statements* as well as SIC 12 *Consolidation—Special Purpose Entities*. Consequently, IAS 27 henceforth only comprises rulings for the accounting treatment of subsidiaries, joint ventures and associated companies in separate IFRS financial statements.

With the adoption of IFRS 11 *Joint Arrangements*, an amendment was made to IAS 28 as a result of the now expanded scope of application of IAS 28, as investments both in associated companies and in joint ventures must henceforth be measured using the equity method. The proportionate consolidation of joint ventures therefore no longer applies. Potential voting rights and other derivative financial instruments are henceforth to be taken into consideration when assessing whether a company has a significant influence or when assessing the investor's share of the assets of the company. Another amendment relates to accounting in accordance with IFRS 5 if only a portion of the share in an associated company or a joint venture is to be sold. IFRS 5 is partially applicable if only a share or a portion of a share in an associated company (or joint venture) is deemed to be "held for sale".

Prerequisites contained in IAS 32 regarding netting were made more concrete through additional application guidelines. On the one hand, it is specified that there must be an unconditional, legally enforceable claim for compensation, even if one of the parties has filed for bankruptcy, and on the other hand, exemplary criteria are provided under which the offsetting of financial assets and financial liabilities is done.

With the amendment to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*, under certain conditions, the novation of a hedging instrument to a central counterparty as required by legislation does not lead to the dissolution of an existing hedging relationship. This means that a hedging relationship does not need to be dissolved if novation becomes necessary as a result of new legislation or the introduction of legislation, if the central counterparty becomes the contractual partner of all parties to the derivative contract as a result of the novation and if there are no changes to the terms and conditions of the contract relating to the original derivative, aside from changes that are a necessary result of the novation.

The new IFRS 10 *Consolidated Financial Statements* replaces parts of the regulations of the previous IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation—Special Purpose Entities*. This standard comprehensively redefines the term "control". If one company controls

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

another, it is the responsibility of the parent company to consolidate the subsidiary. Based on the new concept, there is an instance of control if the parent company has the power to make decisions for the subsidiary due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*. According to the new concept, it must be determined whether a joint operation or a joint venture exists. A joint operation exists if the jointly controlling parties have direct rights to assets and direct obligations for liabilities. The individual rights and obligations are proportionally accounted for in the consolidated financial statements. In a joint venture, the jointly controlling parties only have rights to the equity. These rights are disclosed in the consolidated financial statements using the equity method; the option of a proportional value for the consolidated financial statements thus no longer applies. For further explanations regarding joint ventures, please refer to Note (13).

With the new IFRS 12 *Disclosure of Interests in Other Entities*, all disclosure requirements for subsidiaries, joint ventures and associated companies as well as non-consolidated special purpose entities are combined in one standard. Thus, companies must disclose both quantitative and qualitative information concerning type, risks and financial effects in connection with the engagement of the company with these affiliated companies. The disclosures in the Notes to the consolidated financial statements relating to the new IFRS 12 standard were adjusted in line with the new regulations (see in particular Notes (12) and (13)).

The amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* clarify that the time of first-time adoption of IFRS 10 is the start of the reporting period in which the standard was first applied. Decisions as to whether investments should be consolidated in accordance with IFRS 10 or not are thus to be made at the beginning of this period. The amendments also stipulate that, in the case of the first-time application of the new consolidation rules, only comparative figures for the previous comparative period are mandatory for subsidiaries, associated companies and joint arrangements. Disclosures relating to unconsolidated structured companies are wholly exempt from the obligation to provide comparative figures.

With the amendments to IFRS 10, IFRS 12 and IAS 27 entitled *Investment Entities*, a definition of investment entities is given and these are excluded from the obligation to consolidate subsidiaries in accordance with IFRS 10. Instead, subsidiaries must be recognised at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* in an investment company's consolidated financial statements. Insofar as the investment company is itself the subsidiary of a non-investment company, the exclusion does not apply to the parent company's consolidated financial statements and, as the parent company, the non-investment company must consolidate its controlled investment company and its subsidiaries in accordance with IFRS 10.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following standards that were adopted, amended or newly issued by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the 2014 financial year:

Standard/Interpretation	Mandatory application as per	Adopted by EU Commission
IFRIC 21 Levies	1.1.2014*	yes
IAS 19 Amendment to IAS 19 Employee Contributions	1.7.2014***	yes
Various Annual Improvements to IFRS (2010–2012)	1.7.2014***	yes
Various Annual Improvements to IFRS (2011–2013)	1.7.2014**	yes
IAS 1 Amendments to IAS 1: Presentation of Financial Statements	1.1.2016	no
IAS 16 Amendments to IAS 16 and IAS 38:	1.1.2016	no
IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation		
IAS 16 Amendments to IAS 16 and IAS 41:	1.1.2016	no
IAS 41 Agriculture: Bearer Plants		
IAS 27 Amendments to IAS 27: Equity Method in Separate Financial Statements	1.1.2016	no
IFRS 9 Financial Instruments	1.1.2018	no
IFRS 10 Amendments to IFRS 10 and IAS 28: Sale or	1.1.2016	no
IAS 28 Contribution of Assets between an Investor and its Associate or Joint Venture		
IFRS 10 Amendments to IFRS 10, IFRS 12 and IAS 28:	1.1.2016	no
IFRS 12 Investment Entities: Applying the Consolidation		
IAS 28 Exception		
IFRS 11 Amendment to IFRS 11: Acquisition of an Interest in a Joint Operation	1.1.2016	no
IFRS 14 Regulatory Deferral Accounts	1.1.2016	no
IFRS 15 Revenue from Contracts with Customers	1.1.2017	no
Various Annual Improvements to IFRS (2012–2014)	1.1.2016	no

\* For the EU 17.6.2014.

\*\* For the EU 1.1.2015.

\*\*\* For the EU 1.2.2015.

These are regulations which will not be mandatory until the 2015 financial year or later. The Company does not plan to early adopt any of them. Unless stated otherwise, the effects are currently being reviewed.

### ***EU endorsement has been given***

Interpretation IFRIC 21 *Levies* clarifies how and when levies charged by a level of government and not covered by another IFRS standard are to be recognised as liabilities pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. According to the current interpretation, an obligation is to be recognised in the financial statements as soon as the obligating event which triggers the obligation to pay pursuant to the legislation underpinning the levy occurs. This interpretation has no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

The amendment to IAS 19 *Employee Contributions* clarifies that contributions paid by employees themselves (or by third parties) can be recognised simply by an approving company in such a way that the principal amount of the employee contributions is deducted from the service costs for the period in which the corresponding term of service is provided. This is subject to the contributions being

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

independent of the number of service years, e.g. contributions which are set as a fixed percentage of the annual salary. This amendment has no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

Amendments were made to seven standards as part of the *Annual Improvements to IFRS (2010–2012)* process. The aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. In addition, there are amendments that have an effect on the disclosures made in the Notes. The standards in question are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Amendments were made to four standards as part of the *Annual Improvements to IFRS (2011–2013)* process. Here, too, the aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. The standards in question are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

### ***EU endorsement still pending***

The amendments to IAS 1 primarily include the clarification that disclosures made in the Notes are only necessary if their content is not immaterial (even if an IFRS stipulates a list of minimum disclosures), explanations regarding the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income, clarification of how shares in the other comprehensive income of equity-accounted investments are to be presented in the statement of comprehensive income, and the removal of a model for the Notes in favor of considering the relevance to individual companies.

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* clarify that, in the case of property, plant and equipment, it is not permissible to effect depreciation based on the revenue of the goods it produces as revenue not only depends on the use of an asset, but also on other factors such as price or inflation. This also applies in principle to intangible assets with a finite useful life, although exceptions apply here for special situations to be determined individually. These amendments have no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

IFRS 9, which was published in July 2014, supersedes the existing guidelines set out in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 contains revised guidelines for the classification and measurement of financial instruments, including a new model for the impairment of expected losses on financial assets, and new general requirements for hedge accounting. It also adopts the IAS 39 guidelines on the recognition and derecognition of financial instruments.

With the amendments to IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements*, the total gain or loss on a sale or contribution of assets between an investor and its associate or joint venture shall only be recognised if the assets sold or contributed represent a business within the meaning of IFRS 3, irrespective of whether the transaction is designed as a share or asset deal. However, if the assets do not constitute a business, the gain/loss should only be recognised pro rata. This amendment will only affect the net asset, financial and earnings position of the Hapag-Lloyd Group if such transactions are made after 1 January 2016.

The amendments to IFRS 10, IFRS 12 and IAS 28 are designed to clarify three questions regarding application of the exemption from the obligation of investment entities to prepare consolidated financial statements in accordance with IFRS 10. On the one hand, an investment entity is exempted from the obligation to prepare consolidated financial statements if it recognises its subsidiaries at fair value in accordance with IFRS 10. In addition, a subsidiary is not to be consolidated if it meets the criteria of an investment entity itself and provides services that relate to the investment operations of the parent entity. Thirdly, if an investor that does not meet the criteria of an investment entity uses the equity method for an associate or a joint venture, it may continue to measure these at fair value as applied by the associated company to its investments in subsidiaries.

The amendment to IFRS 11 clarifies that acquisitions and additional acquisitions of interests in joint operations that constitute a business pursuant to IFRS 3 *Business Combinations* are to be recognised in accordance with the provisions of IFRS 3 and other applicable IFRS insofar as they do not contradict the provisions of IFRS 11. This will only affect the net asset, financial and earnings position of the Hapag-Lloyd Group if such an acquisition takes place after 1 January 2016.



## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

With the introduction of IFRS 14 *Regulatory Deferral Accounts*, an entity which is a first-time adopter of IFRS is permitted to continue to account for rate-regulated sales transactions in accordance with its previously applicable accounting standards. However, in this case, any effects of the capitalisation or deferral of economic benefits are to be presented separately. In addition, specific disclosures are required regarding the type of the underlying rate regulation and the associated risks. Given that entities already using IFRS are specifically excluded from the application of these rules, there is no effect on the net asset, financial and earnings position of the Hapag-Lloyd Group.

With the introduction of IFRS 15, the rules on recognising revenue contained in various standards and interpretations were combined. At the same time, uniform basic principles were defined that are applicable to all sectors and to all types of revenue transaction. A five-step model will henceforth apply to assessing the amount of revenue to be recognised and at which time or over which period it is to be recognised. The standard also contains a range of additional rules regarding detailed issues such as presenting contract fees and contract amendments.

Changes may arise in particular due to the following new provisions of IFRS 15:

- Recognition of revenue as control is passed: the key factor determining the point in time or period of time of revenue recognition is the passing of the control of goods or services to the customer (control approach). The transfer of risks and rewards (risk and reward approach) now only constitutes an indicator for the passing of control.
- Clear rules on multi-component transactions.
- New criteria for the recognition of revenue over the period of performance.
- Expansion of the disclosures required in the Notes.

A further four standards were amended as part of the *Annual Improvements to IFRS (2012–2014)* process to clarify the existing rules. The standards in question are IFRS 5, IFRS 7, IAS 19 and IAS 34.

### Consolidation principles and methods

#### *Subsidiaries*

Subsidiaries are all companies that are subject to direct or indirect control by Hapag-Lloyd AG. Control exists if Hapag-Lloyd AG has the power to make decisions due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions. Subsidiaries are fully consolidated from the time at which control over the subsidiary is acquired. If control over the subsidiary is lost, the company is deconsolidated.

Capital consolidation is carried out using the acquisition method. When the acquisition method is applied, the acquisition costs of the acquired shares are compared with the proportionate fair value of the acquired assets, debts and contingent liabilities of the subsidiary as at the acquisition date. Any positive difference is recognised as goodwill and is recorded as an asset. Any negative difference is recognised in the income statement once the carrying amounts of the assets and liabilities have been reviewed again. The option to capitalise the proportionate goodwill on non-controlling interests is not applied. Transaction costs incurred in connection with a business combination are recognised as expenses.

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

The individual financial statements of Hapag-Lloyd AG and its subsidiaries, which were prepared using the standard Group accounting and measurement principles, with the financial statements of the key companies being reviewed by auditors, were included in the preparation of the consolidated financial statements.

Intercompany receivables and liabilities, as well as expenses and income, are eliminated during the process of consolidation. Intercompany profits and losses are eliminated insofar as they are not of

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

minor significance for the Group. Deferred taxes are reported for consolidation measures with an impact on income taxes.

The share of Group profit and of subsidiaries' equity which is attributable to non-controlling interests is reported separately in the consolidated income statement, in the consolidated statement of comprehensive income and within Group equity. When non-controlling interests are acquired, the difference between the acquisition cost of these shares and the non-controlling interests previously reported in the Group's equity for these shares is recognised directly in equity. When shares are sold to other shareholders without any loss of control, any difference between the realisable value and the proportion of net assets attributable to other shareholders is recognised directly in equity under the items "Retained earnings" and "Non-controlling interests".

If a subsidiary is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in cumulative other equity, is recognised at the disposal date in the consolidated income statement. The carrying amounts of the capitalised goodwill attributable to the outgoing legal entity are taken into account in the calculation of the gain or loss on disposal.

### *Joint arrangements*

If the Hapag-Lloyd Group jointly controls a company together with other parties, an assessment is made as to whether this is a joint operation or a joint venture. A joint operation exists if the jointly controlling parties have direct rights to assets and direct obligations for liabilities. In a joint venture, the jointly controlling parties only have rights to the equity. This right is disclosed in the consolidated financial statements using the equity method.

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

### *Joint operations*

Hapag-Lloyd is a party to joint arrangements. Of particular importance here are the G6 Alliance and the Grand Alliance (GA). The aim of both arrangements is to offer a network of (liner) services in certain trade lanes together with the liner shipping companies involved in the respective arrangement. To this end, the shipping companies involved have joint operations. Since May 2014, the majority of GA services have been transferred to the G6 Alliance. As such, the GA has been less important to Hapag-Lloyd since then.

As no independent companies, *i.e.* no legally separate entities, exist in relation to these cooperation agreements and as there are also no joint assets, the alliances are not to be classified as joint operations within the meaning of IFRS 11.

### *Associated companies and joint ventures*

Companies in which the Hapag-Lloyd Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled with other parties (joint ventures) are included in the consolidated financial statements from their acquisition date using the equity method. The acquisition date constitutes the point in time from which it becomes possible to exert significant influence or exercise joint control.

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

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

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

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

If it is no longer possible to exert significant influence or joint control due to the sale of shares, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement.

### Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 124 companies are included in the group of consolidated companies:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	Foreign	
31.12.2013 .....	3	45	2	2	52
Additions .....	6	68	0	1	75
Disposals .....	0	2	1	0	3
31.12.2014 .....	9	111	1	3	124

Hapag-Lloyd Holding AG was merged with Hapag-Lloyd AG with effect from 1 January 2013 in the form of a downstream merger. Hapag-Lloyd AG is consequently the new parent company of the Hapag-Lloyd Group.

With the incorporation of CSAV's container shipping activities into the Hapag-Lloyd Group, 74 fully consolidated companies and one equity-accounted investee were included in the group of consolidated companies as at 2 December 2014.

Hapag-Lloyd Crew Management Pte. Ltd., Singapore, and Hapag-Lloyd Belgium N.V., Antwerp, were liquidated and subsequently deconsolidated in the reporting year. HHLA CTA Besitzgesellschaft mbH, which is consolidated using the equity method, was merged with HHLA Container Terminal Altenwerder GmbH, another equity-accounted investee. In the previous year, all of the Company's shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, Canada, were sold to the majority shareholder.

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok, 49.0% of the shares in Hapag-Lloyd Agency LLC, Dubai, and 49.0% of the shares in CSAV Shipping LLC, Dubai. As Hapag-Lloyd AG has majority voting rights in all of these companies, it exerts full control over them and they are therefore fully consolidated.

Hapag-Lloyd AG holds 49.94% of the voting shares in CSAV Austral SpA, Valparaíso. Hapag-Lloyd AG also holds 100% of the shares entitled to dividend payments. As such, beneficial ownership is exclusively within the Hapag-Lloyd Group. The investment share therefore totals 49.99%. Despite holding less than 50% of the voting rights, Hapag-Lloyd AG has control over this company because it provides the majority of the members of the decision-making body.

For details of non-controlling interests, please refer to Note (12).

The financial year for a number of CCS companies had to be changed in the 2014 financial year due to the carve-out activities required in order to incorporate CSAV's container shipping business. 46 fully consolidated companies and one equity-accounted investee (2013: one equity-accounted investee) had a financial year that differed from that of the Group in the reporting year. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

Three domestic and seven foreign subsidiaries of overall minor significance for the Group's net asset, financial and earnings position are not included in the consolidated financial statements. The shares are recognised as other assets.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (41).

### Addition of CSAV's container shipping activities

On 2 December 2014, Hapag-Lloyd acquired 100% of the shares and voting rights in CSAV Germany Container GmbH, which comprises the global container shipping business of Compañía Sud Americana de Vapores.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

With the integration of this leading South American container shipping company, Hapag-Lloyd has become the fourth-largest liner shipping company in the world, with 191 ships, an annual transport volume of 8.0 million TEU and revenue of around EUR 8.5 billion. The merger is expected to result in annual synergies of US\$300 million starting in 2019.

The consideration transferred totalled US\$1,531.0 million (EUR 1,227.4 million) and was made by issuing 28,313,862 new ordinary shares. In return for this transfer, the seller CSAV initially received 30% of the shares in Hapag-Lloyd AG, the parent company of the Hapag-Lloyd Group.

The consideration transferred for the acquisition corresponds to the fair value of the equity instruments issued at the time of acquisition. Given that the shares issued are not listed on a stock exchange, the fair value was calculated on the basis of a discounted cash flow method using level 3 input factors (non-observable parameters) in accordance with IFRS 13. This measurement technique is based on a cash flow forecast that a hypothetical market participant would assume if they held equity instruments in the Hapag-Lloyd Group on the date of acquisition.

The key assumptions used to derive the fair value are based on internal and external sources, in particular the future development of the transport volume, freight and charter rates, fuel prices and exchange rate fluctuations.

An average EBITDA margin of comparable companies within the industry and a growth rate of 1% were assumed for the period of sustainably achievable cash flows (perpetual annuity). The weighted average cost of capital comes to 8.5% or 7.5% for the period of perpetual annuity.

The fair value of the issued equity instruments takes appropriate account of the synergies (network optimisations, productivity improvements and cost reductions) expected as a result of the merger.

Costs amounting to EUR 25.5 million were incurred in the course of the transaction; these were recognised as other operating expenses.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair values recognised for the acquired assets and liabilities at the time of acquisition are summarised below. The amounts are preliminary measurements:

### Provisional fair values as at the date of acquisition

	<u>Million EUR</u>
<b>Assets</b>	
Other intangible assets . . . . .	744.9
Property, plant and equipment . . . . .	733.1
Investments in equity-accounted investees . . . . .	50.0
Other assets . . . . .	4.3
Derivative financial instruments . . . . .	0.0
Deferred tax assets . . . . .	13.5
<b>Non-current assets</b> . . . . .	<u>1,545.8</u>
Inventories . . . . .	37.1
Trade account receivables . . . . .	218.3
Other assets . . . . .	23.8
Income tax receivables . . . . .	9.2
Cash and cash equivalents . . . . .	69.5
<b>Current assets</b> . . . . .	<u>357.9</u>
<b>Total assets</b> . . . . .	<u>1,903.7</u>
<b>Equity and liabilities</b>	
Provisions for pensions and similar obligations . . . . .	0.5
Other provisions . . . . .	178.3
Financial debt . . . . .	412.7
Other liabilities . . . . .	2.3
Deferred tax liabilities . . . . .	0.0
<b>Non-current liabilities</b> . . . . .	<u>593.8</u>
Provisions for pensions and similar obligations . . . . .	0.2
Other provisions . . . . .	157.7
Income tax liabilities . . . . .	7.6
Financial debt . . . . .	123.2
Trade account payables . . . . .	381.4
Other liabilities / non-controlling interests . . . . .	19.3
<b>Current liabilities</b> . . . . .	<u>689.4</u>
<b>Total equity and liabilities</b> . . . . .	<u>1,283.2</u>
<b>Acquired net assets</b> . . . . .	<u>620.5</u>
Acquisition costs . . . . .	1,227.4
<b>Goodwill</b> . . . . .	<u>606.9</u>

Pursuant to the requirements of IFRS 3, all acquired assets, liabilities and contingent liabilities are to be measured at fair value. The valuation methods used to determine the fair values of the main assets are as follows:

**Relief from royalty method:** The relief from royalty method considers the discounted estimated payments of royalties that may be saved by owning the brand. This method was used for brand valuation.

**Residual value method:** The residual value method considers the present value of expected net cash flows generated by the customer relationships, with the exception of all cash flows that are linked to supporting assets. This method was used for customer relationship valuation.

**Incremental cash flow method:** In the incremental cash flow method, expected cash flows are compared to alternative values (market value conditions). This method was used for the measurement of advantageous and disadvantageous contracts.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Market comparison method:** This valuation method considers the listed market prices of similar objects if these are available and, if applicable, depreciated replacement costs. Depreciated replacement costs reflect changes relating to physical deterioration as well as functional overhauling and economic obsolescence. This method was used for the valuation of the Group's vessels, software and inventories.

This resulted in acquired net assets with a fair value of EUR 620.5 million, in particular due to the discovery of hidden reserves and liabilities.

### Provisional nature of the purchase price allocation

The purchase price allocation for the acquisition of CCS is provisional, as the date of acquisition was shortly before the balance sheet date. In particular, there may be changes in the valuation of the customer relationship in the extent to which charter and lease contracts are advantageous or disadvantageous as well as in the area of contingent liabilities. If facts and circumstances become known within a year of the date of acquisition that existed on the date of acquisition and that would have resulted in changes to the amounts indicated above, recognition of the company acquisition will be amended accordingly.

The provisional purchase price allocation results in goodwill of EUR 606.9 million. This goodwill in particular comprises the synergies expected as a result of the merger, including network optimisations, productivity improvements and cost reductions.

Goodwill of EUR 217.8 million is expected to be deducted for tax purposes.

The following table presents the net cash inflow resulting from the company acquisition:

	<u>Million EUR</u>
Acquired net assets .....	620.5
Goodwill .....	606.9
Acquisition costs .....	1,227.4
./. Acquisition through issuance of shares .....	1,227.4
Cash-effective incidental acquisition costs .....	25.5
+ Acquired cash .....	69.5
<b>Net payments received from acquisitions .....</b>	<b><u>44.0</u></b>

In the course of the acquisition, receivables with a fair value of EUR 218.3 million were recognised. The gross amount comes to EUR 222.3 million. Of this amount, EUR 4.0 million is likely to be irrecoverable.

At the time of acquisition, contingent liabilities in the amount of EUR 7.1 million were recognised that were primarily attributable to tax and legal risks. The settlement amount was determined on the basis of internal estimates. It is currently not possible to determine a fixed utilisation date. The assumptions underlying the measurements relating to the potential scenarios to be assessed had not changed as at the balance sheet date.

Since the date of acquisition and taking into account the purchase price allocation, revenue of EUR 205.7 million (before the elimination of revenue from Hapag-Lloyd companies) and earnings (EBIT) of EUR -2.2 million have been attributed to CCS.

Had the acquisition taken place on 1 January 2014 (*pro forma* consideration), Group—revenue would have come to EUR 8,420.3 million and earnings (EBIT) would have totalled EUR -477.6 million, taking into account the effects of the purchase price allocation.

The earnings parameter EBIT served as the starting point for the preparation of the *pro forma* consolidated net income of CCS in accordance with IFRS for the period from 1 January to 31 December 2014. The required *pro forma* adjustments are based on the available information and on assumptions.

Based on the outlined assumptions, the presented *pro forma* result does not necessarily equate to the net result that the Group would have generated had the acquisition of CCS in fact been completed on 1 January 2014. Additionally, commenting on the future development of the Group net result is only possible to a very limited extent due to the one-time factors.



## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Currency translation

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

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

Transactions in foreign currency are recorded at the applicable exchange rate as at the date of the transaction. As at the balance sheet date, monetary items are translated at the closing rate at year-end, while non-monetary items are translated at the historical rate.

Any differences arising during translation are recognised through profit or loss. Exceptions are gains and losses that must be recorded as qualified cash flow hedges as part of other comprehensive income.

Gains and losses due to exchange rates that are in connection with transport services are recorded in both sales and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses.

	Closing rate		Average rate	
	31.12.2014	31.12.2013	2014	2013
	per EUR			
US dollar . . . . .	1.21550	1.37670	1.32880	1.32840
British pound sterling . . . . .	0.77880	0.83310	0.80715	0.84974
Canadian dollar . . . . .	1.40750	1.46360	1.46783	1.36841
Swiss franc . . . . .	1.20230	1.22680	1.21619	1.23108
Chilean peso . . . . .	738.27039	722.23059	758.45444	658.16246
Brazilian real . . . . .	3.22825	3.22464	3.12760	2.86685
Hong Kong dollar . . . . .	9.42640	10.67470	10.30447	10.30394
Singapore dollar . . . . .	1.60589	1.73910	1.68379	1.66213
Japanese yen . . . . .	145.04000	144.51000	140.68782	129.63705
Chinese renminbi . . . . .	7.43764	8.39349	8.18740	8.16775

### ACCOUNTING AND MEASUREMENT

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles. The amounts stated in the consolidated financial statements are not determined by tax regulations, but solely by the commercial presentation of the net asset, financial and earnings position as set out in the rules of the IASB.

#### Recognition of income

Revenue is primarily generated from the rendering of transport services. Revenue is therefore recognised using the percentage-of-completion method as per IAS 18.20. This percentage of completion/transport progress is determined on the basis of the ratio of expenses incurred to expected total expenses.

The revenue amount is measured by the fair value of the consideration received or to which there will be an entitlement. Revenue is recognised net of value added tax and reductions in earnings. Other operating income and other revenue are generally recorded upon delivery of the assets or upon transfer of their ownership or risk.

Please refer to Note (25) for the recording of gains and losses from derivative financial instruments used in hedges.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Dividends are recorded when the legal claim to them has arisen.

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

### Other intangible assets

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

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

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

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

	<u>Useful life in years</u>
Customer base .....	22–30
“Hapag-Lloyd” brand .....	unlimited
“CSAV” brand .....	20
Charter and lease agreements .....	5–10
Transport and supply contracts .....	2–5
Computer software .....	5–8
Other .....	3

Until now, the global container liner service has been exclusively operated under the acquired brand “Hapag-Lloyd”, which, due to national and international declaration and registration, is subject to indefinite legal protection. The indefinite useful life is the result of the brand recognition already being maintained by international operations, so that additional measures or investments for the conservation of the value of the brand are not necessary. With the incorporation of CCS’s global business activities, the right to also use the “CSAV” brand was acquired, which will initially continue to be used in particular for the South America services.

For intangible assets with finite useful lives, their useful life is examined at least at the end of every financial year. For intangible assets with indefinite useful lives, an annual check is carried out as to whether the assessment of an indefinite useful life can be maintained. Any changes in the anticipated useful life are treated prospectively as changes in estimates.

### Property, plant and equipment

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

Borrowing costs as defined by IAS 23, which are directly associated with the acquisition, construction or production of qualifying assets, are included in the cost of acquisition or production until the assets in question are ready for their intended use. The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 8.29% p.a. for the 2014 financial year (2013: 8.96% p.a.).

Scheduled use-related depreciation using the straight-line method is based on the following useful economic lives, which are the same as in the previous year:

	<u>Useful life in years</u>
Building .....	40
Vessels .....	25
Containers, chassis .....	13
Other equipment .....	3–10

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Vessel classification costs are depreciated as a separate component over a period of five years. Furthermore, the level of depreciation is determined by the residual values recoverable at the end of the useful economic life of an asset. The residual value of container ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements.

Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

### **Leases**

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rental agreements for buildings and containers as well as charter agreements for vessels. On the basis of the commercial opportunities and risks inherent in a leased item, it is assessed whether beneficial ownership of the leased item is attributable to the lessee or the lessor.

#### ***Finance lease***

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

At the same time, a lease obligation is entered which is equivalent to the carrying amount of the leased asset upon recognition. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is recognised as an expense in the consolidated income statement; the repayment element reduces the lease obligation recognised.

#### ***Operating lease***

Rental expenses from operating lease contracts are recorded through the consolidated income statement using the straight-line method over the terms of the respective contracts.

If the Group acts as lessor in the context of operating leases, the respective leasing object is still recorded and depreciated as planned in the consolidated financial statements. Lease income from operating leases is recorded in revenue or other operating income using the straight-line method over the term of the respective contracts.

Profits or losses from sale-and-leaseback transactions that result in operating lease—contracts are recognised immediately if the transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.

### **Impairment testing**

Intangible assets with finite useful lives and property, plant and equipment are tested regularly for impairment if there are any indications of a possible loss in value. This test compares the recoverable amount of the asset in question with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

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

Intangible assets with indefinite useful lives are tested for impairment if circumstances require, but at least annually at the end of the financial year. This applies in particular to the Hapag-Lloyd

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

brand, for which the recoverable amount at fair value was determined at the level of the container shipping CGU. A need for impairment was not ascertained. For further information on determining fair value less costs of disposal, we refer to the following explanations concerning the impairment testing of goodwill.

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

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

An impairment loss is recognised if the recoverable amount is lower than the cash-generating unit’s carrying amount. If a need for impairment has been ascertained in connection with a cash-generating unit containing goodwill, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

If, following an impairment recognised in previous years, the asset or cash-generating unit has a higher recoverable amount at some later date, a reversal of the impairment to no higher than the amortised cost is carried out. No reversals of impairment of goodwill are carried out as they are not permitted under IAS 36.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the cash-generating unit. If one of these amounts is greater than the carrying amount, it is not always necessary to calculate both values. These values are essentially based on discounted cash flows.

The fair value is the price that independent market participants would pay at the balance sheet date under normal market conditions if the asset or cash-generating unit were sold. The value in use is ascertained by discounting the cash flows anticipated from future operational use.

The recoverable amount for the impairment of goodwill is calculated on the basis of fair value less costs of disposal. This was calculated on the basis of a discounted cash flow method using level 3 input factors (non-observable parameters) in accordance with IFRS 13.

The future expected cash flows from Hapag-Lloyd’s current management planning together with the CCS forecast and additional assumptions arising from the combination of the two companies are taken as the calculation basis.

The cash flow forecasts contain specific estimates for five years and a perpetual rate of growth thereafter. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group’s own competitive position on its various trades. At the time of planning, IHS Global Insight expected an increase in global container traffic of 5.3% in 2015 and of between 5.2% and 5.6% for the following years. Additionally, it is expected that freight rates will increase slightly only in the context of typical seasonal fluctuations, alongside an increase in transport expenses.

The long-term growth rate was ascertained on the basis of the forecast for long-term annual average industry developments.

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after income taxes. This is calculated on the basis of capital market-oriented models as a weighted average of the costs of equity and borrowed capital. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

The weighted average cost of capital after income taxes as used for discounting purposes is 8.5% for the planning period (2013: 9.26%). In order to extrapolate the plans beyond the planning period, a growth reduction of 1.0% was taken into consideration (2013: 1.0%). As such, the weighted average cost of capital for the subsequent period is 7.5% (2013: 8.26%).

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As part of the impairment test performed, the respective results were verified using a sensitivity analysis.

Various capitalisation rates were used for the sensitivity analysis. There was no need for impairment for capitalisation costs of up to approximately 9%. In addition, to take account of the volatility of the value-driving factors (transport volumes, freight rates, bunker prices and the US\$/EUR exchange rate), a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash flow determination. A decrease in the free cash flow of approximately 9% in the period thereafter did not result in a need for impairment. Even taking more recent findings into account before the preparation of the consolidated financial statements on 27 February 2015 did not lead to any significant changes in previous estimates regarding future development.

At the balance sheet date, the fair values less cost of disposal exceeded the carrying amounts on the basis of both the plans and the sensitivity analyses, with the result that no impairment needed to be recognised at the level of the cash-generating unit.

### Ship portfolio impairment testing

Against the backdrop of a comprehensive project to boost operational efficiency, the decision was made to sell a portfolio of 16 ships in the course of 2015. Due to their limited remaining useful lives, the recoverable amount of these ships was estimated on the basis of fair value less costs of disposal. This value was calculated using level 2 input factors (indirect inference of observable market prices) in accordance with IFRS 13. The recoverable amount is essentially determined on the basis of the budgeted disposal proceeds, with current sales transactions also being taken into account. The market prices are currently based on the proceeds generated from the scrapping of comparable ship classes.

This resulted in an impairment of EUR 127.4 million being recognised for the portfolio of ships at the balance sheet date. In the previous year, reversals of impairment losses amounting to EUR 0.6 million were recorded in relation to two ships held for sale.

### Financial instruments

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

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities measured at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and other liabilities. The valuation category of financial assets or liabilities measured at fair value through profit or loss is subdivided into the categories “held for trading” and “fair value option”.

Derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (hedge accounting) are classified as “held for trading”. The Group also holds financial assets in the “loans and receivables” and “available-for-sale financial assets” categories. By contrast, there are no held-to-maturity financial assets in these financial statements. Primary liabilities only exist in the category of financial liabilities measured at amortised cost.

Non-derivative host contracts are analysed to determine the existence of embedded derivatives. Embedded derivatives are to be recognised separately from the host contract as an independent financial instrument if the two components demonstrate different economic properties which are not closely linked to each other. Embedded derivatives are likewise classified as “held for trading”.

Financial assets and financial liabilities that fall within the scope of IAS 39 can be irrecoverably assigned to the subcategory “fair value option” under certain circumstances. Neither for financial assets nor for financial liabilities was the fair value option used.

In the 2014 financial year, as in the previous financial year, there were no reclassifications within the individual classification categories.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Primary financial assets

Financial assets are recognised at their value as at the trading date, *i.e.* the date on which the Group commits to buying the asset. Primary financial assets are classified as loans and receivables or as available-for-sale financial assets when recognised for the first time. Loans and receivables as well as available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable contractual payments which are not listed on an active market. They are shown in the statement of financial position under trade accounts receivables and other assets, and are classified as current assets if they mature within twelve months of the balance sheet date.

As part of subsequent measurements, loans and receivables are measured at amortised cost using the effective interest method. Impairments are recognised for identifiable individual risks. Where default of a certain proportion of the receivables portfolio is probable, impairments are recognised to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for identifiable individual risks include, for example, a material deterioration in creditworthiness, considerable default as well as a high probability of insolvency and the corresponding inability of the customer to repay debt. If the reasons for impairment cease to exist, write-backs are recorded, however, not in excess of the amortised costs. Impairments and impairment reversals are recorded in other operating expenses and income.

Impairments of trade receivables are, in part, recorded using an impairment account. The decision to record impairment either by using an impairment account or by directly reducing the trade receivable depends on the degree of reliability of the risk evaluation. Concrete losses lead to a write-off of the respective asset. No direct impairments on trade receivables were recorded in the financial year.

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or are unable to be allocated to any other category of financial assets. In the Hapag-Lloyd Group, these consist solely of shares in companies. They are allocated to non-current assets unless the management intends to sell them within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value after their initial measurement. Changes in fair values are recorded under other comprehensive income until the disposal of the assets. A long-term reduction in fair value gives rise to impairments recognised in the income statement. In the event of a subsequent write-back of the impairment recorded in the income statement, the impairment is not reversed, but is posted against other comprehensive income. If no listed market price on an active market is available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

Assets are no longer recognised as at the date when all the risks and opportunities associated with their ownership are transferred or cease.

### Cash and cash equivalents

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

### Primary financial liabilities

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

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability continues to exist with the new conditions.



## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### **Derivative financial instruments and hedge accounting**

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

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

Upon conclusion of the transaction in accordance with IAS 39, the hedging relationships between the hedging instrument and the underlying transaction and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to whether the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The effective proportion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in other comprehensive income. The ineffective proportion of such changes in fair value is recognised immediately in the other financial result. Hedge accounting by means of options records the changes in time value affecting net income because they are excluded from the hedging relationship. Amounts recorded in other comprehensive income are reclassified to the consolidated income statement and recognised as income or expenses in the period in which the hedged underlying transaction impacts the consolidated income statement. In the case of hedging relationships based on currency forward contracts, the entire effective market value change in the hedging transaction is initially recorded under other comprehensive income. In the next step, the spot component is reclassified from other comprehensive income to the consolidated income statement and is recognised through profit or loss in line with the change in the value of the underlying transaction. The forward component is recognised through profit or loss on a pro rata basis over the term of the hedging relationship.

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

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives, are recognised directly in the consolidated income statement with effect on net income.

Hedging measures that do not comply with the strict requirements of hedge accounting according to IAS 39 are used to hedge currency risks of monetary liabilities in the statement of financial position. This is done based on risk management principles and effectively contributes to the hedging of a financial risk. The use of hedge accounting according to IAS 39 is foregone since gains and losses from conversions of the underlying transactions and gains and losses from the respective hedging instrument affect net income simultaneously.

### **Inventories**

Inventories are measured at the lower of cost of acquisition or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel and lubricants.

### **Pensions and similar obligations**

The valuation of defined benefit plans from pension obligations and other post-employment benefits (*e.g.* healthcare benefits) is carried out in accordance with IAS 19 Employee Benefits using

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the projected unit credit method. The defined benefit obligation (DBO) is calculated annually by an independent actuarial expert. The present value of the DBO is calculated by discounting the expected future outflows at the interest rate of first-rate corporate bonds. The corporate bonds are issued in the currency of the payment to be made and have matching maturities with the pension obligations.

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

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

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

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

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

### Other provisions

Provisions are recognised for all legal or factual obligations resulting from a past event insofar as their utilisation is probable and their amount can be reliably determined. Provisions are recorded at the best estimate of their repayable amount and take account of cost increases. The present value is assessed for provisions with terms exceeding twelve months. Over the course of time, the provisions are adjusted on the basis of new knowledge gained. Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

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

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

### Taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Group, has opted for taxation in accordance with tonnage. Tax liability for tonnage taxation is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company's ship fleet. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or rebate from the tax authority is anticipated. They are ascertained on the basis of the Company's tax rates as at the balance sheet date. Income tax provisions are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.

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

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Expected tax savings from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, *i.e.* recovered, the tax-related budget of the Group is—consulted. The tax-related budget is based on the medium-term budget for 2015 to 2019.

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

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

Deferred tax assets are recorded to the extent that it is probable that future taxable income will be available at the level of the relevant tax authority for utilisation of the deductible temporary differences.

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

### **Fair value**

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

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

#### ***Level 1:***

Unchanged adoption of prices from active markets for identical assets or liabilities.

#### ***Level 2:***

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

#### ***Level 3:***

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

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

Additional explanations of fair values can be found in Note (27) "Financial instruments".

### **Discretionary decisions, estimates and assessments**

#### ***Discretionary decisions when applying accounting and measurement principles***

The preparation of consolidated financial statements in accordance with IFRS requires discretionary decisions. All discretionary decisions are continuously re-evaluated and are based on historic experiences and expectations regarding future events which seem reasonable under the existing conditions. This specifically applies to the following cases:

#### ***Classification of joint arrangements***

Hapag-Lloyd AG holds 50.0% of the shares in Hapag-Lloyd Denizasiri Nakliyat A.S., Izmir. Given that Hapag-Lloyd and the other parties to the shareholder agreement only have rights to the company's equity, the company was classified as a joint venture.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Furthermore Hapag-Lloyd holds 47.97% of the shares in Consorcio Naviero Peruano S.A., Lima. Given that Hapag-Lloyd and the other parties to the shareholder agreement only have rights to the company's equity, the company was classified as a joint venture.

For further explanations regarding joint ventures, please refer to Note (13).

### *Classification of leasing relationships*

During the classification of leasing relationships, discretionary decisions are made regarding the assignment of beneficial ownership to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leasing relationships; regarding the amounts, see Note (35).

### *Fair value hierarchy*

In a number of cases, the valuation parameters used to determine the fair value of an asset or liability can be assigned to various levels of the fair value hierarchy. In such cases, fair value measurement as a whole is assigned to the same hierarchy level as the valuation parameter of the lowest level that is of significance to the measurement in its entirety. The evaluation of the significance of a specific valuation parameter for measurement as a whole requires a discretionary decision in which the characteristic factors relating to the asset or liability are to be taken into consideration. See the section "Impairment testing" and Note (27) "Financial instruments" on the approach taken.

### *Management estimates and assessments*

In the consolidated financial statements, a certain number of estimates and assessments are made in order to determine the assets and liabilities shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

### *Intangible assets and property, plant and equipment*

Verification of the realisable values of intangible assets and property, plant and equipment also requires assumptions and estimates to be made regarding future cash flows, anticipated growth rates, exchange rates and discount rates. All material parameters are therefore at the discretion of the management regarding the future development, particularly in terms of the global economy. They involve the uncertainty of all forecasting activity. The assumptions made for this purpose can be subject to alterations which could lead to impairments in value in future periods. Regarding the approach, we refer to the presentation concerning impairment testing; regarding the amounts, see Notes (10) and (11).

A review of the vessels' scrap values in the 2013 financial year resulted in an adjustment in these values with effect from 1 January 2013, lowering depreciation for the 2013 financial year by EUR 21.4 million.

Against the backdrop of a comprehensive project to boost operational efficiency, the decision was made to sell a portfolio of 16 ships in the course of 2015. Due to their limited remaining useful lives, the fair values of these ships were estimated on the basis of the expected realisable income as at the balance sheet date. Following an impairment charge of EUR 127.4 million, the portfolio of ships had a total carrying amount of EUR 59.2 million as at 31 December 2014.

### *Allowance for doubtful receivables*

The allowance for doubtful receivables largely comprises estimates and valuations of both individual receivables and groups of receivables that are based on the respective creditworthiness of the customer, current economic trends and analysis of maturity structures and historical defaults. For further explanations, we refer to Note (14).

### *Deferred tax assets on loss carry-forwards*

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9).

### **Provisions**

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions, and mortality tables. These assumptions can diverge from the actual figures as a result of changes in the economic conditions or the market situation as well as mortality rates. For detailed explanations, see Note (22).

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes use empirical values as the basis for making assumptions regarding the likelihood of occurrence of the obligation or future developments, *e.g.* such as the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions.

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

To integrate CCS's business activities, the Executive Board decided on and communicated a comprehensive restructuring programme in December 2014. This includes merging the two head offices in Hamburg and reducing the number of regional headquarters to lower both personnel and overhead costs. In addition, the aim is to improve operational efficiency by merging the companies' IT platforms and by further reducing overheads, *e.g.* costs relating to rent, suppliers and insurance. A provision was created for the resulting restructuring obligations that is based on estimates and expectations with regard to the forecast amount required to fulfil the restructuring obligations as at the balance sheet date. For example, the amount relating to employee termination benefits takes into account the target number of employees determined in the reorganisation plan and country-specific expectations regarding the severance payments necessary. A definitive, legally binding agreement has yet to be reached with the majority of the employees or suppliers concerned.

For detailed explanations, see Note (23).

### **Discount rates**

The valuation of non-current receivables and liabilities, either non-interest bearing or with interest rates not in line with the market, and of non-current other provisions, depends primarily on the choice and development of discount rates.

### **Acquisition of CCS**

Presentation of the assets, liabilities and contingent liabilities acquired as part of the acquisition of CCS and reported in the consolidated financial statements depends on estimates and assumptions. Existing uncertainties were suitably applied to measurement during the purchase price allocation. All the estimates and assumptions are based on relationships and assessments as at the date of acquisition. There were no changes to these estimates and assumptions as at the balance sheet date.

The assumptions and estimates that could have a material impact on the carrying amounts of assets and liabilities relate mainly to the following cases:

- Setting the parameters for determining the fair value of the transferred contribution and the acquired assets, liabilities and contingent liabilities (*e.g.* assumptions regarding business development, operating margins and market conditions (charter rates, lease rates) and assumptions used to determine capital costs)

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Determining the useful life of intangible assets (e.g. brand, customer relationship and software)
- Measurement of tax and legal risks

### *Changes in assumptions and estimates*

The purchase price allocation for the acquisition of CCS is provisional, as the date of acquisition was shortly before the balance sheet date. There may be changes, in particular, in the valuation of the customer relationship, in the extent to which charter and lease contracts are advantageous or disadvantageous, and in the area of contingent liabilities. If facts and circumstances become known within a year of the date of acquisition that existed on the date of acquisition and that would have resulted in changes to the amounts indicated above, recognition of the company acquisition will be amended accordingly.

At the time of preparation of the consolidated financial statements, no further material changes in the underlying assumptions and estimates are expected. As such, no material adjustment of the recognised assets and liabilities is expected in the 2014 financial year at this time.

### *Risks and uncertainties*

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



**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**NOTES TO THE CONSOLIDATED INCOME STATEMENT**

The container shipping activities acquired by the Hapag-Lloyd Group in the course of incorporating CSAV's container shipping business are included for the month of December as of the consolidation date of 2 December 2014. As such, the figures in the consolidated income statement for 2014 can only be compared with those of previous years to a limited extent.

**(1) Revenue**

Revenue in the amount of EUR 6,807.5 million (2013: EUR 6,567.4 million) was primarily generated from the rendering of transport services amounting to EUR 6,694.0 million (2013: EUR 6,480.2 million).

**(2) Other operating income**

	<b>1.1.–31.12. 2014</b>	<b>1.1.–31.12. 2013</b>
	<b>Million EUR</b>	
Exchange rate gains . . . . .	70.6	20.4
Income from the reversal of provisions . . . . .	4.9	36.0
Income from the disposal of assets . . . . .	0.3	36.1
Income from write-backs . . . . .	0.0	0.6
Government assistance . . . . .	11.0	10.3
Other income . . . . .	30.0	52.9
<b>Total . . . . .</b>	<b>116.8</b>	<b>156.3</b>

The exchange rate gains from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial assets, financial liabilities and currency options as at the balance sheet date.

**(3) Transport expenses**

	<b>1.1.–31.12. 2014</b>	<b>1.1.–31.12. 2013</b>
	<b>Million EUR</b>	
Expenses for raw materials, supplies and purchased goods . . . . .	1,362.3	1,436.6
Cost of purchased services . . . . .	4,697.8	4,336.5
thereof		
Port, canal and terminal costs . . . . .	2,030.4	1,831.1
Container transport costs . . . . .	1,841.4	1,691.4
Chartering, leases and container rentals . . . . .	693.5	653.3
Maintenance/repair/other . . . . .	132.5	160.7
<b>Total . . . . .</b>	<b>6,060.1</b>	<b>5,773.1</b>

The cost of raw materials and supplies refers in particular to fuel expenses and effects from fuel hedging instruments.

**(4) Personnel expenses**

	<b>1.1.–31.12. 2014</b>	<b>1.1.–31.12. 2013</b>
	<b>Million EUR</b>	
Wages and salaries . . . . .	343.7	292.7
Social security costs, pension costs and other benefits . . . . .	59.6	72.5
<b>Total . . . . .</b>	<b>403.3</b>	<b>365.2</b>

Pension costs include, among other things, expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations and the interest income from the associated fund assets are recorded within the interest result. A detailed presentation of pension commitments is provided in Note (22).

Personnel expenses include allocations to restructuring provisions in the amount of EUR 41.2 million. The reduction in expenses for social security and pensions is largely the result of exchange rate differences.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Employees*

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Marine personnel .....	1,318	1,250
Shore-based personnel .....	5,835	5,547
Apprentices .....	188	185
<b>Total</b> .....	<b>7,341</b>	<b>6,982</b>

The average number of employees was as follows:

**(5) Depreciation, amortisation and impairment**

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Scheduled amortisation/depreciation .....	354.3	325.4
Amortisation of intangible assets .....	51.1	64.0
Depreciation of property, plant and equipment .....	303.2	261.4
Impairment of intangible assets and property, plant and equipment .....	127.4	—
<b>Total</b> .....	<b>481.7</b>	<b>325.4</b>

The scheduled amortisation of intangible assets largely concerned advantageous contracts.

The scheduled depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers.

Impairment in the financial year related to a portfolio of ships whose cash flows were largely determined by the budgeted sales proceeds in the planned sale process.

**(6) Other operating expenses**

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
EDP costs .....	67.1	60.9
Exchange rate losses .....	66.7	32.0
Commissions .....	56.2	36.4
Expenses for charges, fees, consultancy and other professional services .....	33.5	9.9
Other taxes .....	29.2	19.4
Rental and lease expenses .....	22.0	21.7
Other social security expenses .....	14.7	15.1
Administrative expenses .....	11.2	12.3
Other operating expenses .....	92.7	44.0
<b>Total</b> .....	<b>393.3</b>	<b>251.7</b>

The exchange rate losses from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial liabilities, currency options and currency forward contracts as at the balance sheet date.

Other operating expenses include restructuring costs of EUR 39.5 million relating to the planned integration of CSAV's container shipping business. This item also comprises travel costs, insurance payments, audit fees, and maintenance and repair costs.

**(7) Other financial result**

The other financial result essentially contains expenses due to changes in the fair value of derivative financial instruments amounting to EUR 3.0 million (2013: EUR 0.6 million). In the previous year, it also included income from the sale of the Company's shares in Montreal Gateway Terminals Ltd. Partnership, Montreal, totalling EUR 19.1 million.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**(8) Interest result**

The interest result was as follows:

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Interest income . . . . .	7.0	5.6
Interest income from fund assets for the financing of pensions and similar obligations . . . . .	4.5	3.8
Other interest and similar income . . . . .	2.5	1.8
Interest expenses . . . . .	216.7	159.2
Interest expenses from the valuation of pensions and similar obligations . . . . .	9.6	8.9
Interest expenses from the change in fair value of embedded derivatives . . . . .	17.0	1.5
Other interest and similar expenses . . . . .	190.1	148.8
<b>Total</b> . . . . .	<b>(209.7)</b>	<b>(153.6)</b>

As in the previous year, other interest and similar income mainly comprises income from interest-bearing bank accounts. In the financial year, interest amounting to EUR 2.3 million was received (2013: EUR 1.6 million).

Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from finance leases and other financial debt.

Interest expense also includes costs relating to the early repayment of a bond due in October 2015. The cost of early repayment came to EUR 6.3 million.

**(9) Income taxes**

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income tax. As in the previous year, for domestic companies subject to corporate income tax, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax apply. Additionally, these companies are subject to trade earnings tax, which for the years 2014 and 2013 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. Comparable actual income taxes are disclosed for foreign subsidiaries within the Group; in 2014, these ranged from 12.5% to 39.0% (2013: between 12.5% and 39.0%).

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

Income taxes were as follows:

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Actual income taxes . . . . .	11.1	7.1
thereof domestic . . . . .	4.1	2.8
thereof foreign . . . . .	7.0	4.3
Deferred tax income/expenses . . . . .	0.1	0.4
thereof from temporary differences . . . . .	(0.5)	(2.6)
thereof from loss carry-forwards . . . . .	0.6	3.0
<b>Total</b> . . . . .	<b>11.2</b>	<b>7.5</b>

Prior-period tax expenses in the amount of EUR 1.9 million are included in the actual income taxes (2013: income of EUR 0.2 million).

For domestic companies subject to corporate income tax, a combined income tax rate of 32.3% or 19.1% was used to calculate deferred taxes (2013: 32.3% or 19.1%). The combined income tax rate takes into account corporate income tax of 15.0% (2013: 15.0%), a solidarity surcharge of 5.5% of the corporate income tax (2013: 5.5%) and trade earnings tax of 16.5% (2013: 16.5%) or 3.3% (2013: 3.3%) insofar as it relates to income from vessel operations in international transport.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates which were applied for foreign-based companies for the 2014 financial year ranged from 16.5% to 39.0% (2013: 16.5% to 39.0%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. In order to ascertain the expected tax expense, the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year is multiplied by the pre-tax profit, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Earnings before income taxes . . . . .	(592.5)	(89.9)
Expected income tax expense (+) / income (–) (tax rate 32.3%) . . . . .	<b>(191.2)</b>	<b>(29.0)</b>
Difference between the actual tax rates and the expected tax rates . . . . .	0.3	0.8
Changes in tax rate and tax law . . . . .	0.0	0.3
Effects of income not subject to income tax . . . . .	182.2	44.3
Non-deductible expenses and trade tax additions and reductions . . . . .	8.3	5.3
Changes in unrecognised deferred taxes . . . . .	20.1	3.1
Effective tax expenses and income relating to other periods . . . . .	1.9	(0.2)
Tax effect from equity-accounted investees . . . . .	(10.9)	(17.8)
Exchange rate differences . . . . .	0.7	0.7
Other differences . . . . .	(0.2)	—
<b>Reported income tax expense (+) / income (–)</b> . . . . .	<b>11.2</b>	<b>7.5</b>

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

The effects from income not subject to income tax primarily comprise the effects from tonnage tax.

The adjustments to the recognition of deferred taxes include expenses amounting to EUR 6.1 million allocable to the non-recognition of deferred taxes on tax interest carried forward (2013: EUR 1.6 million) and EUR 16.0 million allocable to adjustments to the recognition of corporate income tax loss carry-forwards both at home and abroad (2013: EUR 1.7 million).

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

	31.12.2014		31.12.2013	
	Asset	Liability	Asset	Liability
	Million EUR			
Recognition and valuation differences for property, plant, and equipment and other non-current assets . . . . .	2.2	6.0	2.1	5.7
Recognition differences for receivables and other assets . . . . .	0.9	0.3	0.5	0.3
Valuation of pension provisions . . . . .	6.0	0.1	4.0	—
Recognition and valuation differences for other provisions . . . . .	1.9	0.0	1.5	—
Other transactions . . . . .	5.0	0.3	3.7	0.1
Capitalised tax savings from recoverable loss carry-forwards . . . . .	17.1	0.0	5.9	—
Netting of deferred tax assets and liabilities . . . . .	(5.2)	(5.2)	(5.1)	(5.1)
<b>Balance sheet recognition</b> . . . . .	<b>27.9</b>	<b>1.5</b>	<b>12.6</b>	<b>1.0</b>

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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

	<u>As per 1.1.2013</u>	<u>Recognised as taxes in the income statement</u>	<u>Recognised in other comprehensive income</u>	<u>Recognised as an exchange rate difference</u>	<u>As per 31.12.2013</u>
	Million EUR				
Recognition and valuation differences for property, plant and equipment and other non-current assets . . . . .	(6.6)	3.1	—	(0.1)	(3.6)
Recognition differences for receivables and other assets . . . . .	(0.9)	1.4	—	(0.3)	0.2
Valuation of pension provisions . . . . .	5.6	(0.7)	(0.8)	(0.1)	4.0
thereof recognised directly in equity . . . . .	4.5	—	(0.8)	(0.2)	3.5
Recognition and valuation differences for other provisions . . . . .	1.5	(0.2)	—	0.2	1.5
Other transactions . . . . .	4.7	(1.0)	—	(0.1)	3.6
Capitalised tax savings from recoverable loss carry-forwards . . . . .	9.2	(3.0)	—	(0.3)	5.9
<b>Balance sheet recognition . . . . .</b>	<b>13.5</b>	<b>(0.4)</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>11.6</b>

	<u>As per 1.1.2014</u>	<u>Change in the group of consolidated companies</u>	<u>Recognised as taxes in the income statement</u>	<u>Recognised in other comprehensive income</u>	<u>Recognised as an exchange rate difference</u>	<u>As per 31.12.2014</u>
	Million EUR					
Recognition and valuation differences for property, plant and equipment and other non-current assets . . . . .	(3.6)	0.1	(0.4)	—	0.1	(3.8)
Recognition differences for receivables and other assets . . . . .	0.2	0.3	0.2	—	(0.1)	0.6
Valuation of pension provisions . . . . .	4.0	—	(0.1)	1.9	0.1	5.9
thereof recognised directly in equity . . . . .	3.5	—	—	1.9	0.1	5.5
Recognition and valuation differences for other provisions . . . . .	1.5	1.1	(0.5)	—	(0.2)	1.9
Other transactions . . . . .	3.6	—	1.3	—	(0.2)	4.7
Capitalised tax savings from recoverable loss carry-forwards . . . . .	5.9	12.1	(0.6)	—	(0.3)	17.1
Balance sheet recognition . . . . .	11.6	13.6	(0.1)	1.9	(0.6)	26.4

No deferred tax liabilities were recognised for taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 16.8 million (2013: EUR 9.8 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

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

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
	Million EUR	
<b>Loss carry-forwards for which deferred tax assets were recognized . . . . .</b>	<b>69.7</b>	<b>36.1</b>
<b>Loss carry-forwards for which no deferred tax assets were recognized . . . . .</b>	<b>1,314.6</b>	<b>58.5</b>
thereof loss carry-forwards forfeitable in more than 5 years . . . . .	2.0	1.8
Non-forfeitable loss carry-forwards . . . . .	1,312.6	56.7
thereof interest carry-forwards . . . . .	33.0	15.5
<b>Total of unutilised loss carry-forwards . . . . .</b>	<b>1,384.3</b>	<b>94.6</b>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The container shipping activities acquired by the Hapag-Lloyd Group in the course of incorporating CSAV's container shipping business are included as of 2 December 2014, when they were consolidated. As such, the figures in the consolidated statement of financial position for 2014 can only be compared with those of previous years to a limited extent.

(10) Intangible assets

	Goodwill	Customer base	Advantageous contracts	Brand	Software	Other	Total
	Million EUR						
<b>Historical cost</b>							
As per 1.1.2013	693.9	313.2	290.7	191.0	83.3	3.9	1,576.0
Additions	—	—	—	—	1.9	0.1	2.0
Disposals	—	—	13.5	—	—	—	13.5
Transfers	—	—	(15.9)	—	(0.1)	—	(16.0)
Exchange rate differences	(29.3)	(13.2)	(11.2)	(8.1)	(3.6)	(0.2)	(65.6)
<b>As per 31.12.2013</b>	<b>664.6</b>	<b>300.0</b>	<b>250.1</b>	<b>182.9</b>	<b>81.5</b>	<b>3.8</b>	<b>1,482.9</b>
<b>Accumulated amortisation</b>							
As per 1.1.2013	—	52.2	169.7	—	40.4	0.3	262.6
Additions	—	13.8	39.4	—	10.8	—	64.0
Disposals	—	—	13.5	—	—	—	13.5
Transfers	—	—	(11.9)	—	(0.1)	—	(12.0)
Exchange rate differences	—	(2.7)	(7.7)	—	(2.1)	—	(12.5)
<b>As per 31.12.2013</b>	<b>—</b>	<b>63.3</b>	<b>176.0</b>	<b>—</b>	<b>49.0</b>	<b>0.3</b>	<b>288.6</b>
<b>Carrying amounts 31.12.2013</b>	<b>664.6</b>	<b>236.7</b>	<b>74.1</b>	<b>182.9</b>	<b>32.5</b>	<b>3.5</b>	<b>1,194.3</b>
<b>Historical cost</b>							
As per 1.1.2014	664.6	300.0	250.1	182.9	81.5	3.8	1,482.9
Addition from business combination	606.9	707.4	—	32.7	8.6	0.1	1,355.7
Additions	—	—	—	—	3.6	—	3.6
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	(5.4)	—	(1.8)	(0.1)	(7.3)
Exchange rate differences	104.1	58.4	22.3	25.2	11.4	0.6	222.0
<b>As per 31.12.2014</b>	<b>1,375.6</b>	<b>1,065.8</b>	<b>157.9</b>	<b>240.8</b>	<b>103.3</b>	<b>4.4</b>	<b>2,947.8</b>
<b>Accumulated amortisation</b>							
As per 1.1.2014	—	63.3	176.0	—	49.0	0.3	288.6
Addition from business combination	—	—	—	—	3.8	0.1	3.9
Additions	—	15.8	23.7	0.1	11.5	—	51.1
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	(2.6)	—	(1.8)	(0.1)	(4.5)
Exchange rate differences	—	9.8	15.0	—	7.7	—	32.5
<b>As per 31.12.2014</b>	<b>—</b>	<b>88.9</b>	<b>103.0</b>	<b>0.1</b>	<b>70.2</b>	<b>0.3</b>	<b>262.5</b>
<b>Carrying amounts 31.12.2014</b>	<b>1,375.6</b>	<b>976.9</b>	<b>54.9</b>	<b>240.7</b>	<b>33.1</b>	<b>4.1</b>	<b>2,685.3</b>

In order to assess the goodwill for impairment, an impairment test was carried out for the entire cash-generating unit container shipping at the end of the financial year 2014, as was the case in the previous year. Please refer to the section "Impairment testing" within the accounting and measurement principles in the Notes to the consolidated financial statements. A need for impairment was not ascertained.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,375.6 million (2013: EUR 664.6 million) and the Hapag-Lloyd brand in the amount of EUR 207.2 million (2013: EUR 182.9 million).



**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Existing contracts were identified as being advantageous if their contractual terms had a positive market value compared with the market conditions at the time of acquisition of the companies. This particularly included charter and lease contracts and transport and delivery contracts.

As in the previous year, no development costs were capitalised. The costs for the maintenance of software, which cannot be capitalised, amounted to EUR 7.1 million (2013: EUR 7.4 million) and were recognised as expenses.

**(11) Property, plant and equipment**

	<u>Vessels</u>	<u>Containers, chassis</u>	<u>Other equipment</u>	<u>Payments on account and assets under construction</u>	<u>Total</u>
	Million EUR				
<b>Historical cost</b>					
As per 1.1.2013	3,577.4	477.6	125.2	344.4	4,524.6
Additions	17.7	304.7	2.6	416.0	741.0
Disposals	25.1	13.4	0.6	—	39.1
Transfers	524.6	15.5	2.5	(527.0)	15.6
Exchange rate differences	(155.9)	(30.8)	(1.6)	(10.6)	(198.9)
<b>As per 31.12.2013</b>	<b>3,938.7</b>	<b>753.6</b>	<b>128.1</b>	<b>222.8</b>	<b>5,043.2</b>
<b>Accumulated depreciation</b>					
As per 1.1.2013	633.4	99.6	6.0	—	739.0
Additions	203.9	50.3	7.2	—	261.4
Impairments	0.6	—	—	—	0.6
Disposals	3.5	4.7	0.5	—	8.7
Transfers	—	11.9	(0.3)	—	11.6
Exchange rate differences	(20.7)	(6.1)	(0.3)	—	(27.1)
<b>As per 31.12.2013</b>	<b>812.5</b>	<b>151.0</b>	<b>12.1</b>	<b>—</b>	<b>975.6</b>
<b>Carrying amounts 31.12.2013</b>	<b>3,126.2</b>	<b>602.6</b>	<b>116.0</b>	<b>222.8</b>	<b>4,067.6</b>
<b>Historical cost</b>					
As per 1.1.2014	3,938.7	753.6	128.1	222.8	5,043.2
Addition from business combination	627.1	32.7	24.4	82.5	766.7
Additions	128.1	136.1	9.0	61.1	334.3
Disposals	14.8	4.1	0.5	—	19.4
Reclassifications to held for sale	411.6	—	—	—	411.6
Transfers	302.4	—	1.9	(298.8)	5.5
Exchange rate differences	532.8	112.8	6.2	10.6	662.4
<b>As per 31.12.2014</b>	<b>5,102.7</b>	<b>1,031.1</b>	<b>169.1</b>	<b>78.2</b>	<b>6,381.1</b>
<b>Accumulated depreciation</b>					
As per 1.1.2014	812.5	151.0	12.1	—	975.6
Addition from business combination	12.7	0.7	20.5	—	33.9
Additions	224.3	71.2	7.7	—	303.2
Impairments	127.4	—	—	—	127.4
Disposals	11.5	2.6	0.5	—	14.6
Reclassifications to held for sale	357.5	—	—	—	357.5
Transfers	2.7	—	—	—	2.7
Exchange rate differences	106.4	26.1	1.9	—	134.4
<b>As per 31.12.2014</b>	<b>917.0</b>	<b>246.4</b>	<b>41.7</b>	<b>—</b>	<b>1,205.1</b>
<b>Carrying amounts 31.12.2014</b>	<b>4,185.7</b>	<b>784.7</b>	<b>127.4</b>	<b>78.2</b>	<b>5,176.0</b>

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 4,481.1 million as at the balance sheet date (2013: EUR 3,381.1 million). These restrictions of ownership mainly pertain to ship mortgages from existing financing contracts for ships. Additional collateral exists with containers transferred by way of security.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Land charges of EUR 43.4 million and EUR 18.6 million were registered in the land registry as collateral for the loan from Deutsche Genossenschafts-Hypothekenbank for the purchase of the Ballindamm property.

Three “Hamburg Express” class newbuilds (2013: four) with a capacity of 13,200 TEU each and one vessel with a capacity of 9,300 TEU were delivered in the 2014 financial year and new containers were also received. Hapag-Lloyd again acquired containers from existing operating lease contracts and disposed of one vessel in the 2014 financial year. In the previous year, six ships and also containers were disposed of.

In the 2014 financial year, capitalisation of directly attributable borrowing costs amounted to EUR 2.0 million (2013: EUR 1.8 million). In addition, borrowing costs in the amount of EUR 2.8 million relating to general external financing were recognised in the year under review (2013: EUR 14.5 million).

### (12) Subsidiaries with non-controlling interests

The following companies within the Hapag-Lloyd Group had non-controlling interests as at the balance sheet date:

Name of the company	Registered Office	Proportion of ownership interest (in %)		Proportion of voting rights held (in %)	
		2014	2013	2014	2013
CSAV Austral Ltda. . . . .	Valparaíso	50.01	0.00	50.06	0.00
CSAV Group Agencies . . . . .					
South Africa (Pty) Ltd. . . . .	Durban	40.00	0.00	40.00	0.00
CSAV Shipping LLC . . . . .	Dubai	51.00	0.00	0.00	0.00
Florida Vessel Management LLC . . . . .	Tampa	25.00	25.00	25.00	25.00
Hapag-Lloyd Agency LLC . . . . .	Dubai	51.00	51.00	49.00	49.00
Hapag-Lloyd Grundstücks-holding GmbH . . . . .	Hamburg	5.10	5.10	5.10	5.10
Hapag-Lloyd Spain S.L. . . . .	Barcelona	10.00	10.00	10.00	10.00
Hapag-Lloyd (Thailand) Ltd. . . . .	Colombo	51.10	51.10	0.00	0.00
Southern Shipmanagement Co. S.A. . . . .	Valparaíso	50.00	50.00	50.00	50.00
Southern Shipmanagement (Chile) Ltda. . . . .	Valparaíso	49.50	49.50	49.50	49.50

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative and qualitative perspective.

### (13) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2014. Hapag-Lloyd’s share of the voting rights for each company corresponds to their share in the company.

Name of the company	Registered office	Proportion of ownership in the group (in %)	
		2014	2013
Joint venture			
Hapag-Lloyd Denizasiri Nakliyat A.S.* . . . . .	Izmir	50.00	50.00
Consorcio Naviero Peruano S.A.* . . . . .	Lima	47.97	—
<b>Associated companies</b>			
Hapag-Lloyd Lanka (Pvt) Ltd* . . . . .	Colombo	40.00	40.00
HHLA CTA Besitzgesellschaft mbH** . . . . .	Hamburg	—	25.10
HHLA Container Terminal Altenwerder GmbH** . . . . .	Hamburg	25.10	25.10

\* Container transport services.

\*\* Container terminal.

All of the Company’s shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, with a carrying amount of EUR 0.0, were sold to the majority shareholder in the 2013 financial year.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the year under review, HHLA Container Terminal Altenwerder GmbH, Hamburg, was merged into HHLA CTA Besitzgesellschaft mbH, Hamburg, and was subsequently renamed HHLA Container Terminal Altenwerder GmbH, Hamburg.

In the course of incorporating CSAV's container shipping business into the Hapag-Lloyd Group, the equity-accounted investee Consorcio Naviero Peruano S.A., Lima, was included. As in the previous year, there were no unrecognised proportionate losses for equity-accounted investees in the reporting period. No impairment losses are included in the proportionate equity result.

HHLA Container Terminal Altenwerder GmbH provides terminal services for the Hapag-Lloyd Group.

Summarised financial information for the main equity-accounted investee reported in the statement of financial position (on a 100% basis and therefore not adjusted to the percentage holding) is contained in the following table:

	HHLA Container Terminal Altenwerder GmbH*	
	2014	2013
	Million EUR	
<b>Balance sheet</b>		
Current assets . . . . .	168.8	173.7
Non-current assets . . . . .	93.2	109.6
Liabilities . . . . .	181.6	202.9
<b>Statement of comprehensive income</b>		
Revenues . . . . .	261.5	280.4
Annual result . . . . .	84.4	86.9
Dividend payments to Hapag-Lloyd Group . . . . .	(30.6)	(27.9)

\* Combined data of CTA Group as of 2013 (HHLA Container Terminal Altenwerder GmbH and HHLA CTA Besitz mbH).

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

	HHLA Container Terminal Altenwerder GmbH*		Non-material associated companies		Non-material joint ventures	
	2014	2013	2014	2013	2014	2013
	Million EUR					
<b>Participation 1.1.</b> . . . . .	327.6	324.9	0.3	0.3	4.9	4.7
Addition from business combination . . . . .	—	—	—	—	50.1	—
Pro-rata share at earnings after taxes . . . . .	30.3	30.6	0.2	0.3	3.7	4.2
Dividend payments . . . . .	(30.6)	(27.9)	(0.2)	(0.2)	(3.2)	(3.1)
Exchange rate differences . . . . .	—	—	—	(0.1)	1.8	(0.9)
<b>Participation 31.12.</b> . . . . .	327.3	327.6	0.3	0.3	57.3	4.9

\* Combined data of CTA Group as of 2013 (HHLA Container Terminal Altenwerder GmbH and HHLA CTA Besitz mbH).

### (14) Trade accounts receivable and other assets

	31.12.2014		31.12.2013	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	Million EUR			
Trade accounts receivable . . . . .	716.0	—	473.3	—
thereof from third parties . . . . .	713.0	—	470.4	—
thereof from affiliated non-consolidated companies . . . . .	3.0	—	2.9	—
Other assets . . . . .	147.4	13.1	114.7	7.9
Other assets and prepaid expenses . . . . .	92.4	9.3	97.4	4.8
Claims arising from the refund of other taxes . . . . .	54.8	3.6	17.1	2.9
Available-for-sale financial assets . . . . .	0.2	0.2	0.2	0.2
<b>Total</b> . . . . .	<b>863.4</b>	<b>13.1</b>	<b>588.0</b>	<b>7.9</b>

With the addition of new companies to the group of consolidated companies due to the acquisition of CSAV's container shipping business, trade accounts receivable and other assets have risen.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As at 31 December 2014, in relation to ship financing there were assignments of earnings of a type customary on the market for trade accounts receivable resulting from revenue.

In addition to this, trade accounts receivable were pledged as part of the programme to securitise receivables.

If no prices listed on an active market are available and the fair value cannot be determined reliably, the available-for-sale financial assets are measured at cost. In the 2014 financial year, as in the previous year, no impairment was recognised in the “available-for-sale financial assets” category.

### Credit risks

The following table provides information about the credit risks involved in trade accounts receivable and other financial assets:

	Carrying amounts of Financial instruments	Thereof neither overdue nor impaired	Thereof not impaired and overdue in the following periods				
			more than 30 days	less than 60 days	between 31 and 90 days	between 61 and 180 days	between 91 and 180 days
Million EUR							
<b>31.12.2013</b>							
Trade accounts receivable . . . . .	473.3	333.0	114.8	9.6	8.5	6.2	1.2
Other assets . . . . .	51.0	51.0	—	—	—	—	—
<b>Total . . . . .</b>	<b>524.3</b>	<b>384.0</b>	<b>114.8</b>	<b>9.6</b>	<b>8.5</b>	<b>6.2</b>	<b>1.2</b>
<b>31.12.2014</b>							
Trade accounts receivable . . . . .	716.0	556.0	131.0	14.4	6.1	2.9	5.7
Other assets . . . . .	58.9	58.9	—	—	—	—	—
<b>Total . . . . .</b>	<b>774.9</b>	<b>614.9</b>	<b>131.0</b>	<b>14.4</b>	<b>6.1</b>	<b>2.9</b>	<b>5.7</b>

With regard to the portfolio of trade accounts receivable and other assets which are neither impaired nor defaulted, there are no indications as at the balance sheet date that the respective debtors will not honour their obligations to pay.

### Impairment allowances

The impairment allowances on trade accounts receivable developed as follows:

	2014	2013
Million EUR		
<b>Impairment allowances as of 1.1.</b> . . . . .	12.5	9.9
Addition from business combination . . . . .	8.0	—
Additions . . . . .	9.1	6.0
Utilisation . . . . .	3.7	1.1
Release . . . . .	7.9	2.1
Exchange rate differences . . . . .	(1.7)	(0.2)
<b>Impairment allowances as of 31.12.</b> . . . . .	<b>19.8</b>	<b>12.5</b>

There were minor cash inflows from impaired trade accounts receivable in the financial year.

### (15) Derivative financial instruments

	31.12.2014		31.12.2013	
	Remaining term more than 1 year	Total	Remaining term more than 1 year	Total
Million EUR				
Receivables from derivative financial instruments . . . . .	19.6	15.8	99.6	74.5
thereof derivatives with hedge accounting applied . . . . .	0.2	—	41.2	16.1
thereof derivatives with hedge accounting not applied . . . . .	19.4	15.8	58.4	58.4

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks in the area of financing. This item also contains embedded derivatives in the form of early buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (27)).

### (16) Inventories

The inventories were as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
	<u>Million EUR</u>	
Raw materials and supplies .....	149.0	168.7
Prepayments .....	3.1	0.2
<b>Total</b> .....	<u><b>152.1</b></u>	<u><b>168.9</b></u>

The raw materials and supplies were primarily fuel and lubricating oil (2014: EUR 146.7 million; 2013: EUR 166.9 million).

Impairments of fuel inventories in the amount of EUR 19.0 million were recognised as expenses in the reporting period (2013: EUR 1.1 million). No write-backs were recognised.

### (17) Cash and cash equivalents

	<u>31.12.2014</u>	<u>31.12.2013</u>
	<u>Million EUR</u>	
Securities .....	0.3	0.5
Cash at bank .....	707.7	459.4
Cash in hand and cheques .....	3.4	4.9
<b>Total</b> .....	<u><b>711.4</b></u>	<u><b>464.8</b></u>

The balances of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligations due have been settled. These account balances came to EUR 7.8 million as at 31 December 2014.

In the previous year, cash and cash equivalents were not subject to any restrictions.

### (18) Non-current assets held for sale

The Executive Board of Hapag-Lloyd AG has decided to sell a portfolio of vessels in 2015. Pursuant to IFRS 5, the assets were reported separately as non-current assets held for sale in the consolidated statement of financial position as at 31 December 2014.

The carrying amount of the ships to be sold totalled EUR 59.2 million as at 31 December 2014. Previously, impairment amounting to EUR 127.4 million was recognised. Twelve ships serve as collateral for a fleet financing arrangement entered into in 2011. An additional ship is financed on a bilateral basis. The contract terms require that the sales proceeds of eleven of these ships be used to repay these loan liabilities should those ships be disposed of earlier than originally planned. As a result, additional early repayments are expected in the 2015 financial year.

### (19) Subscribed capital, capital reserves and retained earnings

Following the retrospective merger of Hapag-Lloyd Holding AG with Hapag-Lloyd AG, capital reserves of EUR 935.3 million were recognised for Hapag-Lloyd AG within the Hapag-Lloyd Group from 1 January 2013. The reduction in capital reserves of EUR 2,334.5 million as a result of the merger led to a corresponding increase in retained earnings. Overall, there were no changes to the Group's equity as a result of the merger.

The Company's subscribed capital increased by EUR 28.3 million and the capital reserves by EUR 1,202.3 million with effect from 2 December 2014 as a result of the incorporation of CSAV's container shipping business in Hapag-Lloyd AG in exchange for new shares. In a second capital

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

increase on 19 December 2014, the subscribed capital was increased by a further EUR 10.5 million and capital reserves by EUR 359.5 million. Under a resolution dated 17 February 2015, EUR 845.2 million was transferred from capital reserves to offset Hapag-Lloyd AG's net loss for the year, thereby increasing retained earnings.

Under a resolution approved at the AGM on 25 June 2014, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's share capital by up to EUR 33.0 million up to 31 March 2015 by issuing new no-par registered shares in exchange for cash and/or contributions in kind on one or more occasions. This authorised capital was utilised to effect the capital increase of EUR 28.3 million on 2 December 2014. EUR 4.7 million of authorised capital therefore now remains.

In addition, under a resolution approved at the AGM on 2 December 2014, 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 up to 31 December 2017 by issuing up to 12.5 million new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash. This authorised capital may only be used for the purposes of effecting a public share offer in connection with a listing of the Company's shares on the Frankfurt Stock Exchange.

As at 31 December 2014, Hapag-Lloyd AG's subscribed capital is divided into 104.9 million no-par registered shares with equal rights.

In addition to the effect caused by the merger, retained earnings include earnings from the financial year as well as previous years.

### **(20) Cumulative other equity**

Cumulative other equity comprises the reserve for cash flow hedges, the reserve for remeasurements from defined benefit plans and the translation reserve.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 0.0 million as at 31 December 2014 (2013: EUR 6.4 million).

The item for remeasurements from defined benefit plans (2014: EUR –104.8 million; 2013: EUR –46.6 million) results from actuarial gains and losses recognised in other comprehensive income, among other things due to the change in actuarial parameters in connection with the valuation of pension obligations and the associated fund assets.

The differences from currency translation of EUR 320.8 million in the year under review (previous year: EUR –115.9 million) were due to the translation of the financial statements of subsidiaries prepared in foreign currency and from the conversion of goodwill carried in foreign currency as well as other purchase price allocation items. The translation reserve as at 31 December 2014 amounted to EUR 226.2 million (2013: EUR –94.6 million).

### **(21) Non-controlling interests**

Non-controlling interests rose to EUR 5.3 million in the year under review as a result of the addition of five former CSAV companies with minority interests. This item rose by EUR 2.7 million in the previous year as a result of the sale of 5.1% of the Company's shares in Hapag-Lloyd Grundstücksholding. For more information about the companies, please refer to Note (12).

### **(22) Provisions for pensions and similar obligations**

#### ***Defined benefit pension plans***

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

Provisions for domestic benefit obligations and similar obligations are primarily made due to benefit commitments for pensions, survivorship annuities and disability benefits. The amount of the benefit depends on which benefit group, based on years of service, the employees belong to and therefore on the total number of years of service. The monthly pension payable corresponds to the balance of the benefit account of the employee when pension payments begin. The balance of the



**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

benefit account is zero when employment begins. It increases by the increment set for the benefit group for every year of eligible service. After the 25th year of service, the annual amount increases by a fifth of the increment applicable to the benefit group. There is no obligation for employees to participate in the pension plan by way of paying contributions.

The Group also makes contributions to a separate defined benefit plan for current and former members of the Executive Board. This plan also entails entitlement to pension, survivorship annuity and disability benefits. Pension sums are based on an individually defined percentage of pensionable emoluments. There is also the option of forgoing bonus payments in favor of the company pension scheme. Executive Board pensions are secured by plan assets in the form of reinsurance. Retirement benefits are paid out in the form of monthly pension payments.

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

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

***Financing status of the pension plans***

	<u>31.12.2014</u>	<u>31.12.2013</u>
	<u>Million EU</u>	
<b>Domestic defined benefit obligations</b>		
Net present value of defined benefit obligations . . . . .	182.1	132.1
Less fair value of plan assets . . . . .	<u>10.8</u>	<u>10.0</u>
<b>Deficit (net liabilities) . . . . .</b>	<b><u>171.3</u></b>	<b><u>122.1</u></b>
<b>Foreign defined benefit obligations</b>		
Net present value of defined benefit obligations . . . . .	150.6	116.6
Less fair value of plan assets . . . . .	<u>107.1</u>	<u>91.9</u>
<b>Deficit (net liabilities) . . . . .</b>	<b><u>43.5</u></b>	<b><u>24.7</u></b>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Composition and management of plan assets*

The Group's plan assets are as follows:

	31.12.2014	31.12.2013
	Million EUR	
Equity instruments		
with quoted market price in an active market . . . . .	20.6	29.0
without quoted market price in an active market . . . . .	2.3	2.3
Government bonds		
with quoted market price in an active market . . . . .	34.6	27.1
without quoted market price in an active market . . . . .	—	—
Corporate bonds		
with quoted market price in an active market . . . . .	22.9	14.2
without quoted market price in an active market . . . . .	—	—
Other debt instruments		
mortgage-backed securities		
with quoted market price in an active market . . . . .	6.2	5.6
without quoted market price in an active market . . . . .	—	—
(other) asset-backed securities		
with quoted market price in an active market . . . . .	3.5	2.9
without quoted market price in an active market . . . . .	—	—
Derivatives		
with quoted market price in an active market . . . . .	2.1	1.8
without quoted market price in an active market . . . . .	—	—
Pension plan reinsurance . . . . .	10.8	10.0
Real estate . . . . .	1.0	0.9
Cash and cash equivalents . . . . .	8.5	2.4
Other . . . . .	5.4	5.7
<b>Fair value of plan assets . . . . .</b>	<b>117.9</b>	<b>101.9</b>

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

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

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

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

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Development of the present value of defined benefit obligations*

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

	2014	2013
	Million EUR	
<b>Net present value of defined benefit obligations as at 1.1.</b> . . . . .	<b>248.7</b>	<b>254.1</b>
Current service cost . . . . .	6.7	7.4
Interest expenses . . . . .	9.7	8.9
Remeasurements:		
Actuarial gains (–) / losses (+) from changes in demographic assumptions . . . . .	—	0.3
Actuarial gains (–) / losses (+) from changes in financial assumptions . . . . .	68.2	(16.0)
Actuarial gains (–) / losses (+) from changes due to experience . . . . .	(0.5)	0.9
(Negative (–)) Past service cost . . . . .	1.3	—
Plan settlements . . . . .	(0.1)	(0.1)
Contributions by plan participants . . . . .	0.5	0.4
Benefits paid . . . . .	(7.1)	(6.4)
Exchange rate differences . . . . .	4.5	(0.8)
Additions from change in the group of consolidated companies . . . . .	0.7	—
<b>Net present value of defined benefit obligations as at 31.12.</b> . . . . .	<b>332.6</b>	<b>248.7</b>

The weighted average maturity of defined benefit obligations was 20.4 years as at 31 December 2014 (2013: 17.8 years).

	2014	2013
	Million EUR	
<b>Fair value of plan assets as at 1.1.</b> . . . . .	<b>101.9</b>	<b>98.6</b>
Interest income . . . . .	4.5	3.8
Return on plan assets (excluding interest income) . . . . .	8.9	1.6
Employer contributions . . . . .	2.8	4.0
Contributions by plan participants . . . . .	0.4	0.4
Plan settlements . . . . .	(0.1)	—
Benefits paid . . . . .	(3.8)	(3.3)
Exchange rate differences . . . . .	3.3	(3.2)
<b>Fair value of plan assets as at 31.12.</b> . . . . .	<b>117.9</b>	<b>101.9</b>

*Development of the fair value of the plan assets*

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

*Net pension expenses*

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

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Current service cost . . . . .	6.7	7.4
Interest expenses . . . . .	9.6	8.9
Interest income . . . . .	(4.5)	(3.8)
(Negative (–)) Past service cost . . . . .	1.3	—
Plan settlements . . . . .	(0.1)	(0.1)
<b>Net pension expenses</b> . . . . .	<b>13.0</b>	<b>12.4</b>

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Personnel expenses .....	7.9	7.3
Interest expenses (+) / interest income (–) .....	5.1	5.1
<b>Total</b> .....	<b>13.0</b>	<b>12.4</b>

### *Actuarial assumptions*

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

The 2005 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension obligations. The following significant financial and actuarial assumptions were also used:

percentage points	2014	2013
Discount factors .....	2.00	3.50
Expected rate of pension increases .....	1.80	1.80

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

percentage points	2014	2013
Discount factors for pension obligations		
—United Kingdom .....	3.60	4.60
—Netherlands .....	2.00	3.50
—Canada .....	3.75	4.50
—Mexico .....	7.20	7.20
Expected rate of pension increases		
—United Kingdom .....	2.90	3.20
—Netherlands .....	2.00	2.00
—Canada .....	n a	n a
—Mexico .....	3.30	3.30

The discount factors for the pension plans are determined annually as at 31 December on the basis of first-rate corporate bonds with maturities and values matching those of the pension payments. An index based on corporate bonds with relatively short terms is used for this purpose. The resultant interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk premium, and the discount rate is then determined in line with the duration of the obligation.

### *Remeasurements*

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR –60.1 million before tax as at 31 December 2014 for the 2014 financial year (2013: EUR 16.9 million) and can be broken down as follows:

	31.12.2014	31.12.2013
	Million EUR	
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions .....	0.0	(0.3)
Changes in financial assumptions .....	(68.2)	16.0
Changes from experience .....	0.4	(0.9)
Return on plan assets (excluding interest income) .....	8.9	1.6
Exchange rate differences .....	(1.2)	0.5
<b>Remeasurements</b> .....	<b>(60.1)</b>	<b>16.9</b>

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR –104.8 million as at 31 December 2014 (2013: EUR –46.6 million).

### *Future contribution and pension payments*

For 2015, the Group is planning to make contributions to pension plan assets amounting to EUR 4.4 million (2014: EUR 4.1 million). Payments for unfunded pension plans are anticipated in the amount of EUR 3.2 million in 2015 (2014: EUR 3.0 million).

### *Sensitivity analyses*

An increase or decrease in the material actuarial assumptions would have the following effects on the present value of pension obligations as at 31 December 2014:

	Present value 31.12.2014	Present value 31.12.2013
	Million EUR	
Discount factor 0.8% points higher . . . . .	(55.1)	(30.5)
Discount factor 0.8% points lower . . . . .	70.4	37.7
Expected rate of pension increase 0.2% higher . . . . .	18.3	4.8
Expected rate of pension increase 0.2% lower . . . . .	(17.6)	(4.5)
<b>Life expectancy 1 year longer . . . . .</b>	<b>22.2</b>	<b>6.9</b>

The sensitivity calculations are based on the average maturity of pension obligations determined as at 31 December 2014. In order to present the effects on the present value of obligations as at 31 December 2014 separately, the calculations for the key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension obligations and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

### *Defined contribution pension plans*

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2014, expenses incurred in connection with defined contribution pension plans totalled EUR 18.2 million (2013: EUR 17.9 million). This amount includes an expense of EUR 0.7 million in connection with a joint plan operated by several employers (2013: EUR 0.3 million).

In the 2008 financial year, pension and medical benefit obligations in the USA were transferred, together with the corresponding plan assets, from the Company's own benefit plan to the joint plan of several employers. This plan is a defined benefit pension plan. As the joint plan does not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, this plan has been recognised as a contribution plan since then.

Contributions are paid to finance the plan. These are determined on the basis of current service cost, the anticipated costs of the earned entitlement of active participants for the current year and the distribution of shortfalls. The total amount required is spread in an amount calculated per working hour which falls due per participant and paid working hour.

A total of 17 shipping companies participate in the plan. When joining the plan, the companies brought with them deficits of EUR 20.6 million (pensions) and EUR 57.7 million (medical care). Hapag-Lloyd's share amounted to a surplus of EUR 0.9 million (pensions) and a deficit of EUR 1.9 million (medical care). These initial surpluses and deficits are being equalised over a period of ten years by means of reduced contributions or additional contributions respectively. In this context, the Company reported a net liability of EUR 1.0 million as at 31 December 2014 (2013: EUR 0.7 million).

Deficits which have arisen since the calculation of the initial deficits are spread over 15 years, which results in higher contributions. Deficits are calculated by deducting the market value of the plan assets from the cumulative obligations.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

According to the most recent report (1 January 2014; previous year: 1 January 2013), the plan participants were as follows:

Plan participants (total)	2014		2013	
	Medical care	Pensions	Medical care	Pensions
Active vested participants	559	523	581	539
Inactive vested participants	0	47	0	48
Beneficiaries	144	144	123	122
<b>Total</b>	<b>703</b>	<b>714</b>	<b>704</b>	<b>709</b>

Plan participants (total)	2014		2013	
	Medical care	Pensions	Medical care	Pensions
Active vested participants	39	39	37	37
Inactive vested participants	2	2	3	3
Beneficiaries	2	1	1	1
<b>Total</b>	<b>43</b>	<b>42</b>	<b>41</b>	<b>41</b>

In the event that a company wishes to leave the plan, they must pay a withdrawal liability. This withdrawal liability is calculated on the basis of the current proportionate deficit by taking into account only the non-forfeitable benefits less the market value of the plan assets. If a company leaves the plan without being able to pay the withdrawal liability, for instance in the event of insolvency, the deficit remains within the plan and must be covered by the other companies.

For 2015, payments to the plan are expected to amount to EUR 0.8 million (2014: EUR 0.8 million).

**(23) Other provisions**

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

	As per 1.1.2013	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2013
Million EUR								
Guarantee, warranty and liability risks	63.6	—	—	5.9	25.7	5.9	(1.8)	36.1
Risks from pending transactions	49.8	—	—	14.5	—	—	(1.7)	33.6
Personnel costs	38.8	—	(3.6)	23.7	0.6	28.5	(1.3)	38.1
Insurance premiums	11.6	—	—	11.4	—	5.8	(0.3)	5.7
Provisions for other taxes	3.4	—	(0.5)	2.5	0.4	2.1	(0.2)	1.9
Restructuring	0.6	—	—	0.4	—	—	(0.1)	0.1
Other provisions	39.2	—	0.3	19.5	9.9	8.3	(0.9)	17.5
<b>Other provisions</b>	<b>207.0</b>	<b>0.0</b>	<b>(3.8)</b>	<b>77.9</b>	<b>36.6</b>	<b>50.6</b>	<b>(6.3)</b>	<b>133.0</b>

	As per 1.1.2014	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2014
Million EUR								
Guarantee, warranty and liability risks	33.6	265.6	—	24.0	10.8	17.4	9.9	291.7
Restructuring	0.1	—	—	0.1	—	82.0	7.7	89.7
Risks from pending transactions	36.1	43.7	—	8.3	0.8	12.7	6.4	89.8
Personnel costs	38.1	5.2	0.1	27.8	2.2	25.4	2.7	41.5
Insurance premiums	5.7	—	—	4.9	0.3	8.0	1.0	9.5
Provisions for other taxes	1.9	3.9	—	2.0	—	2.2	0.3	6.3
Other provisions	17.5	17.5	—	8.2	3.0	35.5	4.6	63.9
<b>Other provisions</b>	<b>133.0</b>	<b>335.9</b>	<b>0.1</b>	<b>75.3</b>	<b>17.1</b>	<b>183.2</b>	<b>32.6</b>	<b>592.4</b>



## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In relation to the incorporation of CSAV's container shipping business into the Hapag-Lloyd Group with effect from 2 December 2014, the Hapag-Lloyd Group's Executive Board approved a comprehensive restructuring plan to implement the Group's new organisational structure directly caused by this integration. Following the announcement of the plan, the Group recognised provisions for the expected restructuring costs, including estimated costs incurred for closing and merging offices, IT modifications, discontinuing and restructuring services, agent terminations, consultancy costs and employee termination benefits, amounting to EUR 88.2 million as at 31 December 2014. Half of the estimated restructuring costs relate to employee termination benefits. It is expected that the restructuring measures will be largely completed by the end of 2015.

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. In the 2013 financial year, provisions for liability losses were released in the amount of EUR 25.7 million following the end of a legal dispute by means of settlement with the parties involved. Following the acquisition of CSAV's container shipping business, provisions for expenses relating to the return of containers in the amount of EUR 53.9 million were created as at 31 December 2014.

Provisions for risks from pending transactions relate to contracts identified with regard to purchase price allocations pursuant to IFRS 3 that have a negative market value compared to the market conditions at the time of the purchase. During the current financial year, disadvantageous charter and lease agreements amounting to EUR 256.6 million were reported in connection with the acquisition of CSAV's container shipping activities. Provisions for risks from pending transactions are utilised over the respective contractual terms of the underlying contracts.

Provisions for personnel costs comprise provisions for holidays not yet taken, bonuses not yet paid, severance compensation and anniversary payments.

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

Other provisions in particular include provisions for country-specific risks (EUR 19.0 million; 2013: EUR 6.0 million) and archiving provisions (EUR 3.9 million; 2013: EUR 3.7 million).

The increase in non-current provisions in the year under review primarily resulted from the incorporation of CSAV's container shipping business. The increase in the discounted amount during the financial year due to the passage of time is insignificant, as is the change in discounted provisions as a result of the change in the discount rate in relation to the Hapag-Lloyd Group's existing provisions.

The maturities of the other provisions are as follows:

	31.12.2014				31.12.2013			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1-5 years	more than 5 years		up to 1 year	1-5 years	more than 5 years
	Million EUR							
Guarantee, warranty and liability risks	291.7	150.7	122.3	18.7	33.6	14.0	19.6	—
Restructuring	89.7	88.3	1.4	—	0.1	0.1	—	—
Risks from pending transactions	89.8	44.3	43.2	2.3	36.1	26.6	7.6	1.9
Personnel costs	41.5	27.4	6.4	7.7	38.1	30.1	3.5	4.5
Insurance premiums	9.5	9.5	—	—	5.7	5.7	—	—
Provisions for other taxes	6.3	6.3	—	—	1.9	1.9	—	—
Other provisions	63.9	58.9	0.9	4.1	17.5	12.9	0.7	3.9
<b>Other provisions</b>	<b>592.4</b>	<b>385.4</b>	<b>174.2</b>	<b>32.8</b>	<b>133.0</b>	<b>91.3</b>	<b>31.4</b>	<b>10.3</b>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(24) Financial debt

	31.12.2014				31.12.2013			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1-5 years	more than 5 years		up to 1 year	1-5 years	more than 5 years
	Million EUR							
Liabilities to banks . . . . .	2,489.1	337.2	1,396.7	755.2	1,694.2	334.4	848.1	511.7
Bonds . . . . .	869.3	18.7	850.6	—	873.0	16.2	856.8	—
Liabilities from finance lease contracts . . . . .	206.3	34.3	122.1	49.9	233.6	110.8	83.1	39.7
Other financial liabilities . . . . .	152.4	17.8	78.6	56.0	134.2	13.5	58.7	62.0
<b>Total . . . . .</b>	<b>3,717.1</b>	<b>408.0</b>	<b>2,448.0</b>	<b>861.1</b>	<b>2,935.0</b>	<b>474.9</b>	<b>1,846.7</b>	<b>613.4</b>

Financial debt by currency exposure:

	31.12.2014	31.12.2013
	Million EUR	
Financial liabilities denoted in US\$ (excl. transaction costs) . . . . .	2,970.1	2,192.4
Financial liabilities denoted in EUR (excl. transaction costs) . . . . .	786.5	773.3
Financial liabilities denoted in CLP (excl. transaction costs) . . . . .	12.2	0.0
Interest payable . . . . .	29.8	27.9
Accounting for transaction costs . . . . .	(81.5)	(58.6)
<b>Total . . . . .</b>	<b>3,717.1</b>	<b>2,935.0</b>

Financial debt increased significantly in the financial year due to the incorporation of CSAV's container shipping business.

Liabilities to banks comprise loans to finance the existing fleet of vessels and to finance containers. Liabilities to banks increased as a result of the addition of financial debt from the CCS companies and due to the drawdown of US\$276.7 million (EUR 227.6 million) in connection with the delivery of three "Hamburg Express" class newbuilds in the first half of 2014. The existing bridging loans for these vessels in the amount of US\$143.2 million (EUR 117.8 million) were repaid in full.

In the previous year, liabilities to banks increased in particular as a result of four credit tranches in connection with the financing of the ship newbuilds in the "Hamburg Express" class delivered in 2013 (as at 31 December 2013: EUR 241.9 million) and financing in connection with the keel laying and launching of three additional ship newbuilds (as at 31 December 2013: EUR 83.2 million). The existing loans for four vessels were paid off in full and were replaced by new financing (as at 31 December 2013: EUR 111.9 million).

EUR 41.5 million was drawn down from an available credit facility in 2013 to finance container investments.

In addition, various sale and operating leaseback transactions were effected and investments were made in new containers. The economic substance of these transactions is credit financing secured by the assignment of containers as collateral. Classification is in accordance with SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. Three such transactions were concluded in 2014. Overall, such financial debt resulted in carrying amounts totalling EUR 351.1 million (2013: EUR 207.0 million), with interest of EUR 14.2 million being recognised in interest expense in the 2014 financial year (2013: EUR 5.1 million).

As part of the receivables securitisation programme, liabilities to banks increased by EUR 90.3 million.

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of securitised trade accounts receivable amounting to EUR 236.9 million (2013: EUR 135.3 million).

On 20 November 2014, Hapag-Lloyd issued another corporate bond on the capital market with a maturity of five years. The bond has a volume of EUR 250 million and a coupon of 7.50% p.a. The proceeds from the bond's issuance and an additional EUR 30 million of existing cash balances were used for the early repayment of the EUR bond due in 2015.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hapag-Lloyd has available credit facilities in the amount of EUR 210.5 million (2013: EUR 69.0 million). These free liquidity reserves have maturities ranging between one and two years.

### (25) Trade accounts payable and other liabilities

	31.12.2014				31.12.2013			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1–5 years	more than 5 years		up to 1 year	1–5 years	more than 5 years
	Million EUR							
Trade accounts payable . . . . .	1,232.8	1,232.3	0.5	—	700.3	700.3	—	—
thereof to third parties . . . . .	1,228.9	1,228.4	0.5	—	691.9	691.9	—	—
thereof to investments . . . . .	3.9	3.9	—	—	8.4	8.4	—	—
Other liabilities . . . . .	138.0	131.3	6.1	0.6	104.5	99.3	4.7	0.5
Prepayments received . . . . .	78.3	78.3	—	—	62.5	62.5	—	—
Other liabilities and deferred income . . . . .	41.4	37.7	3.4	0.3	26.8	24.5	2.1	0.2
Other liabilities as part of social security . . . . .	10.9	8.1	2.7	0.1	10.1	7.4	2.6	0.1
Other liabilities from other taxes . . . . .	5.3	5.3	—	—	3.7	3.7	—	—
Other liabilities to employees . . . . .	1.9	1.7	—	0.2	1.2	1.0	—	0.2
Other liabilities to affiliated non-consolidated companies . . . . .	0.2	0.2	—	—	0.2	0.2	—	—
<b>Total . . . . .</b>	<b>1,370.8</b>	<b>1,363.6</b>	<b>6.6</b>	<b>0.6</b>	<b>804.8</b>	<b>799.6</b>	<b>4.7</b>	<b>0.5</b>

### (26) Derivative financial instruments

	31.12.2014		31.12.2013	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
		Million EUR		
Liabilities from derivative financial instruments . . . . .	(23.8)	—	6.7	6.7
thereof derivatives in hedge accounting . . . . .	(0.2)	—	—	—
thereof derivatives not included in hedge accounting . . . . .	(23.6)	—	6.7	6.7

Liabilities from derivative financial instruments were mainly attributable to currency forward contracts and currency put options. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (27)).

### (27) Financial instruments

#### FINANCIAL RISKS AND RISK MANAGEMENT

##### Risk management principles

The Hapag-Lloyd Group is exposed to market risks as a result of Hapag-Lloyd AG's international operations. The market risks include, in particular, currency risk, fuel price risk and interest rate risk. The objective of financial risk management is to reduce market risks. For this purpose, selected derivative financial instruments are deployed at Hapag-Lloyd AG; these are used solely as a hedging instrument and not for trading or other speculative purposes.

In addition to market risks, the Hapag-Lloyd Group is subject to liquidity risks and default risks, which involve the risk that the Group itself or one of its contractual partners cannot meet its contractually agreed payment obligations.

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

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

separation of trading and handling with binding force. The risk management processes are examined for their effectiveness annually by the Corporate Audit department and by external auditors.

The derivative financial instruments used to limit market risks are acquired only through financial institutions with first-rate creditworthiness. The hedging strategy is approved by the Executive Board of Hapag-Lloyd AG. Implementation, reporting and ongoing financial risk management are the responsibility of the Treasury department.

### Market risk

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

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

In order to portray the market risks, IFRS 7 demands sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on after-tax earnings and equity. The hypothetical changes in these risk variables relate to the respective portfolio of primary and derivative financial instruments on the balance sheet date.

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

### Currency risk

Currency risks are hedged if they influence the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing future disadvantageous fluctuations of the currency exchange rate.

The Hapag-Lloyd Group's functional currency is the US dollar. Currency risks mainly result from incoming or outgoing payments in currencies other than the US dollar and from financial debt taken on in euros.

Hapag-Lloyd AG's currency management generally provides for the hedging of operating euro-denominated cost exposure of up to 80%. The repayment of euro-denominated financial debt is also hedged up to as much as 100%. The risks are hedged by making customised use of derivative financial instruments in the form of currency options and currency forward contracts, as well as instruments that have a natural hedging effect (*e.g.* euro money market investments).

The following sensitivity analysis contains the Hapag-Lloyd Group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that the US dollar as the functional currency might appreciate or depreciate by 10% against the major Group currencies (EUR, CAD, GBP). The analysis is accordingly depicted in US dollars.

	31.12.2014		31.12.2013	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
	Million US\$			
<b>US\$/EUR</b>				
+10% .....	(20.1)	—	12.6	26.8
-10% .....	44.6	—	36.9	(7.8)
<b>US\$/CAD</b>				
+10% .....	(4.9)	—	0.3	—
-10% .....	4.9	—	(0.3)	—
<b>US\$/GBP</b>				
+10% .....	0.9	—	6.4	—
-10% .....	(0.9)	—	(6.4)	—

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

### *Fuel price risk*

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

The risk management's basic objective is to secure up to 80% of the forecasted bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations. Hapag-Lloyd is also endeavouring to offset a large proportion of the raw materials price fluctuations by means of a bunker fuel surcharge on freight rates. However, the extent to which this can be implemented depends very much on the prevailing market situation.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed with the effects of a hypothetical market price change of +/-10%. Based on the current hedging instruments and the underlying market prices, a hypothetical market price change of +/-10% would have virtually no effect on the reserve for cash flow hedges or the Group net result. The decision was therefore made not to present this information in a table.

### *Interest rate risk*

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly from financial debt based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate hedging instruments were not used in 2014. In addition, non-cash interest rate risks relating to the measurement of separately recognised embedded derivatives exist in the form of early buy-back options for issued bonds. Effects from the market valuation of these financial instruments are also reflected in the interest result.

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2014 was increased or decreased by +/-100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to nil. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 2,197.1 million that existed at the balance sheet date (2013: EUR 1,566.8 million) and the market value of embedded derivatives totalling EUR 14.5 million (previous year: EUR 25.0 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

	31.12.2014		31.12.2013	
	Million EUR			
Change in variable interest rate . . . .	+100 base points	-100 base points	+100 base points	-100 base points
Earnings before income taxes . . . . .	(17.8)	2.3	(20.8)	11.6

### *Credit risk*

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

Generally, a risk of this kind is minimised by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to its operational activities, the Group has an established credit and receivables management system at area, regional and head office level which is based on internal guidelines. Payment periods for customers are determined and continuously monitored within the framework of a credit check. This process takes account of both internal data based on empirical values and external information on the respective customer's creditworthiness and rating. To provide protection against default risks, a credit insurance policy or bank guarantees are also used to hedge more than half of the trade accounts receivable as at the balance sheet date.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

If there are discernible risks in the area of trade accounts receivable and other assets, these are taken into account by means of appropriate impairment allowances. With regard to the age structure analysis for the trade accounts receivable and other assets, please refer to Note (14).

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

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

Taking into account the positive and negative market values of the derivative financial instruments in the amount of EUR 5.1 million and EUR -23.8 million respectively, this results in the potential to offset financial assets and financial liabilities to the tune of EUR 1.3 million subject to the German Master Agreement for Financial Derivatives Transactions. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 14.5 million were not taken into account here.

In addition to these, there are no further long-term financial obligations or loans with external contracting partners from which a potential default risk may arise.

### *Liquidity risk*

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

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

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

Further explanatory notes regarding the management of liquidity risks are included in the Group management report.

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

### *Cash flows of financial instruments (31.12.2013)*

	Cash inflows and outflows				Total
	2014	2015	2016–2018	from 2019	
	Million EUR				
<b>Primary financial liabilities</b>					
Liabilities to banks <sup>1)</sup> . . . . .	(318.6)	(267.6)	(777.2)	(615.8)	(1,979.2)
Bonds . . . . .	(73.9)	(353.9)	(716.5)	—	(1,144.3)
Finance leases . . . . .	(55.0)	(45.2)	(108.3)	(92.7)	(301.2)
Other financial liabilities (excl. operating leases) . . . . .	(20.2)	(20.1)	(60.5)	(77.9)	(178.7)
Trade accounts payable . . . . .	(700.3)	—	—	—	(700.3)
Other liabilities . . . . .	(21.5)	(3.5)	—	—	(25.0)
<b>Total primary financial liabilities</b> . . . . .	<b>(1,189.5)</b>	<b>(690.3)</b>	<b>(1,662.5)</b>	<b>(786.4)</b>	<b>(4,328.7)</b>

1) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$162.1 million to be paid upon delivery of the vessels. The loan has a term of twelve years starting with the delivery of the financed vessels and is subject to an interest rate of US\$ LIBOR +2.25%.



**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Cash flows of financial instruments (31.12.2014)*

	Cash inflows and outflows				Total
	2015	2016	2017–2019 from 2020	Total	
	Million EUR				
<b>Primary financial liabilities</b>					
Liabilities to banks <sup>1)</sup> . . . . .	(423.9)	(721.1)	(871.0)	(874.4)	(2,890.4)
Bonds . . . . .	(67.3)	(69.8)	(1,000.4)	0.0	(1,137.5)
Finance leases . . . . .	(49.9)	(41.2)	(111.3)	(59.3)	(261.7)
Other financial liabilities (excl. operating leases) . . . . .	(25.3)	(24.8)	(76.7)	(71.8)	(198.6)
Trade accounts payable . . . . .	(1,232.3)	(0.5)	—	—	(1,232.8)
Other liabilities . . . . .	(32.7)	(5.5)	—	—	(38.2)
<b>Total primary financial liabilities</b> . . . . .	<b>(1,831.4)</b>	<b>(862.8)</b>	<b>(2,059.4)</b>	<b>(1,005.5)</b>	<b>(5,759.2)</b>
<b>Total derivative financial liabilities</b> . . . . .	<b>(22.8)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(22.8)</b>

1) In relation to contractually fixed loans for the financing of new vessels, there is a further nominal amount of US\$247.9 million to be paid upon delivery of the vessels. The loans have a term of ten years starting with the delivery of the financed vessels and are subject to an interest rate of US\$ LIBOR +2.81%.

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2014 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the balance sheet date were used for the following periods as well.

Cash outflows from derivative financial instruments include the undiscounted market values of the currency forward contracts used as at the balance sheet date.

*Derivative financial instruments and hedges*

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

Currency risks are currently hedged by means of currency options and currency forward contracts. Commodity options are used as hedges for fuel price risks.

Hedging relationships in accordance with IAS 39 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review. Until the underlying transaction is realised, the effective share of the accumulated changes in market value is shown in other comprehensive income and, upon completion of the hedged underlying transaction, is recognised in the consolidated income statement.

As at 31 December 2014, there were hedges that were classified as hedge accounting in accordance with IAS 39, with remaining terms of up to one year. Hedged cash flows from the underlying transactions are recognised through profit or loss during the same period.

In the 2014 financial year, changes in the fair values of derivative financial instruments in hedging relationships resulted in gains totalling EUR 8.9 million, which were recognised in other comprehensive income (2013: EUR 38.7 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, EUR 15.3 million from other comprehensive income was reclassified and recognised through profit or loss (2013: EUR 41.4 million). EUR 12.5 million (2013: EUR 36.1 million) of this related to exchange rate hedging, which was recognised in other operating income. An additional EUR 0.7 million was recognised in other operating income as a result of the termination of hedge accounting when an underlying transaction was repaid early. A further EUR 1.6 million (2013: EUR 1.6 million) relating to the interest portion from currency forward contracts was recognised as interest expenses. In addition, EUR 0.5 million (2013: EUR 7.0 million) relating to commodity hedges, the earnings contribution of which is shown in transport expenses, was reclassified and recognised through profit or loss.

In the reporting period and in the previous year, inefficiencies from hedging relationships occurred to an insignificant extent.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, the Hapag-Lloyd Group uses optional hedges to hedge currency risks from existing foreign currency liabilities which are in an economic relationship with the respective underlying transaction, but were not designated as a hedging relationship according to IAS 39. Derivative financial instruments were at no time used for speculative purposes.

The following table shows the nominal values of the derivative financial instruments:

	31.12.2014			31.12.2013		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
	Million EUR					
<b>Currency options</b>						
Asset	320.0	100.0	420.0	176.9	420.0	596.9
Liability	80.0	—	80.0	—	80.0	80.0
<b>Currency forwards</b>	<b>319.6</b>	<b>—</b>	<b>319.6</b>	<b>—</b>	<b>275.0</b>	<b>275.0</b>
<b>Cross-currency swaps</b>	<b>12.7</b>	<b>—</b>	<b>12.7</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Commodity options</b>	<b>279.4</b>	<b>—</b>	<b>279.4</b>	<b>381.3</b>	<b>—</b>	<b>381.3</b>

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

The fair values of currency and commodity options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts and cross-currency swaps are measured on the basis of their market-traded forward prices as at the reporting date.

An analysis of the underlying contracts conducted on the bonds issued by Hapag-Lloyd resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair values as separate derivatives independently of the underlying contract and are classified as held for trading. 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.

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

	31.12.2014		31.12.2013	
	Positive market values	Negative market values	Positive market values	Negative market values
	Million EUR			
Hedging instruments acc. to IAS 39 (Hedge accounting)				
Currency options	—	—	7.6	—
Commodity options	0.2	—	17.5	—
Currency forwards	—	—	16.1	—
Cross-currency swaps	—	(0.2)	—	—
<b>Hedges</b>	<b>0.2</b>	<b>(0.2)</b>	<b>41.2</b>	<b>—</b>
Hedging instruments (Held for trading)				
Currency options	4.9	(0.9)	33.4	(6.7)
Currency forwards	—	(22.7)	—	—
Embedded derivatives	14.5	—	25.0	—
Cross-currency swaps	—	—	—	—
<b>Other derivative financial instruments</b>	<b>19.4</b>	<b>(23.6)</b>	<b>58.4</b>	<b>(6.7)</b>
<b>Total</b>	<b>19.6</b>	<b>(23.8)</b>	<b>99.6</b>	<b>(6.7)</b>

### *Financial instruments—additional disclosures, carrying amounts and fair values*

The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the balance sheet date in the course of a normal transaction between market participants.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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

The carrying amounts of cash and cash equivalents, trade accounts receivable and significant portions of other assets, and trade accounts payable and other liabilities are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases. The available-for-sale financial assets included in other assets are generally measured at fair value. If no reliable fair value is available, the assets are measured at cost.

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

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2013

	Classification category according to IAS 39	Carrying amount 31.12.2013	Amount recognised in the balance sheet under IAS 39				Fair value through profit and loss	Amount recognised in the balance sheet under IAS 17	Fair value of financial instruments
		Total	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss				
Million EUR									
<b>Assets</b>									
Other assets	LaR/n a	114.7	51.0	—	—	—	—	—	—
	AfS	0.2	—	0.2	—	—	—	—	—
Derivative financial instruments									
Derivatives (Held for trading)	FAHfT	58.4	—	—	—	58.4	—	58.4	—
Hedges (Hedge accounting)	n a	41.2	—	—	3.9	37.3	—	—	41.2
Trade accounts receivable	LaR	473.3	473.3	—	—	—	—	—	—
Cash and cash equivalents	LaR	464.8	464.8	—	—	—	—	—	—
<b>Liabilities</b>									
Financial debt	FLAC	2,701.4	2,701.4	—	—	—	—	—	2,792.6
Liabilities from finance lease <sup>1)</sup>	n a	233.6	—	—	—	—	233.6	—	244.6
Other liabilities	FLAC/na	104.5	25.0	—	—	—	—	—	—
Derivative financial liabilities									
Derivatives (Held for trading)	FLHfT	6.7	—	—	—	6.7	—	—	6.7
Hedges (Hedge accounting)	n a	—	—	—	—	—	—	—	—
Trade accounts payable	FLAC	700.3	700.3	—	—	—	—	—	—
<b>Thereof aggregated according to IAS 39 classification category</b>									
Loans and receivables (LaR)		989.1	989.1	—	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—	—
Financial assets held for trading (FAHfT)		58.4	—	—	—	58.4	—	—	—
Financial liabilities measured at amortised cost (FLAC)		3,426.7	3,426.7	—	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		6.7	—	—	—	6.7	—	—	—

1) Part of financial debt.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2014

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Carrying amount 31.12.2014	Amount recognised in the balance sheet under IAS 39					Amount recognised in the balance sheet under IAS 17	Fair value of financial instruments
		Classification category according to IAS 39	Total	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss		
Million EUR								
<b>Assets</b>								
Other assets	LaR/n a	147.4	58.9	—	—	—	—	58.9
	AfS	0.2	—	0.2	—	—	—	0.2
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	19.4	—	—	—	19.4	—	19.4
Hedges (Hedge accounting)	n a	0.2	—	—	0.2	—	—	0.2
Trade accounts receivable	LaR	716.0	716.0	—	—	—	—	716.0
Cash and cash equivalents	LaR	711.4	711.4	—	—	—	—	711.4
<b>Liabilities</b>								
Financial debt	FLAC	3,510.8	3,510.8	—	—	—	—	3,796.4
Liabilities from finance lease <sup>1)</sup>	n a	206.3	—	—	—	—	206.3	216.2
Other liabilities	FLAC/n a	138.0	38.0	—	—	—	—	38.0
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	23.6	—	—	—	23.6	—	23.6
Hedges (Hedge accounting)	n a	0.2	—	—	0.2	—	—	0.2
Trade accounts payable	FLAC	1,232.8	1,232.8	—	—	—	—	1,232.8
<b>Thereof aggregated according to IAS 39 classification category</b>								
Loans and receivables (LaR)		1,486.3	1,486.3	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—
Financial assets held for trading (FAHfT)		19.4	—	—	—	19.4	—	—
Financial liabilities measured at amortised cost (FLAC)		4,781.6	4,781.6	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		23.6	—	—	—	23.6	—	—

1) Part of financial debt.

The financial instruments in the available-for-sale category which are included in other assets contain, among other things, investments not listed on a stock exchange for which there are no market prices listed on an active market. The market values were not determined as these do not provide any additional information of value. The disposal of the investments is not planned at present.

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter “Accounting and measurement principles” in the Notes to the consolidated financial statements. There were no transfers between levels 1 to 3 in the previous financial year.

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table shows the classification of the financial instruments measured at fair value in the three levels of the fair value hierarchy:

	31.12.2013			
	Level 1	Level 2	Level 3	Total
	Million EUR			
<b>Assets</b>				
Derivative financial instruments (Hedge accounting) . . . . .	—	41.2	—	41.2
Derivative financial instruments (Trading) . . . . .	—	58.4	—	58.4
<b>Liabilities</b>				
Financial debt . . . . .	—	2,792.6	—	2,792.6
Liabilities from finance lease . . . . .	—	244.6	—	244.6
Derivative financial instruments (Trading) . . . . .	—	6.7	—	6.7
	31.12.2014			
	Level 1	Level 2	Level 3	Total
	Million EUR			
<b>Assets</b>				
Derivative financial instruments (Hedge accounting) . . . . .	—	0.2	—	0.2
Derivative financial instruments (Trading) . . . . .	—	19.4	—	19.4
<b>Liabilities</b>				
Derivative financial instruments (Hedge accounting) . . . . .	—	0.2	—	0.2
Derivative financial instruments (Trading) . . . . .	—	23.6	—	23.6
Financial debt . . . . .	—	3,796.4	—	3,796.4
Liabilities from finance lease <sup>1)</sup> . . . . .	—	216.2	—	216.2

1) Part of financial debt.

### Net earnings

The net earnings of the financial instruments by classification category pursuant to IAS 39 are as follows:

	31.12.2014			31.12.2013		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
	Million EUR					
Loans and receivables . . . . .	(0.2)	(63.3)	(63.5)	(0.6)	(11.3)	(11.9)
Available-for-sale financial assets . . . . .	—	—	—	—	—	—
Financial assets and liabilities held for trading . . . . .	(18.1)	(28.7)	(46.8)	(0.4)	2.8	2.4
Financial liabilities measured at amortised cost . . . . .	(154.5)	60.8	(93.7)	(133.2)	(13.9)	(147.1)
Total . . . . .	(172.8)	(31.2)	(204.0)	(134.2)	(22.4)	(156.6)

In addition to interest income and expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of Hapag-Lloyd AG's trade accounts receivable as well as the valuation result from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39.

### Capital management

The Hapag-Lloyd Group strives to achieve an adequate financial profile in order to guarantee the continuation of the Company and its financial flexibility and independence. Its objective is to strengthen the trust of the parties involved in the Company in a lasting manner. To achieve this, the Hapag-Lloyd Group aims for a high equity ratio.

The goal of its capital management is to safeguard the capital base at its disposal over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

A key performance indicator within the scope of capital risk management is the relationship between equity and the balance sheet total (equity ratio).

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Covenant clauses that are customary in the market have been arranged for existing financing from bonds or loans (financial covenants regarding equity, liquidity and loan-to-value ratio), and are used as an additional control tool. In the reporting period, as in the previous year, the financial covenants were adhered to for all the reporting dates. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

### NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows the development of cash and cash equivalents using separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of the acquisition of CSAV's container shipping business are eliminated.

#### **(28) Cash inflow/outflow from operating activities**

In the financial year, interest amounting to EUR 2.3 million was received (2013: EUR 1.6 million). Income tax payments in the 2014 financial year led to a cash inflow of EUR 0.4 million (2013: EUR 0.0 million) and a cash outflow of EUR 5.0 million (2013: EUR 5.9 million).

The other non-cash expenses and income contained in the reconciliation from Group profit/loss to cash inflow/outflow from operating activities essentially encompass the effects of the measurement of financial debt in a foreign currency, income from the recognition of companies using the equity method and the effects of the measurement of the fair value of derivative financial instruments.

#### **(29) Cash inflow/outflow from investing activities**

In the year under review, the cash outflow from investing activities amounted to EUR 257.6 million (2013: EUR 544.7 million). Cash payments for investments in property, plant and equipment and intangible assets totalling EUR 340.5 million (2013: EUR 664.5 million) mainly consisted of investments in new containers and final payments for ship newbuilds delivered in 2014.

The addition of EUR 44.0 million from the incorporation of CSAV's container shipping business had an offsetting effect. This includes cash inflows of EUR 69.5 million from the liquidity reserves of the acquired companies and payments of EUR 25.5 million for incidental acquisition costs. For the assets and liabilities of the acquired companies, please refer to the section "Addition of CSAV's container shipping activities" in the Notes to the consolidated financial statements. Dividend payments totalled EUR 34.2 million (2013: EUR 33.2 million). The proceeds from the disposal of companies in the amount of EUR 20.6 million in the previous year came from the sale of Montreal Gateway Terminals Ltd. Partnership, Montreal, (EUR 19.1 million) and the sale of 4.9% of the Company's shares in Hapag-Lloyd Grundstücksholding GmbH, Hamburg (EUR 1.5 million).

Cash flows from investing activities contained capitalised interest on debt amounting to EUR 4.8 million (2013: EUR 16.3 million).

#### **(30) Cash inflow/outflow from financing activities**

Cash inflow from financing activities amounted to a balance of EUR 81.6 million (2013: EUR 403.2 million).

The cash contribution made in the course of the second capital increase on 19 December 2014 resulted in a cash inflow of EUR 306.9 million. Borrowing amounting to EUR 748.2 million (2013: EUR 1,118.8 million) related primarily to cash inflows from the placement of a new EUR bond and to loans for the financing of vessels and containers. This was offset by the repayment of a bond issued in 2010 and interest and capital repayments amounting to EUR 972.6 million (2013: EUR 707.9 million).

#### **(31) Cash and cash equivalents at the end of the period**

Cash and cash equivalents encompass all liquid funds, *i.e.* cash in hand, bank balances and cheques. The impact of changes in cash and cash equivalents due to exchange rate fluctuations is shown separately.

Please refer to Note (17) for information relating to any restrictions on cash and cash equivalents.



## OTHER NOTES

### (32) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 11.0 million in 2014 (2013: EUR 10.3 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income.

### (33) Contingencies

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

As at 31 December 2014, there were merely guarantees and sureties for liabilities of affiliated consolidated companies.

### (34) Legal disputes

Hapag-Lloyd AG and several of its foreign subsidiaries are involved in legal proceedings. These encompass a range of topics, such as disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with customers, former agents and suppliers. It is regarded as unlikely that these proceedings will result in any noteworthy payment obligations. Consequently, no provisions for litigation risks are formed and no contingent liabilities are reported in the Notes in this context.

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. There were no new developments in this context in 2014. Consequently, no provisions for litigation risks were formed and no contingent liabilities were reported in the Notes.

At Hapag-Lloyd Mexico in 2013, tax audits were completed for the years 2004 and 2005. The Company appealed against the resulting tax assessments which, among other things, obliged it to make significant additional value added tax payments. The lawyers handling the case are of the opinion that the tax assessments are not lawful. The quantification of a financial risk, the determination of the maturity of possible outflows and the evaluation of third-party rights to reimbursement relating to these circumstances are therefore currently not possible. In addition, the Mexican tax authorities intend to publish a letter of application designed to limit refundable value added tax in Mexico retroactively from 2014. Hapag-Lloyd remains 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 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.

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2014. Such payment obligations will not have any significant influence on the Group's net asset, financial and earnings position.

### (35) Leases

#### *Lessee—finance leases*

The items leased on the basis of finance lease contracts are primarily vessels and containers. In the previous year, existing short-term operating lease contracts for containers were turned into long-term lease contracts, resulting in the classification of the amended container rental agreements as finance lease contracts. The contracts have terms of up to twelve years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2014, the

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

vessels recognised in connection with the finance lease contracts had a net carrying amount of EUR 179.5 million (2013: EUR 201.5 million); the containers were recognised at EUR 66.5 million as at 31 December 2014 (2013: EUR 75.2 million).

The future minimum lease payments and their present values are as follows:

	31.12.2014				31.12.2013			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Future minimum lease payments . . . . .	253.7	46.4	150.7	56.6	276.2	126.3	101.8	48.1
Interest portion . . . . .	47.4	12.1	28.6	6.7	42.6	15.5	18.7	8.4
<b>Present value . . . . .</b>	<b>206.3</b>	<b>34.3</b>	<b>122.1</b>	<b>49.9</b>	<b>233.6</b>	<b>110.8</b>	<b>83.1</b>	<b>39.7</b>

At the balance sheet date, there were no expectations of future income from non-cancellable subletting arrangements, nor were there any contingent rents.

*Lessee—operating leases*

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises. The agreements have terms of between one year and 16 years, with the majority of them having a term of up to five years. A number of the agreements include prolongation and purchase options. The containers are used in the short term at standard market leasing rates until they are ultimately transferred to the purchaser. There is no obligation to repurchase them. Some of the rental agreements for business premises include contingent rents based on the consumer price index for Germany.

Charter agreements for ships are always structured as time charter contracts, *i.e.* in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the 2014 financial year, lease payments of EUR 651.7 million were posted to expenses (2013: EUR 698.6 million); thereof EUR 334.5 million were charter expenses (2013: EUR 335.7 million), of which EUR 0.0 million related to contingent rents (2013: EUR 0.1 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	31.12.2014				31.12.2013			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Vessels and containers . . . . .	1,082.1	389.3	561.9	130.9	606.5	355.3	251.2	—
Business premises . . . . .	104.9	20.5	43.5	40.9	98.7	16.7	39.2	42.8
Other . . . . .	177.9	50.3	127.6	—	82.0	37.5	44.5	—
<b>Total . . . . .</b>	<b>1,364.9</b>	<b>460.1</b>	<b>733.0</b>	<b>171.8</b>	<b>787.2</b>	<b>409.5</b>	<b>334.9</b>	<b>42.8</b>
<b>Fair value . . . . .</b>	<b>1,340.1</b>	<b>458.5</b>	<b>718.7</b>	<b>162.9</b>	<b>761.5</b>	<b>406.1</b>	<b>318.8</b>	<b>36.6</b>

The fair value was ascertained by discounting the future minimum lease payments using a market interest rate of 0.67% p.a. (31 December 2013: 1.6% p.a.). Due to the change in the discount rate, other financial obligations increased by EUR 11.9 million.

The increase in liabilities from operating lease contracts in the 2014 financial year primarily resulted from the incorporation of CSAV's container shipping business and the extension of two IT service contracts. The reduction in long-term charter agreements for ships and the lower level of rates and shorter durations for newly concluded ship charter agreements had a partially offsetting effect

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

here. As at 31 December 2014, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 15.2 million (2013: EUR 2.5 million).

### *Lessor—operating leases*

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. The assets let within the scope of the operating lease contracts are essentially fully owned vessels and slot charters.

The following future minimum lease payments relate to non-cancellable operating lease contracts:

	31.12.2014				31.12.2013			
	Total	up to 1 year	Remaining terms		Total	up to 1 year	Remaining terms	
1–5 years			more than 5 years	1–5 years			more than 5 years	
	Million EUR							
Vessels . . . . .	26.0	26.0	—	—	24.3	24.3	—	—
Business premises . . . . .	0.6	0.4	0.2	0.0	0.5	0.1	0.4	—
<b>Total . . . . .</b>	<b>26.6</b>	<b>26.4</b>	<b>0.2</b>	<b>0.0</b>	<b>24.8</b>	<b>24.4</b>	<b>0.4</b>	<b>—</b>

At the reporting date, the gross carrying amount of the chartered ship amounted to EUR 95.9 million (2013: EUR 84.7 million). The accumulated depreciation amounted to EUR 28.1 million (2013: EUR 23.0 million) and depreciation for the period amounted to EUR 4.3 million (2013: EUR 4.3 million). No contingent rents were recorded through profit or loss in the 2014 financial year.

### **(36) Other financial obligations**

The Group's other financial obligations as at 31 December 2014 include a purchase obligation for investments in container ships amounting to EUR 276.1 million (2013: EUR 113.4 million), of which EUR 276.1 million is for a term of up to one year (2013: EUR 113.4 million). Neither in the 2014 financial year nor in the previous year was the remaining term of the purchase obligation greater than five years.

### **(37) Utilisation of Section 264 (3) of the German Commercial Code (HGB)**

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

- Hapag-Lloyd Grundstücksholding GmbH, Hamburg
- Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Hamburg-Amerika Linie GmbH, Hamburg
- First CSAV Ships Germany GmbH, Hamburg
- Second CSAV Ships Germany GmbH, Hamburg
- Third CSAV Ships Germany GmbH, Hamburg

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**(38) Services provided by the auditors of the consolidated financial statements**

In the 2014 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

	1.1.–31.12. 2014 Total	1.1.–31.12. 2014 Domestic	1.1.–31.12. 2013 Total	1.1.–31.12. 2013 Domestic
	Million EUR			
Audit fees for annual audit	1.7	0.5	1.2	0.5
Audit fees for other assurance services	0.7	0.6	0.5	0.5
Audit fees for tax consultancy	0.7	0.6	0.1	—
Audit fees for other services	0.5	0.4	0.4	0.4
<b>Total</b>	<b>3.6</b>	<b>2.1</b>	<b>2.2</b>	<b>1.4</b>

Fees for audit services mainly related to the audit of the consolidated financial statements as well as the statutory audit of Hapag-Lloyd AG and CSAV Germany Container GmbH.

**(39) Related party disclosures**

In carrying out its ordinary business activities, Hapag-Lloyd AG maintains indirect or direct relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

The Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. During the reporting period, transactions were made with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), which is a wholly owned subsidiary of the Free and Hanseatic City of Hamburg, the shareholder of Hapag-Lloyd AG. Payments in the amount of EUR 4.1 million were made to HGV, its affiliates and its associated companies mainly for harbour dues and mooring fees (2013: EUR 3.8 million).

Following the dissolution of the “Albert Ballin” consortium per shareholder resolution in September 2013, the former members of the consortium have a direct stake in Hapag-Lloyd AG. With the incorporation of CSAV’s container shipping business into the Hapag-Lloyd Group in exchange for shares, CSAV has become Hapag-Lloyd’s largest shareholder through CSAV Germany Container Holding GmbH. CG HoldCo, HGV and Kühne have agreed to pool their voting rights as part of a shareholder agreement.

Shares in %	2014	2013
CSAV Germany Container Holding GmbH	34.0%	0.0%
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	23.2%	36.9%
Kühne Maritime GmbH	20.8%	28.2%
TUI AG / TUI-Hapag Beteiligungs GmbH	13.9%	22.0%
SIGNAL IDUNA Gruppe	3.3%	5.3%
Pool of investors led by M.M.Warburg & CO KGaA	1.9%	2.9%
HSH Nordbank AG	1.8%	2.9%
HanseMercur Versicherungsgruppe	1.1%	1.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
	1.1.–31.12. 2014	1.1.–31.12. 2013	1.1.–31.12. 2014	1.1.–31.12. 2014
	Million EUR			
Shareholders	279.1	282.5	40.7	42.8
Associated companies	0.2	0.2	57.7	109.6
Other investments	5.5	5.2	2.2	1.3
<b>Total</b>	<b>284.8</b>	<b>287.9</b>	<b>100.6</b>	<b>153.7</b>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Receivables		Liabilities	
	31.12.2014	31.12.2013	31.12.2014	31.12.2014
	Million EUR			
Shareholders .....	179.8	118.7	241.9	235.8
Affiliated non-consolidated companies .....	—	—	0.2	0.2
Associated companies .....	1.5	0.7	5.1	13.0
Other investments .....	1.1	1.0	0.3	0.3
<b>Total</b> .....	<b>182.4</b>	<b>120.4</b>	<b>247.5</b>	<b>249.3</b>

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 284.0 million; 2013: EUR 287.5 million), interest income (EUR 0.4 million; 2013: EUR 0.2 million) and other services (EUR 0.4 million; 2013: EUR 0.2 million).

Of the expenses shown above, EUR 80.6 million result from operating services (2013: EUR 135.0 million), EUR 16.8 million relate to interest expenses (2013: EUR 18.6 million), and EUR 3.2 million are from other services (2013: EUR 0.1 million).

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

	Executive Board		Supervisory Board		Total	
	2014	2013	2014	2013	2014	2013
	Million EUR					
Short-term benefits .....	3.2	1.8	1.2	1.1	4.4	2.9
Termination benefits .....	0.9	0.6	—	—	0.9	0.6
Post-employment benefits .....	0.8	0.8	—	—	0.8	0.8
<b>Total</b> .....	<b>4.9</b>	<b>3.2</b>	<b>1.2</b>	<b>1.1</b>	<b>6.1</b>	<b>4.3</b>

Post-employment benefits refer to the allocations to pension provisions for active Executive Board members. A total of EUR 12.0 million was allocated to pension obligations for former Executive Board members as at 31 December 2014 (2013: EUR 4.8 million).

Additional disclosures pursuant to Section 315a HGB

	Executive Board		Supervisory Board	
	2014	2013	2014	2013
	Million EUR			
Active board members .....	3.2	1.8	1.1	1.0
Former board members .....	1.1	0.8	—	—
<b>Total</b> .....	<b>4.3</b>	<b>2.6</b>	<b>1.1</b>	<b>1.0</b>

The remuneration of members of the Supervisory Board pursuant to IAS 24 includes emoluments paid for employee representatives, who are also Group employees. These salaries were appropriate to the positions and functions.

**(40) Significant transactions after the balance sheet date**

The merger of CSAV Germany Container GmbH with Hapag-Lloyd AG is planned for the first quarter of 2015.

Three ships from a portfolio of 16 vessels to be decommissioned (“Old Ladies”) will be sold to certified ship breaking yards in the first quarter of 2015. Negotiations regarding the sale of a further five vessels to a shipping company that will continue to operate them are at an advanced stage and preliminary contracts have been signed. An additional two ships on the current order book were delivered by 27 February 2015.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/ loss for the year in TCU*
<b>Affiliated consolidated companies</b>					
<b>Head Office</b>					
Hamburg-Amerika Linie GmbH . . . . .	Hamburg	100.00	EUR	63	**
Hapag-Lloyd Grundstücksholding GmbH . . . . .	Hamburg	94.90	EUR	30,045	**
Hapag-Lloyd Schiffsvermietungs-gesellschaft mbH . . .	Hamburg	100.00	EUR	26	**
CSAV Germany Container GmbH . . . . .	Hamburg	100.00	EUR	1,072,798	(4,654)
Compañía Sudamericana de Vapores GmbH . . . . .	Hamburg	100.00	EUR	303	189
CSAV North & Central Europe GmbH . . .	Hamburg	100.00	EUR	1,980	58
First CSAV Ships Germany GmbH . . . . .	Hamburg	100.00	EUR	****	****
Second CSAV Ships Germany GmbH . . . .	Hamburg	100.00	EUR	****	****
Third CSAV Ships Germany GmbH . . . . .	Hamburg	100.00	EUR	****	****
<b>Europe</b>					
Hapag-Lloyd Africa PTY Ltd. . . . .	Durban	100.00	ZAR	3,419	602
Hapag-Lloyd (Austria) GmbH . . . . .	Vienna	100.00	EUR	1,148	(47)
Oy Hapag-Lloyd Finland AB . . . . .	Helsinki	100.00	EUR	142	31
Hapag-Lloyd (France) S.A.S. . . . . .	Paris	100.00	EUR	4,665	(62)
Hapag-Lloyd (Ireland) Ltd. . . . .	Dublin	100.00	EUR	226	24
Hapag-Lloyd (Italy) S.R.L. . . . .	Milan	100.00	EUR	1,463	241
Hapag-Lloyd Polska Sp.z.o.o. . . . .	Gdynia	100.00	PLN	729	82
Hapag-Lloyd Portugal LDA . . . . .	Lisbon	100.00	EUR	148	12
Hapag-Lloyd (Schweiz) AG . . . . .	Basel	100.00	CHF	316	32
Hapag-Lloyd Special Finance Limited . . .	Dublin	100.00	US\$	48	33
Hapag-Lloyd (Sweden) AB . . . . .	Gothenberg	100.00	SEK	3,124	940
Hapag-Lloyd Spain S.L. . . . .	Barcelona	90.00	EUR	680	53
Hapag-Lloyd (UK) Ltd. . . . .	Barking	100.00	GBP	3,516	89
CSAV Agency France S.A.S. . . . .	Le Havre	100.00	EUR	(65)	1,193
CSAV Group Agencies South Africa (Pty) Ltd. . . . .	Durban	60.00	ZAR	12,798	5,967
CSAV Denizcilik Acentasi A.S. . . . .	Istanbul	100.00	TRY	4,439	6,840
CSAV Agency Italy, S.p.A. . . . .	Genoa	100.00	EUR	503	73
CSAV Holding Europe S.L. . . . .	Madrid	100.00	US\$	24,607	60
CSAV North & Central Europe B.V. . . . .	Rotterdam	100.00	EUR	1,913	138
CSAV North & Central Europe N.V. . . . .	Antwerp	100.00	EUR	366	98
Compañía Sud Americana de Vapores . . . .	Barcelona	100.00	EUR	2,137	954
Agencia Maritima S.L.					
Norasia Container Lines Ltd. . . . .	Valetta	100.00	US\$	(244,215)	(202,662)
CSAV UK & Ireland Limited . . . . .	Liverpool	100.00	GBP	703	(38)
<b>Asia</b>					
Hapag-Lloyd Agency LLC. . . . .	Dubai	49.00	AED	12,985	12,535
Hapag-Lloyd (Australia) Pty.Ltd. . . . .	Sydney	100.00	AUD	1,973	84
Hapag-Lloyd (China) Ltd. . . . .	Hong Kong	100.00	HKD	6,378	561
Hapag-Lloyd (China) Shipping Ltd. . . . .	Shanghai	100.00	CNY	79,467	28,491
Hapag-Lloyd (Eastwind) Pte. Ltd.*** . . . .	Singapore	100.00	US\$	382	(3)
Hapag-Lloyd Global Services Pvt.Ltd. . . .	Mumbai	100.00	INR	548,710	56,479
Hapag-Lloyd India Private Ltd. . . . .	Mumbai	100.00	INR	216,680	17,922
Hapag-Lloyd (Japan) K.K. . . . .	Tokyo	100.00	JPY	231,225	3,970
Hapag-Lloyd (Korea) Ltd. . . . .	Seoul	100.00	KRW	1,355,195	68,690
Hapag-Lloyd (Malaysia) Sdn.Bhd. . . . .	Kuala Lumpur	100.00	MYR	1,339	30





NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/loss for the year in TCU*
<b>Servicios de Procesamiento Naviero</b>					
S.R.L. ....	Montevideo	100.00	US\$	1,119	241
Libra Agency (Argentina) S.A. ....	Buenos Aires	100.00	ARS	250	(159)
Invermar Management S.A. ....	Panama City	100.00	US\$	1,683	1,305
Companhia Libra de Navegacao S.A. ....	São Paulo	100.00	BRL	155,096	8,813
Andes Operador Multimodal Ltda. ....	Rio de Janeiro	100.00	BRL	(66)	(2,908)
Corvina Maritime Holding S.A. ....	Panama City	100.00	US\$	1,251,782	(7)
Sea Lion Shipping Co. S.A. ....	Panama City	100.00	US\$	12,081	(1)
Southern Shipmanagement Co. S.A. ....	Panama City	50.00	US\$	912	42
Southern Shipmanagement (Chile) Ltda. ...	Valparaíso	50.50	US\$	149	(15)
Wellington Holding Group S.A. ....	Road Town	100.00	US\$	146,907	0
<b>Compañía Libra de Navegación</b>					
(Uruguay) S.A. ....	Montevideo	100.00	UYU	(748,988)	(493,727)
<b>Inversiones Consorcio Naviero Peruano</b>					
S.A. ....	Lima	100.00	US\$	8,055	(3,807)
Torksey S.A. ....	Montevideo	100.00	US\$	974	(18)
<b>Lanco Investments Internacional Co.</b>					
S.A. ....	Panama City	100.00	US\$	(43)	(53)
Rahue Investment Co. S.A. ....	Panama City	100.00	US\$	1,243,213	(5,722)
CNP Holding S.A. ....	Panama City	100.00	US\$	985,288	1,407
<b>Others</b>					
CSAV Ships S.A. ....	Panama City	100.00	US\$	11,464	(54,465)
CSBC Hull 900 Ltd. ....	Douglas	100.00	US\$	1,076	(5,581)
CSBC Hull 898 Ltd. ....	Douglas	100.00	US\$	178	(1,839)
Hull 1794 Co. Ltd. ....	Majuro	100.00	US\$	317	(13,647)
Hull 1796 Co. Ltd. ....	Majuro	100.00	US\$	6,164	(10,306)
Hull 1798 Co. Ltd. ....	Majuro	100.00	US\$	4,094	(12,176)
Hull 1800 Co. Ltd. ....	Majuro	100.00	US\$	332	(17,320)
Hull 1906 Co. Ltd. ....	Majuro	100.00	US\$	(657)	(13,201)
Hull 1975 Co. Ltd. ....	Majuro	100.00	US\$	5,271	2,728
Hull 1976 Co. Ltd. ....	Majuro	100.00	US\$	3,970	(149)
Hull 2082 Co. Ltd. ....	Majuro	100.00	US\$	717	1,350
Hull 2083 Co. Ltd. ....	Majuro	100.00	US\$	868	1,500
Hull 2084 Co. Ltd. ....	Majuro	100.00	US\$	794	1,163
Hull 2085 Co. Ltd. ....	Majuro	100.00	US\$	724	1,084
Hull 2086 Co. Ltd. ....	Majuro	100.00	US\$	724	1,084
Hull 2087 Co. Ltd. ....	Majuro	100.00	US\$	724	1,084
Hull 2088 Co. Ltd. ....	Majuro	100.00	US\$	724	1,084
Bureo Shipping Co. S.A. ....	Majuro	100.00	US\$	(1)	0
Norasia Alya S.A. ....	Panama City	100.00	US\$	(746)	403
Malleco Shipping Co. S.A. ....	Panama City	100.00	US\$	276	(1)
Maule Shipping Co. S.A. ....	Panama City	100.00	US\$	343	(1)
<b>Joint Venture</b>					
Hapag-Lloyd Denizasiri Nakliyat A.S. ....	Izmir	50.00	US\$	14,907	9,544
Consorcio Naviero Peruano S.A. ....	Lima	47.97	US\$	24,742	8,519
<b>Associated companies</b>					
Hapag-Lloyd Lanka (Pvt) Ltd. ....	Colombo	40.00	LKR	145,342	89,794
<b>HHLA Container Terminal Altenwerder</b>					
GmbH ....	Hamburg	25.10	EUR	80,433	**
<b>Affiliated non-consolidated companies</b>					
Hapag-Lloyd Container Ltd. ....	Barking	100.00	EUR	3	1
Hapag-Lloyd Container (No. 2) Ltd. ....	Barking	100.00	EUR	2	1
Hapag-Lloyd Ships Ltd. ....	Barking	100.00	EUR	112	10
Chacabuco Shipping Ltd. ....	Majuro	100.00	US\$	*****	*****

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

<b>Name of the company</b>	<b>Registered office</b>	<b>Shareholding in %</b>	<b>Currency unit (CU)</b>	<b>Equity in TCU*</b>	<b>Net profit/ loss for the year in TCU*</b>
Limarí Shipping Ltd. . . . .	Majuro	100.00	US\$	*****	*****
Longavi Shipping Ltd. . . . .	Majuro	100.00	US\$	*****	*****
Palena Shipping Ltd. . . . .	Majuro	100.00	US\$	*****	*****
Hamburg-Amerikanische Packetfahrt- Gesellschaft mbH . . . . .	Hamburg	100.00	EUR	63	**
Norddeutscher Lloyd GmbH . . . . .	Bremen	100.00	EUR	31	**
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH . . . .	Hamburg	100.00	EUR	26	**

\* TCU = thousand of currency units as at 31.12.2014.

\*\* Profit and loss transfer agreement.

\*\*\* In liquidation.

\*\*\*\* No annual results were available for these new companies with a financial year ending on 31.8. when these financial statements were being prepared.

\*\*\*\*\* No annual financial statements were available for these companies when these financial statements were being prepared.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hamburg, 27 February 2015

Hapag-Lloyd AG  
Executive Board

Rolf Habben Jansen

Anthony J. Firmin

Peter Ganz

The following auditor's report, prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow, notes to the consolidated financial statements, together with the group management report of Hapag-Lloyd Aktiengesellschaft for the financial year from 1 January to 31 December 2014. The group management report is not included in this prospectus. The above-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

## AUDITOR'S REPORT

We have audited the consolidated financial statements of Hapag-Lloyd Aktiengesellschaft, Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes to the consolidated financial statements and group management report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and group management report are free from material misstatements affecting the presentation of the net assets, financial position and results of operations in accordance with applicable accounting standards. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 27 February 2015

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Dr. Gutsche  
Wirtschaftsprüfer (German Public Auditor)

Heckert  
Wirtschaftsprüfer (German Public Auditor)



**Audited Consolidated Financial Statements  
of Hapag-Lloyd AG  
prepared in Accordance with IFRS  
as of and for the year ended December 31, 2013**

## CONSOLIDATED INCOME STATEMENT

	Notes	1.1.– 1.12.2013	1.1.– 1.12.2012
Million EUR			
Revenue .....	(1)	6,567.4	6,843.7
Other operating income .....	(2)	156.3	265.4
Transport expenses .....	(3)	5,773.1	6,182.3
Personnel expenses .....	(4)	365.2	359.7
Depreciation, amortisation and impairment .....	(5)	325.4	332.0
Other operating expenses .....	(6)	251.7	267.3
<b>Operating result</b> .....		<b>8.3</b>	<b>(32.2)</b>
Share of profit of equity-accounted investees .....	(12)	36.8	31.9
Other financial result .....	(7)	18.6	2.8
<b>Earnings before interest and tax (EBIT)</b> .....		<b>63.7</b>	<b>2.5</b>
Interest income .....	(8)	5.6	6.7
Interest expenses .....	(8)	159.2	133.6
<b>Earnings before income taxes</b> .....		<b>(89.9)</b>	<b>(124.4)</b>
Income taxes .....	(9)	7.5	3.9
<b>Group profit/loss</b> .....		<b>(97.4)</b>	<b>(128.3)</b>
thereof attributable to shareholders of Hapag-Lloyd AG .....		(98.3)	(129.0)
thereof attributable to non-controlling interests .....	(19)	0.9	0.7

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<u>Notes</u>	<u>1.1.– 1.12.2013</u>	<u>1.1.– 1.12.2012</u>
		<u>Million EUR</u>	
<b>Group profit/loss</b> .....		<b>(97.4)</b>	<b>(128.3)</b>
<b>Items which will not be reclassified to profit and loss:</b> .....		<b>16.1</b>	<b>(39.0)</b>
Remeasurements from defined benefit plans after tax .....	(18)	16.1	(39.0)
Remeasurements from defined benefit plans before tax .....		16.9	(40.9)
Tax effect .....		(0.8)	1.9
<b>Items which may be reclassified to profit and loss:</b> .....		<b>(118.6)</b>	<b>(43.2)</b>
Cash flow hedges (no tax effect) .....	(18)	(2.7)	9.1
Additions to cumulative other equity .....		38.7	37.1
Release from cumulative other equity .....		(41.4)	(28.0)
Currency translation (no tax effect) .....	(18)	(115.9)	(52.3)
<b>Other comprehensive income after tax</b> .....		<b>(102.5)</b>	<b>(82.2)</b>
<b>Total comprehensive income</b> .....		<b>(199.9)</b>	<b>(210.5)</b>
thereof attributable to shareholders of Hapag-Lloyd AG .....		(200.8)	(211.2)
thereof attributable to non-controlling interests .....	(19)	0.9	0.7

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2013	31.12.2012
		Million EUR	
<b>Assets</b>			
Goodwill	(10)	664.6	693.9
Other intangible assets	(10)	529.7	619.5
Property, plant and equipment	(11)	4,067.6	3,785.6
Investments in equity-accounted investees	(12)	332.8	329.9
Other assets	(13)	7.9	25.7
Derivative financial instruments	(14)	74.5	32.5
Deferred tax assets	(9)	12.6	15.1
<b>Non-current assets</b>		<b>5,689.7</b>	<b>5,502.2</b>
Inventories	(15)	168.9	178.3
Trade accounts receivable	(13)	473.3	449.5
Other assets	(13)	106.8	110.4
Derivative financial instruments	(14)	25.1	37.0
Income tax receivables	(9)	21.2	13.1
Cash and cash equivalents	(16)	464.8	560.8
<b>Current assets</b>		<b>1,260.1</b>	<b>1,349.1</b>
<b>Total assets</b>		<b>6,949.8</b>	<b>6,851.3</b>
<b>Equity and liabilities</b>			
Subscribed capital	(17)	66.1	66.1
Capital reserves	(17)	935.3	3,269.8
Retained earnings	(17)	2,045.8	(190.4)
Cumulative other equity	(18)	(134.8)	(32.3)
<b>Equity attributable to the shareholders of Hapag-Lloyd AG</b>		<b>2,912.4</b>	<b>3,113.2</b>
Non-controlling interests	(19)	2.7	0.8
<b>Equity</b>		<b>2,915.1</b>	<b>3,114.0</b>
Provisions for pensions and similar obligations	(20)	142.4	151.8
Other provisions	(21)	41.7	87.5
Financial debt	(22)	2,460.1	2,048.9
Other liabilities	(23)	5.2	5.4
Derivative financial instruments	(24)	6.7	6.0
Deferred tax liabilities	(9)	1.0	1.6
<b>Non-current liabilities</b>		<b>2,657.1</b>	<b>2,301.2</b>
Provisions for pensions and similar obligations	(20)	4.4	3.7
Other provisions	(21)	91.3	119.5
Income tax liabilities	(9)	7.4	4.4
Financial debt	(22)	474.9	323.0
Trade accounts payable	(23)	700.3	886.4
Other liabilities	(23)	99.3	99.1
<b>Current liabilities</b>		<b>1,377.6</b>	<b>1,436.1</b>
<b>Total equity and liabilities</b>		<b>6,949.8</b>	<b>6,851.3</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Equity attributable to shareholders of Hapag-Lloyd AG											
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans		Reserve for cash flow hedges	Translation reserve	Cumulative other equity	Hybrid capital	Total	Non-controlling interests	Total equity
				(17)	(18)							
Notes												
<b>As per 1.1.2012</b>	<b>60.0</b>	<b>3,026.6</b>	<b>(61.3)</b>	<b>(23.7)</b>	<b>0.0</b>	<b>73.6</b>	<b>49.9</b>	<b>348.9</b>	<b>3,424.1</b>	<b>0.3</b>	<b>3,424.4</b>	
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(129.0)</b>	<b>(39.0)</b>	<b>9.1</b>	<b>(52.3)</b>	<b>(82.2)</b>	<b>—</b>	<b>(211.2)</b>	<b>0.7</b>	<b>(210.5)</b>	
thereof												
Group profit/loss	—	—	(129.0)	—	—	—	—	—	(129.0)	0.7	(128.3)	
Other comprehensive income	—	—	—	(39.0)	9.1	(52.3)	(82.2)	—	(82.2)	—	(82.2)	
<b>Transactions with shareholders</b>	<b>6.1</b>	<b>243.2</b>	<b>(0.1)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(348.9)</b>	<b>(99.7)</b>	<b>(0.2)</b>	<b>(99.9)</b>	
thereof												
Partial repayment and capital increase from hybrid capital including transaction costs	6.1	243.2	(0.1)	—	—	—	—	(348.9)	(99.7)	—	(99.7)	
Changes in the group of consolidated companies	—	—	—	—	—	—	—	—	—	(0.1)	(0.1)	
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(0.1)	(0.1)	
<b>As per 31.12.2012</b>	<b>66.1</b>	<b>3,269.8</b>	<b>(190.4)</b>	<b>(62.7)</b>	<b>9.1</b>	<b>21.3</b>	<b>(32.3)</b>	<b>0.0</b>	<b>3,113.2</b>	<b>0.8</b>	<b>3,114.0</b>	
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(98.3)</b>	<b>16.1</b>	<b>(2.7)</b>	<b>(115.9)</b>	<b>(102.5)</b>	<b>—</b>	<b>(200.8)</b>	<b>0.9</b>	<b>(199.9)</b>	
thereof												
Group profit/loss	—	—	(98.3)	—	—	—	—	—	(98.3)	0.9	(97.4)	
Other comprehensive income	—	—	—	16.1	(2.7)	(115.9)	(102.5)	—	(102.5)	—	(102.5)	
<b>Transactions with shareholders</b>	<b>—</b>	<b>(2,334.5)</b>	<b>2,334.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.0</b>	<b>1.0</b>	
thereof												
Merger	—	(2,334.5)	2,334.5	—	—	—	—	—	—	—	—	
Sale of shares	—	—	—	—	—	—	—	—	—	1.6	1.6	
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(0.6)	(0.6)	
<b>As per 31.12.2013</b>	<b>66.1</b>	<b>935.3</b>	<b>2,045.8</b>	<b>(46.6)</b>	<b>6.4</b>	<b>(94.6)</b>	<b>(134.8)</b>	<b>0.0</b>	<b>2,912.4</b>	<b>2.7</b>	<b>2,915.1</b>	

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	1.1.– 31.12.2013	1.1.– 31.12.2012
Million EUR			
Group profit/loss		(97.4)	(128.3)
Depreciation, amortisation and impairment (+) / write-backs (-)		324.8	332.0
Other non-cash expenses (+) / income (-)		58.5	46.1
Interest expenses (excl. interest expenses relating to pension obligations)		150.2	124.1
Profit (-) / loss (+) from hedges of financial debt		—	1.6
Profit (-) / loss (+) from disposals of non-current assets		(54.8)	(192.1)
Income (-) / expenses (+) from equity-accounted investees and dividends		(36.9)	(32.0)
Increase (-) / decrease (+) in inventories		2.9	27.1
Increase (-) / decrease (+) in receivables and other assets		(89.9)	(120.9)
Increase (+) / decrease (-) in provisions		(43.0)	(16.4)
Increase (+) / decrease (-) in debt (excl. financial debt)		(147.9)	91.4
<b>Cash inflow (+) / outflow (-) from operating activities</b>	(26)	<b>66.5</b>	<b>132.6</b>
Payments received from disposals of property, plant and equipment and intangible assets		66.0	225.0
Payments received from the disposal of companies		20.6	—
Payments from dividends		33.2	18.4
Payments received from the disposal of assets held for sale		—	11.0
Payments made for investment in property, plant and equipment and intangible assets		(664.5)	(526.7)
Payments made for investment in financial assets		—	(0.3)
<b>Cash inflow (+) / outflow (-) from investing activities</b>	(27)	<b>(544.7)</b>	<b>(272.6)</b>
Payments made for hybrid capital		—	(136.9)
Payments made for dividends		(0.6)	—
Payments received from the issuance of financial debt		1,118.8	763.1
Payments made for the redemption of financial debt		(531.8)	(482.2)
Payments made for interest		(176.1)	(124.5)
Payments received (+) and made (-) from hedges for financial debt		(7.1)	20.2
<b>Cash inflow (+) / outflow (-) from financing activities</b>	(28)	<b>403.2</b>	<b>39.7</b>
<b>Net change in cash and cash equivalents</b>		<b>(75.0)</b>	<b>(100.3)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>560.8</b>	<b>672.5</b>
Change in cash and cash equivalents due to exchange rate fluctuations		(21.0)	(11.4)
Net change in cash and cash equivalents		(75.0)	(100.3)
<b>Cash and cash equivalents at the end of the period</b>	(29)	<b>464.8</b>	<b>560.8</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

#### General notes

Hapag-Lloyd Holding AG was merged with Hapag-Lloyd AG in the form of a downstream merger with retroactive effect from 1 January 2013 upon being entered in the commercial register on 19 August 2013. Hapag-Lloyd AG is consequently the new parent company of the Hapag-Lloyd Group.

Hapag-Lloyd AG (hereinafter “the Company” or “Hapag-Lloyd”) domiciled in Hamburg, Ballindamm 25, is a German corporation registered in the commercial register of Hamburg district court under HRB 97937. The purpose of the Company is primarily ocean liner shipping, providing logistical, shipping company, ship brokerage, freight forwarding, agency and warehousing services, and all other associated business operations and services.

Following the dissolution of the “Albert Ballin” consortium per shareholder resolution in September 2013, the former members of the consortium have a direct stake in Hapag-Lloyd AG. Their shareholdings have not changed in volume. As at 31 December 2013, Hapag-Lloyd AG’s biggest shareholders were HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH with 36.9%, Kühne Maritime GmbH with 28.2% and TUI-Hapag Beteiligungs GmbH with 22.0%. Hapag-Lloyd AG prepares the consolidated financial statements for the largest circle of group companies.

These consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and adopted as European law by the European Union (EU), and the German commercial law provisions that must be observed pursuant to Section 315 a (1) of the German Commercial Code (HGB).

These consolidated financial statements encompass the financial year from 1 January to 31 December 2013.

The consolidated financial statements were prepared in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

The consolidated financial statements for the 2013 financial year are due to be examined and approved by the Supervisory Board on 25 March 2014.

#### Segment reporting

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume (= revenue) by geographic region and adjusted EBIT at the overall Group level. Decisions are made regarding the allocation of resources (use of vessels and containers) on the basis of the entire liner service network and deployment of the entire fleet. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world via a complete liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities and adjusted EBIT as the key performance indicators can be allocated to multiple geographic segments. All of the Group’s assets, liabilities, income and expenses are only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Transport volume per trading area*

	1.1.–31.12. 2013	1.1.–31.12. 2012
	TTEU	
Atlantic .....	1,204	1,136
Far East .....	1,246	1,144
Latin America .....	1,172	1,171
Transpacific .....	1,245	1,199
Australasia .....	629	605
<b>Total</b> .....	<b>5,496</b>	<b>5,255</b>

*Freight per shipping area*

	1.1.–31.12. 2013	1.1.–31.12. 2012
	US\$/TEU	
Atlantic .....	1,679	1,748
Far East .....	1,237	1,343
Latin America .....	1,390	1,444
Transpacific .....	1,747	1,913
Australasia .....	1,236	1,326
<b>Total (weighted average)</b> .....	<b>1,482</b>	<b>1,581</b>

*Revenue per shipping area*

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Atlantic .....	1,522.6	1,544.6
Far East .....	1,160.7	1,193.9
Latin America .....	1,226.0	1,314.6
Transpacific .....	1,636.8	1,783.6
Australasia .....	584.7	624.2
Other .....	436.6	382.8
<b>Total</b> .....	<b>6,567.4</b>	<b>6,843.7</b>

The adjusted EBIT is calculated from the operating earnings before interest and taxes as follows:

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
EBIT .....	63.7	2.5
Purchase price allocation .....	22.6	23.7
Sale of Montreal Gateway Terminals Ltd. Partnership, Montreal .....	(19.1)	0.0
<b>Total</b> .....	<b>67.2</b>	<b>26.2</b>

**New accounting standards**

The following new standards and amendments of already endorsed existing standards issued by the IASB had to be adopted for the first time for these financial statements. The first-time adoption did not have a significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group, unless otherwise stated:

- Amendment to IAS 1: *Presentation of Items of Other Comprehensive Income*
- Amendment to IAS 12: *Deferred Tax: Recovery of Underlying Assets*
- IAS 19 (revised 2011): *Employee Benefits*
- Amendment to IAS 36: *Recoverable Amount Disclosures for Non-Financial Assets*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Amendment to IFRS 7: *Offsetting Financial Assets and Financial Liabilities*
- IFRS 13: *Fair Value Measurement*
- *Annual Improvements to IFRS (2009–2011)*

The amendment to IAS 1 *Presentation of Items of Other Comprehensive Income* affects the way in which other comprehensive income is shown in the statement of comprehensive income. The amended standard requires items of other comprehensive income to be grouped into those which will subsequently be reclassified to the income statement (“recycled”) and those which will not. If the items are listed gross—*i. e.* without being offset against the effects of deferred taxes—deferred taxes must no longer be presented as a single total. Instead, they must be allocated to the two groups of items of other comprehensive income. The presentation of other comprehensive income in the consolidated statement of comprehensive income has been adjusted in line with the new regulation.

The change in IAS 12 *Deferred Tax: Recovery of Underlying Assets* clarifies that as a rebuttable presumption the carrying amount of certain assets is generally realised by sale; this applies to real estate held as financial investment and measured using the fair value model of IAS 40.

The amendments to IAS 19 relate primarily to the way in which defined benefit pension plans are recognised and measured. The revised version of IAS 19 removes the option to recognise actuarial gains and losses in the financial statements, with the result that they may only be recognised directly and fully in other comprehensive income. Furthermore, expected income from funded pension plans was previously calculated at the beginning of the respective period based on the executive management’s forecasts regarding changes in the value of the investment portfolio. Following the application of IAS 19 (revised 2011), interest on funded pension plans may only be taken into account based on the standard discount rate for pension obligations. In addition, IAS 19 (revised 2011) contains expanded disclosure requirements overall for employee benefits.

The first-time application of IAS 19 (revised 2011) changes the way in which the Hapag-Lloyd Group calculates the net pension expenses arising from defined benefit plans, in particular with regard to the interest portion of these net pension expenses. Until now, the anticipated return on plan assets has been calculated based on managers’ expectations regarding returns on the investment portfolio. Following the application of IAS 19 (revised 2011), the return on plan assets is measured in a standardised fashion using the interest rate for discounting pension obligations. As a result of this change, the Hapag-Lloyd Group saw a negligible fall in its net pension expenses for the 2013 financial year. The remeasurement result—which is included in other comprehensive income—increased accordingly. The first-time application of IAS 19 (revised 2011) does not affect the volume of pension obligations reported because the Hapag-Lloyd Group already recognised actuarial gains and losses in other comprehensive income in full. The disclosures in the Notes to the consolidated financial statements have been adjusted in line with the new regulation (see Note (20)).

The amendment to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* was adopted. The amendment to IAS 36 clarifies that information about the recoverable amount is only to be disclosed for assets or cash-generating units with the amount based on the fair value less costs to sell, if they are impaired. There is also further specification of the information to be disclosed if an asset is impaired and the recoverable amount has been determined on the basis of its fair value less costs to sell. For example, information is to be disclosed regarding the valuation principles used and the fair value hierarchy level pursuant to IFRS 13. Other than the discontinuation of the requirement to disclose the recoverable amount of the “container shipping” cash-generating unit, the early adoption of IAS 36 has no impact on the consolidated financial statements.

In connection with the amendment to IAS 32 regarding the offsetting of financial assets and financial liabilities, an amendment was also made to IFRS 7 *Offsetting Financial Assets and Financial Liabilities* to integrate additional information about offsetting practices into the Notes to the financial statements. The new disclosures relate primarily to quantitative information about the financial instruments covered which are offset against one another in the statement of financial position or for which offsetting agreements exist. Although the new regulations in IAS 32 are only mandatory for annual periods beginning on or after 1 January 2014, the amendments to IFRS 7 must be observed in the current financial year, 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The standard IFRS 13 *Fair Value Measurement* provides uniform measurement criteria across all standards for the measurement of the fair value by defining the term and describing which methods can be considered for its measurement. Furthermore, the Notes to the financial statements are expanded such that the fair values of all assets and liabilities assessed at fair value must be classified, for example depending on the type of measurement criteria used. The disclosures in the Notes to the consolidated financial statements have been adjusted in line with the new regulation (see the section on Accounting and measurement and Note (25)).

Interpretation of IFRIC 20 is concerned with the accounting of stripping costs in the development phase of a surface mine. The interpretation clarifies under which conditions the stripping costs can be capitalised as an asset and how initial and follow-up assessments of the asset must be performed.

Amendments were made to five standards as part of the *Annual Improvements to IFRS (2009–2011)* process. These include a clarification pertaining to IFRS 1 that IFRS 1 is also applicable if reporting was already carried out in accordance with IFRS in the past and, after a hiatus, IFRS is applied anew, and also the clarification that borrowing costs capitalised before the transition to IFRS may be retained. In addition, there was clarification under IAS 1 regarding comparative information from the previous year and the amendment of financial reporting methods and retroactive adjustments, and also a clarification under IAS 34 regarding how to make segment disclosures of assets and liabilities in interim reports. The IAS 16 provisions regarding the inclusion of servicing equipment as property, plant and equipment were amended, and a stipulation was introduced to IAS 32 requiring that tax effects caused by distributions to investors or by the costs of an equity transaction be recognised in accordance with IAS 12 *Income Taxes*.

The following standards that were adopted, amended or newly issued by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the financial year 2013:

	Standard/Interpretation	Mandatory application as per	Adopted by EU Commission
IAS 27	Amendment to IAS 27: Separate Financial Statements	1.1.2013*	yes
IAS 28	Amendment to IAS 28: Investments in Associates and Joint Ventures	1.1.2013*	yes
IAS 32	Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	1.1.2014	yes
IAS 39	Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	1.1.2014	yes
IFRS 10	Consolidated Financial Statements	1.1.2013*	yes
IFRS 11	Joint Arrangements	1.1.2013*	yes
IFRS 12	Disclosure of Interests in Other Entities	1.1.2013*	yes
IFRS 10–12	Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance	1.1.2014	yes
IFRS 10,12, IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1.1.2014	yes
IAS 19	Amendment to IAS 19: Employee Contributions	1.7.2014	no
IFRS 9	Financial Instruments	open	no
IFRS 9	Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	open	no
IFRS 9	Amendments to IFRS 9 Financial Instruments	open	no
IFRS 14	Regulatory deferral accounts	1.1.2016	no
IFRIC 21	Levies	1.1.2014	no

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Standard/Interpretation	Mandatory application as per	Adopted by EU Commission
Various	Annual Improvement Process—Improvements to IFRS (2010–2012)	1.7.2014	no
Various	Annual Improvement Process—Improvements to IFRS (2010–2013)	1.7.2014	no

\* For the EU 1.1.2014

These are regulations which will not be mandatory until the financial year 2014 or later. Other than the early adoption of IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*, the Company does not plan to early adopt any other standards. Unless stated otherwise, the effects are currently being reviewed.

**EU endorsement has been given**

The amendment to IAS 27 *Separate Financial Statements* is a consequence of the combination of provisions stated in the new IFRS 10 *Consolidated Financial Statements*, the previous IAS 27 *Consolidated and Separate Financial Statements* as well as SIC 12 *Consolidation—Special Purpose Entities*. Consequently, IAS 27 henceforth only comprises rulings for the accounting treatment of subsidiaries, joint ventures and associated companies in IFRS separate financial statements.

With the adoption of IFRS 11 *Joint Arrangements*, an amendment was made to IAS 28 as a result of the now expanded scope of application of IAS 28, as investments both in associated companies and in joint ventures must henceforth be measured using the equity method. The proportionate consolidation of joint ventures therefore no longer applies. Potential voting rights and other derivative financial instruments are henceforth to be taken into consideration when assessing whether a company has a significant influence or when assessing the investor's share of the assets of the company. Another amendment relates to accounting in accordance with IFRS 5 if only a portion of the share in an associated company or a joint venture is to be sold. IFRS 5 is partially applicable if only a share or a portion of a share in an associated company (or joint venture) is deemed to be "held for sale". Given that the method of proportionate consolidation was not applied within the Hapag-Lloyd Group and there were no associated companies to account for pursuant to IFRS 5, there is no material impact on the Group's net asset, financial and earnings position.

Prerequisites contained in IAS 32 regarding netting were made more concrete through additional application guidelines. On the one hand it is specified that there must be an unconditional, legally enforceable claim for compensation, even if one of the parties has filed for bankruptcy, and on the other hand exemplary criteria are provided under which the offsetting of financial assets and financial liabilities is done.

With the amendment to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*, under certain conditions, the novation of a hedging instrument to a central counterparty as required by legislation does not lead to the dissolution of an existing hedging relationship. This means that a hedging relationship does not need to be dissolved if novation becomes necessary as a result of new legislation or the introduction of legislation, if the central counterparty becomes the contractual partner of all parties to the derivative contract as a result of the novation and if there are no changes to the terms and conditions of the contract relating to the original derivative, aside from changes that are a necessary result of the novation.

The new IFRS 10 *Consolidated Financial Statements* replaces parts of the regulations of the previous IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation—Special Purpose Entities*. This standard comprehensively redefines the term "control". If one company controls another, it is the responsibility of the parent company to consolidate the subsidiary. Based on the new concept, there is an instance of control if the potential parent company has the power to make decisions for the potential subsidiary due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can have a bearing on these returns due to its power to make decisions. There are no significant changes required for the Hapag-Lloyd Group arising from the adoption of the new IFRS 10.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*. According to the new concept it must be determined whether a joint operation or a joint venture exists. A joint operation exists if the jointly controlling parties have direct rights to assets and direct obligations for liabilities. The individual rights and obligations are proportionally accounted for in the consolidated financial statements. In a joint venture the jointly controlling parties only have rights to the equity. This right is disclosed in the consolidated financial statements using the equity method; the option of a proportional value for the consolidated financial statements thus no longer applies. There is no effect on the net asset, financial and earnings position of the Hapag-Lloyd Group as a result of the adoption of the new IFRS 11.

With the new IFRS 12 *Disclosure of Interests in Other Entities*, all disclosure requirements for subsidiaries, joint ventures and associated companies as well as non-consolidated special purpose entities are combined in one standard. Thus, companies must disclose both quantitative and qualitative information concerning type, risks and financial effects in connection with the engagement of the company with these affiliated companies. The additional disclosures required pursuant to the new IFRS 12 will be implemented in the consolidated financial statements as at 31 December 2014.

The amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* clarify that the time of first-time adoption of IFRS 10 is the start of the reporting period in which the standard was first applied. Decisions as to whether investments should be consolidated in accordance with IFRS 10 or not are thus to be made at the beginning of this period. The amendments also stipulate that, in the case of the first-time application of the new consolidation rules, only comparative figures for the previous comparative period are mandatory for subsidiaries, associated companies and joint arrangements. Disclosures relating to unconsolidated structured companies are wholly exempt from the obligation to provide comparative figures.

With the amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*, a definition of investment entities is given and these are excluded from the obligation to consolidate subsidiaries in accordance with IFRS 10. Instead, subsidiaries must be recognised at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* in an investment company's consolidated financial statements. Insofar as the investment company is itself the subsidiary of a non-investment company, the exclusion does not apply to the parent company's consolidated financial statements and, as the parent company, the non-investment company must consolidate its controlled investment company and its subsidiaries in accordance with IFRS 10.

### **EU endorsement still pending**

The amendment to IAS 19 *Employee Contributions* clarifies that contributions paid by employees themselves (or by third parties) can be recognised simply by an approving company in such a way that the principal amount of the employee contributions is deducted from the service costs for the period in which the corresponding term of service is provided. This is subject to the amount of the contributions being independent of the number of service years, e.g. contributions which are set as a fixed percentage of the annual salary.

The recognition and measurement of financial instruments in accordance with IFRS 9 will replace IAS 39. Financial assets will henceforth be classified and measured on the basis of two groups only: at amortised cost and at fair value. Financial assets at amortised cost are financial assets for which interest and capital repayments are applicable only at stipulated times and which are also held as part of a business model whose objective is to hold assets. All other financial assets belong to the group of assets carried at fair value. Changes in the value of the financial assets in the fair value category are always recognised as profit or loss. In the case of certain equity instruments, there is the option to recognise changes in value under other comprehensive income. However, dividend entitlements relating to these assets are to be recognised as profit or loss. The regulations for financial liabilities have generally been taken from IAS 39. The primary change relates to the recognition of changes in the value of financial liabilities measured at fair value. These will henceforth be divided: the proportion attributable to own credit risk will be recognised under other comprehensive income, while the remaining proportion of the change in value will be carried as profit or loss.

With the amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date and Transition Disclosures*, the mandatory date of the first-time adoption of IFRS 9 was postponed to 1 January 2015. In addition,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

exemptions were introduced under which a company may provide additional information in the Notes upon transition to IFRS 9, rather than adjusting prior year figures.

The additions to IFRS 9 include new regulations relating to hedge accounting in the form of a new, general model for the recognition of hedging relationships. They replace the corresponding provisions regarding hedge accounting in IAS 39. However, when applying the new hedge accounting rules pursuant to IFRS 9, there is the option of continuing to apply the special rules for portfolio fair value hedges for interest rate risks pursuant to IAS 39.

The additions to IFRS 9 also allow for the early adoption of the recognition of credit-related fair value adjustments for liabilities measured at fair value with no effect on income, without fully applying the provisions of IFRS 9. In addition, the IASB has indefinitely postponed the mandatory first-time adoption date previously stipulated in IFRS 9. A new first-time adoption date will not be set until the standard is available in full. Only then is the EU likely to endorse it as well.

With the introduction of IFRS 14 *Regulatory Deferral Accounts*, companies applying IFRS for the first time are allowed to continue presenting price-regulated sales transactions in line with the previously applied accounting standards. However, in this case the effects from the capitalisation or deferral of economic benefits must be presented separately. Furthermore, special disclosures need to be made with regard to the underlying price regulation and the associated risks. Companies which already use IFRS are expressly excluded from applying the provisions.

Interpretation IFRIC 21 *Levies* clarifies how and when levies charged by a level of government and not covered by another IFRS standard are to be recognised as liabilities pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. According to the current interpretation, an obligation is to be recognised in the financial statements as soon as the obligating event which triggers the obligation to pay pursuant to the legislation underpinning the levy occurs.

Amendments were made to seven standards as part of the *Annual Improvements to IFRS (2010–2012)* process. The aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. In addition, there are amendments that have an effect on the disclosures made in the Notes. The standards in question are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Amendments were made to four standards as part of the *Annual Improvements to IFRS (2011–2013)* process. Here, too, the aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. The standards in question are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

### Consolidation principles and methods

The consolidated financial statements include all the significant domestic and foreign companies in which Hapag-Lloyd AG is able to govern the financial and business policy so as to derive benefits from the activities of these companies (subsidiaries). Companies in which the Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled (joint ventures) are included in the consolidated financial statements using the equity method.

Such companies are generally consolidated for the first time as at their acquisition date. The acquisition date constitutes the time from which the possibility of controlling the subsidiary is acquired or, respectively, when it becomes possible to exert significant influence. If the possibility of controlling a company or of exerting significant influence over it ends, the company in question is removed from the group of consolidated companies.

Capital consolidation is carried out using the purchase method. When the purchase method is applied, the acquisition costs of the acquired shares are compared with the proportionate fair value of the acquired assets, debts and contingent liabilities of the subsidiary or associated company as at the acquisition date. With subsidiaries, any positive difference is recognised as goodwill and is recorded as an asset of the subsidiary; with associated companies, it is contained within the carrying amount of the respective investment valuation. Any negative difference is recognised immediately within the income statement after reviewing the assessed asset and liability values again. The option to capitalise the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

proportionate goodwill on non-controlling interests is not applied. Transaction costs incurred in connection with a business combination are recognised as expenses.

Any resulting goodwill is examined for impairment at least once a year at the end of the planning process or, if there are any indications of a possible impairment in value in the subsequent periods, is examined for its recoverable amount and, in the event of impairment, is written down to the lower recoverable amount (impairment test). Any impairments of this kind are recognised separately in the consolidated income statement as impairment of goodwill. If the carrying amount exceeds the recoverable amount of an investment in an associated company, the carrying amount of the investment is written down to the recoverable amount. Impairments of the carrying amount are recognised in the share of profit of equity-accounted investees.

The individual financial statements of Hapag-Lloyd AG and its subsidiaries, which were prepared using the standard Group accounting and measurement principles and of which the financial statements of significant companies were audited by the auditors, were included in the preparation of the consolidated financial statements.

If a subsidiary or a company included in the consolidated financial statements using the equity method is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement. The carrying amounts of the capitalised goodwill are taken into account in the calculation of the gain or loss on disposal.

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

The share of Group profit, of other comprehensive income and of subsidiaries' equity which is attributable to non-controlling interests is reported separately in the consolidated income statement, in the consolidated statement of comprehensive income and within Group equity. When non-controlling interests are acquired, the difference between the acquisition cost of these shares and the non-controlling interests previously reported in the Group's equity for these shares is recognised directly in equity. When shares are sold to other shareholders without any loss of control, any difference between the realisable value and the proportion of net assets attributable to other shareholders is recognised directly in equity under the positions "Retained earnings" and "Non-controlling interests".

### Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 52 companies are included in the group of consolidated companies:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	foreign	
31.12.2012 .....	4	45	2	3	54
Additions .....	—	—	—	—	—
Disposals .....	1	—	—	1	2
31.12.2013 .....	3	45	2	2	52

Hapag-Lloyd Holding AG was merged with Hapag-Lloyd AG with effect from 1 January 2013 in the form of a downstream merger. Hapag-Lloyd AG is consequently the new parent company of the Hapag-Lloyd Group.

In the year under review, all of the Company's shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, Canada, were sold to the majority shareholder.

Four domestic and four foreign subsidiaries of overall minor significance for the Group's net asset, financial and earnings position are not included in the consolidated financial statements. The shares are recognised as other assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok, and 49.0% of the shares in Hapag-Lloyd Agency LLC, Dubai. These companies are fully consolidated as they are controlled by Hapag-Lloyd AG which holds the majority of the voting rights.

Hapag-Lloyd Lanka (Pvt) Ltd., Colombo, is consolidated using the equity method and in contrast to the Group has a non-calendar financial year with a balance sheet date of 31 March. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (39).

### Currency translation

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

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

Transactions in foreign currency are recorded at the applicable exchange rate as at the date of the transaction. As at the balance sheet date, monetary items are translated at the closing rate at year-end, while non-monetary items are translated at the historical rate. Any differences arising during translation are recognised through profit or loss. Exceptions are gains and losses that must be recorded as qualified cash flow hedges as part of other comprehensive income.

Gains and losses due to exchange rates that are in connection with transport services are recorded in both sales and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses. In the year under review, income in the amount of EUR 5.2 million and expenses in the amount of EUR 41.7 million resulting from currency translation were reported in the consolidated income statement.

### Exchange rates of significant currencies:

	Closing rate		Average rate	
	31.12.2013	31.12.2012	2013	2012
	per EUR			
US dollars	1.37670	1.3185	1.32840	1.2862
British pounds sterling	0.83310	0.8155	0.84974	0.8114
Canadian dollars	1.46360	1.3116	1.36841	1.2853
Swiss francs	1.22680	1.2073	1.23108	1.2052
Hong Kong dollars	10.67470	10.2193	10.30394	9.9770
Singapore dollars	1.73910	1.6110	1.66213	1.6064
Japanese yen	144.51000	113.6200	129.63705	102.6185
Chinese renminbi	8.39349	8.3176	8.16775	8.1131

### ACCOUNTING AND MEASUREMENT

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles. The amounts stated in the consolidated financial statements are not determined by tax regulations, but solely by the commercial presentation of the net asset, financial and earnings position as set out in the rules of the IASB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Recognition of income

Revenue is primarily generated from the rendering of transport services. As a matter of principle, therefore, revenue is recorded after the service has been rendered. The revenue amount is measured by the fair value of the consideration received or to which there will be an entitlement. Revenue is recognised net of value-added tax and reductions in earnings. By optimising the systems to report revenue for demurrage and detention which has been realised but not yet billed, revenue totalling EUR 12.9 million was deferred for the first time as at the balance sheet date.

Income from unfinished voyages is recognised in accordance with the proportion of the voyage completed as at the balance sheet date. The completed proportion of the voyage is determined by the ratio of the expenses incurred up to the balance sheet date to the anticipated total expenses.

Other operating income and other revenue are generally recorded upon delivery of the assets or upon transfer of their ownership or risk.

Please refer to Note (25) for the recording of profits and losses from derivative financial instruments used in hedges.

Dividends are recorded when the legal claim to them has arisen.

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

### Goodwill and other intangible assets

Intangible assets acquired as a result of business combinations, including advantageous contracts, customer base and trademark rights, are capitalised at their fair value as at the acquisition date. Other intangible assets are capitalised at cost.

If intangible assets can be used only for a limited period, they are amortised regularly over their expected useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually (impairment test). In addition, impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

The anticipated useful lives of the intangible assets did not change since the previous year and are as follows:

	Useful life in years
Customer base . . . . .	22
“Hapag-Lloyd” brand . . . . .	unlimited
Charter and lease agreements . . . . .	5–10
Transport and supply contracts . . . . .	2–5
Order book . . . . .	—
Computer software belonging to Hapag-Lloyd AG . . . . .	8
Other . . . . .	3

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

For intangible assets with finite useful lives, the amortisation period is examined at least at the end of every financial year. For intangible assets with indefinite useful lives, an annual check is carried out as to whether the assessment of an indefinite useful life can be maintained. Any changes in the anticipated useful life are treated prospectively as changes in estimates.

The order book contains advantageous agreements for the construction of new vessels. Therefore, the useful life equals the useful life for vessels and depreciation does not begin until delivery of these vessels. The order book itself does not have a useful life.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Property, plant and equipment

Property, plant and equipment are measured at depreciated acquisition and production cost. The cost of acquisition comprises all costs incurred to purchase an asset and bring it to working condition. The cost of production is determined on the basis of direct costs and appropriate allocations of overheads.

Borrowing costs as defined by IAS 23 which are directly associated with the acquisition, construction or production of qualifying assets are included in the cost of acquisition or production until the assets in question are ready for their intended use. The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 8.96% p. a. for the financial year 2013 (2012: 9.25% p. a.).

Scheduled use-related depreciation using the straight-line method is based on the following useful economic lives, which are the same as in the previous year:

	<u>Useful life in years</u>
Buildings .....	40
Vessels .....	25
Containers, chassis .....	13
Other equipment .....	3–10

Vessel classification costs are depreciated as a separate component over a period of five years. Furthermore, the level of depreciation is determined by the residual values recoverable at the end of the useful economic life of an asset. The residual value of container ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements.

Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

### Leases

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rental agreements for buildings and containers as well as charter agreements for vessels. On the basis of the commercial opportunities and risks inherent in a leased item, it is assessed whether the commercial ownership of the leased item is attributable to the lessee or the lessor.

#### *Finance lease*

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

At the same time, a lease obligation is recorded equivalent to the carrying amount of the leased asset upon recognition. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is reported through profit or loss in the consolidated income statement; the repayment element reduces the lease obligation posted.

#### *Operating lease*

Rental expenses from operating lease contracts are recorded through the consolidated income statement using the straight-line method over the terms of the respective contracts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

If the Group acts as lessor in the context of operating leases, the respective leasing object is still recorded and depreciated as planned in the consolidated financial statements. Lease income from operating leases is recorded in revenue or other operating income using the straight-line method over the term of the respective contracts.

Profits or losses from sale-and-leaseback transactions that result in operating lease contracts are recognised immediately if the transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.

### Impairment testing

Intangible assets with finite useful lives and property, plant and equipment are tested regularly for impairment if there are any indications of a possible loss in value. This test compares the recoverable amount of the asset in question with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

Intangible assets with indefinite useful lives are tested for impairment if circumstances require, but at least annually at the end of the financial year. This applies in particular to the Hapag-Lloyd brand, for which the recoverable amount at fair value was determined using licence price analogy procedures. A need for impairment was not ascertained.

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

Goodwill is also allocated to cash-generating units and tested for impairment on this basis at least once a year at the end of the financial year. An impairment loss is recognised if the recoverable amount is lower than the cash-generating unit's carrying amount. If a need for impairment has been ascertained in connection with a cash-generating unit containing goodwill, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

If, following an impairment recognised in previous years, the asset or cash-generating unit has a higher recoverable amount at some later date, a reversal of the impairment to no higher than the amortised cost is carried out. No reversals of impairment of goodwill are carried out as they are not permitted under IAS 36.

Container shipping in its entirety is defined as a cash-generating unit in the Group, as it is not possible to allocate the operating cash flows to individual assets due to the complexity of the transport business (see Notes in the "Segment reporting" section). The recoverable amount corresponds to the higher of the fair value less cost of disposal and the value in use. The fair value is the price that independent market participants would pay at the balance sheet date under normal market conditions if the asset or cash-generating unit were sold. The value in use is ascertained by discounting the cash flows anticipated from future operational use.

The recoverable amount for the impairment test of the goodwill and the brand name is determined by ascertaining the fair value less cost of disposal using the discounted cash flow (DCF) method. The fair value of the cash-generating unit was measured pursuant to level 3 of the valuation hierarchy. The basis for ascertaining the recoverable amount is the medium-term planning approved by the Executive Board which covers a five-year period. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group's own competitive position on its various trades. At the time of planning, IHS Global Insight expected an increase in global container traffic of 4.7% in 2014 and of between 5.3% and 5.6% for the following years. Additionally, it is expected that freight rates will only increase slightly due to typical seasonal fluctuations, facing an increase in transport expenses. Following a lower bunker consumption price in 2014, bunker consumption prices are expected to remain steady at a higher level as of 2015.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after tax. This is calculated on the basis of capital-market-oriented models as a weighted average of the costs of equity and borrowed capital. In the process, the cost of equity is determined using a risk-free interest rate and a risk premium of altogether 9.25% (2012: 9.25%). The risk premium is produced by multiplying the market risk premium by a beta factor derived from the capital market in accordance with the figures at comparable companies (peer group). In order to extrapolate the plans beyond the planning period, a growth discount of 1.0% was taken into consideration (2012: 1.0%). The weighted average cost of capital after income taxes which is used for discounting purposes is 9.26% for the planning period (2012: 9.01%) and, as a result of the growth discount, 8.26% for the extrapolation of the subsequent period (2012: 8.01%). The pre-tax calculation interest rate due to tonnage tax regulations corresponds to the weighted average cost of capital after income taxes.

As part of the impairment test performed, the respective results were verified using a sensitivity analysis. Various capitalisation rates were used for the sensitivity analysis. There was no need for impairment when applying a capitalisation rate of up to 11.5%. In addition, to take account of the volatility of the value-driving factors (transport volumes, freight rates, bunker prices and the US\$/EUR exchange rate) a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash flow determination. A decrease in the free cash flow of approximately 30% in the period thereafter did not result in a need for impairment. After allowing for IHS Global Insight's revised forecast in December 2013, there was still no need for impairment.

As at the balance sheet date, the fair values less cost of disposal exceeded the carrying amounts on the basis of both the plans and the sensitivity analyses, with the result that no impairment needed to be recognised at the level of the cash-generating units.

### **Impairment test for ship portfolio**

Against the backdrop of the intended sale of a ship portfolio, for which the criteria of IFRS 5 do not yet exist, an individual impairment test for the designated ships was carried out in previous years. During the current financial year, possible signs for additional impairment or a reversal of impairment losses were reviewed. A reversal of impairment loss of EUR 0.6 million was required as a result of this test (2012: impairments relating to two ships in the amount of EUR 1.7 million).

The recoverable amount for these ships was determined mainly on the basis of the budgeted disposal proceeds. Fair value less cost of disposal was determined on the basis of current sales transactions.

### **Financial instruments**

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

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities measured at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other liabilities. The valuation category of financial assets or liabilities measured at fair value through profit or loss is subdivided into the categories "held for trading" and "fair value option".

Derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (hedge accounting) are classified as "held for trading". The Group also holds financial assets in the "loans and receivables" and "available-for-sale financial assets" categories. By contrast, there are no held-to-maturity investments in these financial statements. Primary liabilities only exist in the category of financial liabilities measured at amortised cost.

Non-derivative underlying contracts are analysed to determine the existence of embedded derivatives. Embedded derivatives are to be recognised separately from the underlying contract as an independent financial instrument if the two components demonstrate different economic properties which are not closely linked to each other. Embedded derivatives are likewise classified as "held for trading".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial assets and financial liabilities that fall into the application area of IAS 39 can be irrecoverably assigned to the subcategory “fair value option” under certain circumstances. Neither for financial assets nor for financial liabilities was the fair value option used.

In the financial year 2013, as in the previous financial year, there were no reclassifications within the individual classification categories.

### Primary financial assets

Financial assets are recognised at their value as at the trading date, *i.e.* the date on which the Group commits to buying the asset. Primary financial assets are classified as loans and receivables or as available-for-sale financial assets when recognised for the first time. Loans and receivables as well as available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable contractual payments which are not listed on an active market. They are shown in the statement of financial position under trade receivables and other assets, and are classified as current receivables if they mature within twelve months of the balance sheet date.

As part of subsequent measurements, loans and receivables are measured at amortised cost using the effective interest method. Impairments are recognised for identifiable individual risks. Where default of a certain proportion of the receivables portfolio is probable, impairments are recognised to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for identifiable individual risks include, for example, a material deterioration in creditworthiness, considerable default as well as a high probability of insolvency and the corresponding inability of the customer to repay debt. If the reasons for impairment cease to exist, write-backs are recorded, not exceeding amortised cost. Impairments and impairment reversals are recorded in other operating expenses and income.

Impairments of trade receivables are, in part, recorded using an impairment account. The decision to record impairment either by using an impairment account or by directly reducing the trade receivable depends on the degree of reliability of the risk evaluation. Concrete losses lead to a write-off of the respective asset. For the current business year, no direct impairments on trade receivables were recorded.

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or are unable to be allocated to any other category of financial assets. In the Hapag-Lloyd Group, these consist solely of shares in companies as well as securities. They are allocated to non-current assets unless the management intends to sell them within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value after their initial measurement. Changes in fair values are recorded under other comprehensive income until the disposal of the assets. A long-term reduction in fair value gives rise to impairments recognised within the income statement. In the event of a subsequent write-back of the impairment recorded in the income statement, the impairment is not reversed, but is posted against other comprehensive income. If no listed market price on an active market is available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

Assets are no longer recognised as at the date when all the risks and opportunities associated with their ownership are transferred or cease.

### Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time and are subject to immaterial changes in value. Fully utilised overdraft credit is shown under current financial debt as liabilities to banks.

### Primary financial liabilities

Initial evaluation and recognition of a primary financial liability is carried out at fair value, taking account of directly allocable transaction costs. Within the measurement after recognition, the primary financial liabilities are measured at amortised cost using the effective interest rate method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria lead to the assessment that both contracts are materially the same, the old liability continues to exist with the new conditions.

### **Derivative financial instruments and hedge accounting**

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

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

Upon conclusion of the transaction in accordance with IAS 39, the hedging relationships between the hedging instrument and the underlying transaction and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to whether the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The effective proportion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in other comprehensive income. The ineffective proportion of such changes in fair value is recognised immediately in the other financial result. Hedge accounting by means of options records the changes in time value affecting net income because they are excluded from the hedging relationship. Amounts recorded in other comprehensive income are reclassified to the consolidated income statement and recognised as income or expenses in the period in which the hedged underlying transaction impacts the consolidated income statement. In the case of hedging relationships based on currency forward contracts, the entire effective market value change in the hedging transaction is initially recorded under other comprehensive income. In the next step, the spot component is reclassified from other comprehensive income to the consolidated income statement and is recognised through profit or loss in line with the change in the value of the underlying transaction. The forward component is recognised through profit or loss on a pro rata basis over the term of the hedging relationship.

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

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives, are recognised directly in the consolidated income statement with effect on net income.

Hedging measures that do not comply with the strict requirements of hedge accounting according to IAS 39 are used to hedge currency risks of monetary liabilities in the statement of financial position. This is done based on risk management principles and effectively contributes to the hedging of a financial risk. The use of hedge accounting according to IAS 39 is foregone since gains and losses from conversions of the underlying transactions and gains and losses from the respective hedging instrument affect net income simultaneously.

### **Inventories**

Inventories are measured at the lower of cost of purchase or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel and lubricants.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### Pensions and similar obligations

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

Differences between the assumptions made and the actual developments, as well as changes in the actuarial assumptions for the valuation of defined benefit pension plans and similar obligations, lead to actuarial gains and losses. These are recorded in full in other comprehensive income, *i.e.* outside of the consolidated income statement.

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

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

A negative net pension obligation resulting from advance payments for future contributions is included as an asset only insofar as it leads to a reimbursement from the plan or a reduction in future contributions. Any surplus amount is recorded in other comprehensive income (asset ceiling).

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

### Other provisions

Provisions are recognised for all legal or factual obligations resulting from a past event insofar as their utilisation is probable and their amount can be reliably determined. Provisions are recorded at the best estimate of their repayable amount and take account of cost increases. The present value is assessed for provisions with terms exceeding twelve months. Over the course of time, the provisions are adjusted on the basis of new knowledge gained. Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

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

Provisions for guarantee, warranty and liability risks are created based on existing or estimated future damages. Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and delivered to the affected parties.

### Taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Group, has opted for taxation in accordance with tonnage. Tax liability for tonnage taxation is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company's ship fleet. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or rebate from the tax authority is anticipated. They are ascertained on the basis of the Company's tax rates as at the balance sheet date. Income tax provisions are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Expected tax savings from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, *i.e.* recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2014 to 2018.

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

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

Deferred tax assets are recorded to the extent that it is probable that future taxable income will be available at the level of the relevant tax authority for utilisation of the deductible temporary differences.

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

### **Fair value**

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

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

#### ***Level 1:***

Unchanged adoption of prices from active markets for identical assets or liabilities.

#### ***Level 2:***

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

#### ***Level 3:***

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

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

Additional explanations of fair values can be found in the section “Impairment testing” and in Note (25) “Financial instruments”.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### **Discretionary decisions, estimates and assessments**

#### *Discretionary decisions when applying accounting and measurement principles*

The preparation of consolidated financial statements in accordance with IFRS requires discretionary decisions. All discretionary decisions are continuously re-evaluated and are based on historic experiences and expectations regarding future events which seem reasonable under the existing conditions. This specifically applies to the following cases:

During the classification of leasing relationships, discretionary decisions are made regarding the assignment of economic property to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leasing relationships; regarding the amounts, see Note (33).

In a number of cases, the valuation parameters used to determine the fair value of an asset or liability can be assigned to various levels of the fair value hierarchy. In such cases, fair value measurement as a whole is assigned to the same hierarchy level as the valuation parameter of the lowest level that is of significance to the measurement in its entirety. The evaluation of the significance of a specific valuation parameter for measurement as a whole requires a discretionary decision in which the characteristic factors relating to the asset or liability are to be taken into consideration. See the section "Impairment testing" and Note (25) on the approach taken.

#### *Management estimates and assessments*

In the consolidated financial statements, a certain number of estimates and assessments are made in order to determine the assets and liabilities shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

#### *Intangible assets and property, plant and equipment*

The verification of the realisable values of intangible assets and property, plant and equipment also requires assumptions and estimates to be made regarding future cash flows, anticipated growth rates, exchange rates and discount rates. All material parameters are therefore at the discretion of the management regarding the future development, particularly in terms of the global economy. They involve the uncertainty of all forecasting activity. The assumptions made for this purpose can be subject to alterations which could lead to impairments in value in future periods. Regarding the approach, we refer to the presentation concerning impairment testing; regarding the amounts, see Notes (10) and (11).

A review of the vessels' scrap values in the 2013 financial year resulted in higher residual values than previously assumed, due to the current market situation. Consequently, the vessels' scrap values were adjusted with effect from 1 January 2013, lowering depreciation for the 2013 financial year by EUR 21.4 million.

#### *Allowance for doubtful receivables*

The allowance for doubtful receivables comprises to a great extent estimates and valuations of both individual receivables and groups of receivables that are based on the respective creditworthiness of the customer, current economic trends as well as the analysis of maturity structures and historical defaults. For further explanations, we refer to Note (13).

#### *Deferred tax assets on loss carry-forwards*

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9).

#### *Provisions*

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions, and



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

mortality tables. These assumptions can diverge from the actual figures as a result of changes in the economic conditions or the market situation as well as mortality rates. For detailed explanations, see Note (20).

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes use empirical values as the basis for making assumptions regarding the probability of the obligation or future developments occurring, for example in respect of the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions.

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation, the actual losses can deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks there is particular uncertainty concerning the estimate of future damages. For detailed explanations, see Note (21).

The valuation of non-current receivables and liabilities, either non-interest bearing or with interest rates not in line with the market, and of non-current other provisions, depends primarily on the choice and development of discount rates.

### *Changes in assumptions and estimates*

At the time of preparation of the consolidated financial statements, no material changes in the underlying assumptions and estimates are expected, so that no material adjustment of the assessed assets and liabilities is expected in the financial year 2014 at this time.

### **Risks and uncertainties**

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

## **NOTES TO THE CONSOLIDATED INCOME STATEMENT**

### **(1) Revenue**

Revenue in the amount of EUR 6,567.4 million (2012: EUR 6,843.7 million) was primarily generated from the rendering of transport services amounting to EUR 6,480.2 million (2012: EUR 6,757.0 million).

The revenue includes income of EUR 173.6 million (2012: EUR 171.6 million) which was included proportionately to reflect unfinished voyages as at the balance sheet date.

### **(2) Other operating income**

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Income from the disposal of assets . . . . .	36.1	192.4
Income from the reversal of provisions . . . . .	36.0	22.3
Exchange rate gains . . . . .	20.4	14.2
Income from write-backs . . . . .	0.6	0.0
Other income . . . . .	63.2	36.5
<b>Total</b> . . . . .	<b>156.3</b>	<b>265.4</b>

The exchange rate gains from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the revaluation of financial assets, financial liabilities and currency options as at the balance sheet date.

In the previous year, income from the disposal of assets primarily included income from operating sale and leaseback transactions for containers (EUR 132.9 million) and from the disposal of chassis (EUR 35.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(3) Transport expenses

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Expenses for raw materials, supplies and purchased goods .....	1,436.6	1,638.7
Cost of purchased services thereof .....	4,336.5	4,543.6
Port, canal and terminal costs .....	1,831.1	1,834.9
Container transport costs .....	1,691.4	1,826.0
Chartering, leases and container rentals .....	653.3	718.8
Maintenance/repair/other .....	160.7	163.9
<b>Total</b> .....	<b>5,773.1</b>	<b>6,182.3</b>

The cost of raw materials and supplies refers in particular to fuel expenses and effects from fuel hedging instruments.

(4) Personnel expenses

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Wages and salaries .....	292.7	288.7
Social security costs, pension costs and other benefits .....	72.5	71.0
<b>Total</b> .....	<b>365.2</b>	<b>359.7</b>

Pension costs include, among other things, expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations and the expected interest income from the associated fund assets are recorded within the interest result. A detailed presentation of pension obligations is provided in Note (20).

*Employees*

The average number of employees was as follows:

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Marine personnel .....	1,250	1,228
Shore-based personnel .....	5,547	5,541
Apprentices .....	185	188
<b>Total</b> .....	<b>6,982</b>	<b>6,957</b>

(5) Depreciation, amortisation and impairment

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Scheduled amortisation/depreciation .....	325.4	330.3
Amortisation of intangible assets .....	64.0	67.6
Depreciation of property, plant and equipment .....	261.4	262.7
Impairment of intangible assets and property, plant and equipment .....	—	1.7
<b>Total</b> .....	<b>325.4</b>	<b>332.0</b>

The scheduled amortisation of intangible assets largely concerned advantageous contracts (2013: EUR 39.4 million; 2012: EUR 42.4 million).

The scheduled depreciation of property, plant and equipment was largely accounted for by ocean-going vessels (2013: EUR 203.9 million; 2012: EUR 213.5 million) as well as containers and container chassis (2013: EUR 50.3 million; 2012: EUR 42.1 million).

The prior-year impairment resulted from a portfolio of ships whose cash flows were largely determined by the budgeted sales proceeds in the planned sale process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(6) Other operating expenses

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
EDP costs	60.9	63.2
Commissions	36.4	38.9
Exchange rate losses	32.0	49.0
Rental and lease expenses	21.7	23.4
Other taxes	19.4	16.9
Other social security expenses	15.1	14.6
Administrative expenses	12.3	13.1
Expenses for charges, fees, consultancy and other professional services	9.9	12.3
Other operating expenses	44.0	35.9
<b>Total</b>	<b>251.7</b>	<b>267.3</b>

The exchange rate losses from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the revaluation of financial assets, financial liabilities, currency options and currency forward contracts as at the balance sheet date.

Other operating expenses comprise in particular travel costs, insurance payments, audit fees, and maintenance and repair costs.

(7) Other financial result

The other financial result essentially comprises income from the sale of the Company's share in Montreal Gateway Terminals Ltd. Partnership, Montreal, totalling EUR 19.1 million and expenses from changes in the fair value of derivative financial instruments in the amount of EUR 0.6 million (2012: income of EUR 2.8 million).

(8) Interest result

The interest result was as follows:

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Interest income	5.6	6.7
Interest income from fund assets for the financing of pensions and similar obligations	3.8	3.9
Other interest and similar income	1.8	2.8
Interest expenses	159.2	133.6
Interest expenses from the valuation of pensions and similar obligations	8.9	9.1
Other interest and similar expenses	150.3	124.5
<b>Total</b>	<b>(153.6)</b>	<b>(126.9)</b>

Other interest and similar income mainly comprises income from interest-bearing bank accounts.

Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from finance leases.

The Group's interest result improved by a total of EUR 6.6 million as a result of the transactions in the bond market and the separate accounting of embedded derivatives associated with this, in the form of early buy-back options. This includes income of EUR 1.5 million for the recognition of changes in the fair value of embedded derivatives in the 2013 financial year. The effects described were recognised in other interest and similar expenses.

(9) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income tax. For domestic companies subject to corporate income tax, as in the previous year, a

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax apply. Additionally, these companies are subject to trade earnings tax, which for the years 2013 and 2012 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries within the Group; in 2013, these ranged from 12.5% to 39.0% (2012: between 12.5% and 42.1%).

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

Income taxes were as follows:

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Actual income taxes .....	7.1	4.0
thereof domestic .....	2.8	0.6
thereof foreign .....	4.3	3.4
Deferred tax income/expenses .....	0.4	(0.1)
thereof from temporary differences .....	(2.6)	0.1
thereof from loss carry-forwards .....	3.0	(0.2)
<b>Total</b> .....	<b>7.5</b>	<b>3.9</b>

Tax income relating to other periods in the amount of EUR 0.2 million is included in the current income taxes (2012: EUR 0.9 million).

For domestic companies subject to corporate income tax, a combined income tax rate of 32.3% or 19.1% was used to calculate deferred taxes (2012: 32.3% or 19.1%). The combined income tax rate takes into account corporate income tax of 15.0% (2012: 15.0%), a solidarity surcharge of 5.5% of the corporate income tax (2012: 5.5%) and trade earnings tax of 16.5% (2012: 16.5%) or 3.3% (2012: 3.3%) insofar as it relates to income from vessel operations in international transport.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates which were applied for foreign-based companies for the financial year 2013 ranged from 16.5% to 39.0% (2012: 16.5% to 42.1%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. In order to ascertain the expected tax expense, the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year is multiplied by the pre-tax profit, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Earnings before income taxes .....	(89.9)	(124.4)
<b>Expected income tax expense (+) / income (–) (tax rate 32.3%)</b> .....	<b>(29.0)</b>	<b>(40.1)</b>
Difference between the actual tax rates and the expected tax rates .....	0.8	2.9
Changes in tax rate and tax law .....	0.3	0.0
Effects of income not subject to income tax .....	44.3	47.9
Non-deductible expenses and trade tax additions and reductions .....	5.3	3.4
Changes in unrecognised deferred taxes .....	3.1	2.4
Effective tax expenses and income relating to other periods .....	(0.2)	(0.9)
Tax effect from equity-accounted investees .....	(17.8)	(10.1)
Exchange rate differences .....	0.7	(0.7)
Other differences .....	(0.0)	(0.9)
<b>Reported income tax expense (+) / income (–)</b> .....	<b>7.5</b>	<b>3.9</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The effects from income not subject to income tax primarily comprise the effects from tonnage tax.

The adjustments to the recognition of deferred taxes include expenses amounting to EUR 1.6 million allocable to the non-recognition of deferred taxes on tax interest carried forward (2012: EUR 2.3 million) and EUR 1.7 million allocable to adjustments to the recognition of corporate income tax loss carry-forwards (2012: EUR (0.1) million).

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

	31.12.2013		31.12.2012	
	Asset	Liability	Asset	Liability
	Million EUR			
Recognition and valuation differences for property, plant and equipment and other non-current assets	2.1	5.7	2.3	8.9
Recognition differences for receivables and other assets	0.5	0.3	0.7	1.6
Valuation of pension provisions	4.0	—	5.6	—
Recognition and valuation differences for other provisions	1.5	—	1.5	—
Other transactions	3.7	0.1	4.8	0.1
Capitalised tax savings from recoverable loss carry-forwards	5.9	—	9.2	—
Netting of deferred tax assets and liabilities	(5.1)	(5.1)	(9.0)	(9.0)
<b>Balance sheet recognition</b>	<b>12.6</b>	<b>1.0</b>	<b>15.1</b>	<b>1.6</b>

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

	As per 1.1.2012	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2012
	Million EUR				
Recognition and valuation differences for property, plant and equipment and other non-current assets	(6.5)	(0.3)	—	0.2	(6.6)
Recognition differences for receivables and other assets	(1.0)	(0.1)	—	0.2	(0.9)
Valuation of pension provisions	3.8	0.2	1.9	(0.3)	5.6
thereof recognised directly in equity	2.6	—	1.9	—	4.5
Recognition and valuation differences for other provisions	1.5	(0.1)	—	0.1	1.5
Other transactions	4.5	0.2	—	—	4.7
Capitalised tax savings from recoverable loss carry-forwards	9.2	0.2	—	(0.2)	9.2
<b>Balance sheet recognition</b>	<b>11.5</b>	<b>0.1</b>	<b>1.9</b>	<b>0.0</b>	<b>13.5</b>

	As per 1.1.2013	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2013
	Million EUR				
Recognition and valuation differences for property, plant and equipment and other non-current assets	(6.6)	3.1	—	(0.1)	(3.6)
Recognition differences for receivables and other assets	(0.9)	1.4	—	(0.3)	0.2
Valuation of pension provisions	5.6	(0.7)	(0.8)	(0.1)	4.0
thereof recognised directly in equity	4.5	—	(0.8)	(0.2)	3.5
Recognition and valuation differences for other provisions	1.5	(0.2)	—	0.2	1.5
Other transactions	4.7	(1.0)	—	(0.1)	3.6
Capitalised tax savings from recoverable loss carry-forwards	9.2	(3.0)	—	(0.3)	5.9
<b>Balance sheet recognition</b>	<b>13.5</b>	<b>(0.4)</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>11.6</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

No deferred tax liabilities were recognised for taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 9.8 million (2012: EUR 13.3 million), as no reversal of the temporary differences is likely in the near future.

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

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

	31.12.2013	31.12.2012
	Million EUR	
<b>Loss carry-forwards for which deferred tax assets were recognized</b> .....	<b>36.1</b>	<b>56.6</b>
<b>Loss carry-forwards for which no deferred tax assets were recognized</b> .....	<b>58.5</b>	<b>135.9</b>
thereof loss carry-forwards forfeitable in more than 5 years (excl. non-forfeitable loss carry-forwards) .....	1.8	0.2
Non-forfeitable loss carry-forwards .....	56.7	135.7
thereof for trade income tax .....	—	3.6
thereof interest carry-forwards .....	15.5	51.1
<b>Total of unutilised loss carry-forwards</b> .....	<b>94.6</b>	<b>192.5</b>

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (10) Intangible assets

	Goodwill	Customer base	Advantageous contracts	Brand	Software	Other	Total
	Million EUR						
<b>Historical cost</b>							
As per 1.1.2012 .....	707.3	319.3	337.9	194.7	83.6	4.6	1,647.4
Additions .....	—	—	—	—	1.1	—	1.1
Disposals .....	—	—	—	—	0.2	0.3	0.5
Transfers .....	—	—	(40.8)	—	0.4	(0.4)	(40.8)
Exchange rate differences .....	(13.4)	(6.1)	(6.4)	(3.7)	(1.6)	—	(31.2)
<b>As per 31.12.2012</b> .....	<b>693.9</b>	<b>313.2</b>	<b>290.7</b>	<b>191.0</b>	<b>83.3</b>	<b>3.9</b>	<b>1,576.0</b>
<b>Accumulated amortisation</b>							
As per 1.1.2012 .....	—	39.0	140.4	—	30.5	0.6	210.5
Additions .....	—	14.3	42.4	—	10.9	—	67.6
Disposals .....	—	—	—	—	0.2	0.3	0.5
Transfers .....	—	—	(9.4)	—	—	—	(9.4)
Exchange rate differences .....	—	(1.1)	(3.7)	—	(0.8)	—	(5.6)
<b>As per 31.12.2012</b> .....	<b>—</b>	<b>52.2</b>	<b>169.7</b>	<b>—</b>	<b>40.4</b>	<b>0.3</b>	<b>262.6</b>
<b>Carrying amounts 31.12.2012</b> .....	<b>693.9</b>	<b>261.0</b>	<b>121.0</b>	<b>191.0</b>	<b>42.9</b>	<b>3.6</b>	<b>1,313.4</b>
<b>Historical cost</b>							
As per 1.1.2013 .....	693.9	313.2	290.7	191.0	83.3	3.9	1,576.0
Additions .....	—	—	—	—	1.9	0.1	2.0
Disposals .....	—	—	13.5	—	(0.0)	—	13.5
Transfers .....	—	—	(15.9)	—	(0.1)	—	(16.0)
Exchange rate differences .....	(29.3)	(13.2)	(11.2)	(8.1)	(3.6)	(0.2)	(65.6)
<b>As per 31.12.2013</b> .....	<b>664.6</b>	<b>300.0</b>	<b>250.1</b>	<b>182.9</b>	<b>81.5</b>	<b>3.8</b>	<b>1,482.9</b>
<b>Accumulated amortization</b>							
As per 1.1.2013 .....	—	52.2	169.7	—	40.4	0.3	262.6
Additions .....	—	13.8	39.4	—	10.8	—	64.0
Disposals .....	—	—	13.5	—	—	—	13.5
Transfers .....	—	—	(11.9)	—	(0.1)	—	(12.0)
Exchange rate differences .....	—	(2.7)	(7.7)	—	(2.1)	—	(12.5)
<b>As per 31.12.2013</b> .....	<b>—</b>	<b>63.3</b>	<b>176.0</b>	<b>—</b>	<b>49.0</b>	<b>0.3</b>	<b>288.6</b>
<b>Carrying amounts 31.12.2013</b> .....	<b>664.6</b>	<b>236.7</b>	<b>74.1</b>	<b>182.9</b>	<b>32.5</b>	<b>3.5</b>	<b>1,194.3</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In order to assess the goodwill for impairment, an impairment test was carried out for the entire cash-generating unit container shipping at the end of the financial year, as was the case in the previous year. Please refer to the section “Impairment testing” within the accounting and measurement principles. A need for impairment was not ascertained.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 664.6 million (2012: EUR 693.9 million) and the Hapag-Lloyd brand in the amount of EUR 182.9 million (2012: EUR 191.0 million).

Existing contracts were identified as being advantageous if their contractual terms had a positive market value compared with the market conditions at the time of acquisition of Hapag-Lloyd AG and its subsidiaries. This particularly included the order book, charter and leasing contracts, and transport and delivery contracts.

No development costs were capitalised as in the previous year. The development costs for self-developed software which cannot be capitalised amounted to EUR 7.4 million (2012: EUR 7.6 million) and were recognised as expenses.

### (11) Property, plant and equipment

	Vessels	Containers, chassis	Other equipment	Payments on account and assets under construction	Total
	Million EUR				
<b>Historical cost</b>					
As per 1.1.2012 .....	2,855.2	501.5	126.0	466.6	3,949.3
Additions .....	370.6	138.3	6.0	274.8	789.7
Disposals .....	23.1	153.9	6.7	—	183.7
Transfers .....	428.6	—	0.5	(388.3)	40.8
Exchange rate differences .....	(53.9)	(8.3)	(0.6)	(8.7)	(71.5)
<b>As per 31.12.2012 .....</b>	<b>3,577.4</b>	<b>477.6</b>	<b>125.2</b>	<b>344.4</b>	<b>4,524.6</b>
<b>Accumulated depreciation</b>					
As per 1.1.2012 .....	438.3	191.2	5.4	—	634.9
Additions .....	213.5	42.1	7.1	—	262.7
Impairments .....	1.7	—	—	—	1.7
Disposals .....	15.9	129.4	6.3	—	151.6
Transfers .....	9.4	—	—	—	9.4
Exchange rate differences .....	(13.6)	(4.3)	(0.2)	—	(18.1)
<b>As per 31.12.2012 .....</b>	<b>633.4</b>	<b>99.6</b>	<b>6.0</b>	<b>—</b>	<b>739.0</b>
<b>Carrying amounts 31.12.2012 .....</b>	<b>2,944.0</b>	<b>378.0</b>	<b>119.2</b>	<b>344.4</b>	<b>3,785.6</b>
<b>Historical cost</b>					
As per 1.1.2013 .....	3,577.4	477.6	125.2	344.4	4,524.6
Additions .....	17.7	304.7	2.6	416.0	741.0
Disposals .....	25.1	13.4	0.6	—	39.1
Transfers .....	524.6	15.5	2.5	(527.0)	15.6
Exchange rate differences .....	(155.9)	(30.8)	(1.6)	(10.6)	(198.9)
<b>As per 31.12.2013 .....</b>	<b>3,938.7</b>	<b>753.6</b>	<b>128.1</b>	<b>222.8</b>	<b>5,043.2</b>
<b>Accumulated depreciation</b>					
As per 1.1.2013 .....	633.4	99.6	6.0	—	739.0
Additions .....	203.9	50.3	7.2	—	261.4
Write-backs .....	0.6	—	—	—	0.6
Disposals .....	3.5	4.7	0.5	—	8.7
Transfers .....	—	11.9	(0.3)	—	11.6
Exchange rate differences .....	(20.7)	(6.1)	(0.3)	—	(27.1)
<b>As per 31.12.2013 .....</b>	<b>812.5</b>	<b>151.0</b>	<b>12.1</b>	<b>—</b>	<b>975.6</b>
<b>Carrying amounts 31.12.2013 .....</b>	<b>3,126.2</b>	<b>602.6</b>	<b>116.0</b>	<b>222.8</b>	<b>4,067.6</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 3,381.1 million as at the balance sheet date (2012: EUR 3,166.9 million). These restrictions of ownership mainly pertain to ship mortgages from existing financing contracts for ships. Further collateral exists in the form of financial debt creditors, who are legally entitled to ownership of the containers which are reported in the financial statements of Hapag-Lloyd AG for reasons of economic ownership. From an economic perspective, this is as if the containers are being transferred as security.

Land charges of EUR 43.4 million and EUR 18.6 million were registered in the land registry as collateral for the loan from Deutsche Genossenschafts-Hypothekenbank for the purchase of the Ballindamm property.

Four newbuilds with capacity of 13,200 TEU each were delivered in the 2013 financial year and new containers were also received. In addition, six ships and older containers were disposed of from property, plant and equipment.

In the financial year 2013, capitalisation of directly attributable borrowing costs amounted to EUR 1.8 million (2012: EUR 0.0 million). In addition, borrowing costs in the amount of EUR 14.5 million relating to general external financing were recognised in the year under review (2012: EUR 36.8 million).

### (12) Investments in equity-accounted investees

	2013	2012
	Million EUR	
<b>Share at of 1.1.</b> .....	<b>329.9</b>	<b>315.9</b>
Pro-rata share at earnings after taxes .....	35.1	31.5
Dividend payments .....	(31.2)	(17.5)
Exchange rate differences .....	(1.0)	—
<b>Share at of 31.12.</b> .....	<b>332.8</b>	<b>329.9</b>

The equity-accounted investees are, without exception, associated companies.

In the 2013 financial year, all of the Company's shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, with a carrying amount of EUR 0.0, were sold to the majority shareholder.

There were no unrecognised proportionate losses for equity-accounted investees in the reporting period (2012: EUR 0.9 million). No impairment losses are included in the proportionate equity result. Dividend income amounting to EUR 1.7 million (2012: EUR 0.4 million) based on freely available funds was reported for Montreal Gateway Terminals Ltd. Partnership, Montreal, in the consolidated income statement under the item share of profit of equity-accounted investees.

Summarised financial information for the associated investments reported in the statement of financial position using the equity method (on a 100% basis and therefore not adjusted to the percentage holding) is contained in the following table:

#### Income statement information

	31.12.2013	31.12.2012
	Million EUR	
Revenue .....	315.6	391.8
Profit/loss .....	95.9	91.3

#### Balance sheet information

	31.12.2013	31.12.2012
	Million EUR	
Assets .....	306.2	650.3
Liabilities .....	215.1	531.0

The changes result from the disposal of Montreal Gateway Terminals Ltd. Partnership, Montreal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(13) Trade accounts receivable and other assets

	31.12.2013		31.12.2012	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Million EUR				
Trade accounts receivable	473.3	—	449.5	—
thereof from third parties	470.4	—	448.3	—
thereof from affiliated non-consolidated companies	2.9	—	1.2	—
Other assets	114.7	7.9	136.1	25.7
Other assets and prepaid expenses	97.4	4.8	111.2	19.5
Claims arising from the refund of other taxes	17.1	2.9	24.7	6.0
Available-for-sale financial assets	0.2	0.2	0.2	0.2
<b>Total</b>	<b>588.0</b>	<b>7.9</b>	<b>585.6</b>	<b>25.7</b>

As at 31 December 2013, in relation to ship financing there were assignments of earnings of a type customary on the market for trade accounts receivable relating to the revenue generated by the respective ships.

In addition to this, trade accounts receivable were pledged as part of the programme to securitise receivables.

If no prices listed on an active market are available and the fair value cannot be determined reliably, the available-for-sale financial assets are measured at cost. In the financial year 2013, as in the previous year, no impairment was recognised in the “available-for-sale financial assets” category.

*Credit risks*

The following table provides information about the credit risks involved in trade accounts receivable:

	Carrying amounts of financial instruments	Thereof neither overdue nor impaired	Thereof not impaired and overdue in the following periods				
			less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	more than 180 days
Million EUR							
<b>31.12.2012</b>							
Trade accounts receivable	449.5	304.3	115.2	20.9	4.2	4.5	0.4
Other assets	47.8	47.8	—	—	—	—	—
<b>Total</b>	<b>497.3</b>	<b>352.1</b>	<b>115.2</b>	<b>20.9</b>	<b>4.2</b>	<b>4.5</b>	<b>0.4</b>
<b>31.12.2013</b>							
Trade accounts receivable	473.3	333.0	114.8	9.6	8.5	6.2	1.2
Other assets	51.0	51.0	—	—	—	—	—
<b>Total</b>	<b>524.3</b>	<b>384.0</b>	<b>114.8</b>	<b>9.6</b>	<b>8.5</b>	<b>6.2</b>	<b>1.2</b>

With regard to the portfolio of trade accounts receivable and other assets which are neither impaired nor defaulted, there are no indications as at the balance sheet date that the respective debtors will not honour their obligations to pay.

*Impairment allowances*

The impairment allowances on trade accounts receivable developed as follows:

	2013	2012
	Million EUR	
<b>Impairment allowances at of 1.1.</b>	<b>9.9</b>	<b>12.9</b>
Additions	6.0	4.7
Utilisation	1.1	4.0
Release	2.1	3.5
Exchange rate differences	(0.2)	(0.2)
<b>Impairment allowances at of 31.12.</b>	<b>12.5</b>	<b>9.9</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Cash inflows from impaired trade accounts receivable amounted to EUR 0.1 million (2012: EUR 0.1 million).

### (14) Derivative financial instruments

	31.12.2013		31.12.2012	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	Million EUR			
Receivables from derivative financial instruments . . . . .	99.6	74.5	69.5	32.5
thereof derivatives with hedge accounting applied . . . . .	41.2	16.1	45.5	8.5
thereof derivatives with hedge accounting not applied . . . . .	58.4	58.4	24.0	24.0

The derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks of financial debt. Buy-back options for the issued bonds were also reported in this item. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (25)).

### (15) Inventories

The inventories were as follows:

	31.12.2013	31.12.2012
	Million EUR	
Raw materials and supplies . . . . .	168.7	178.3
Prepayments . . . . .	0.2	—
<b>Total</b> . . . . .	<b>168.9</b>	<b>178.3</b>

The raw materials and supplies were primarily fuel and lubricating oil (2013: EUR 166.9 million; 2012: EUR 176.0 million).

Impairments of fuel inventories in the amount of EUR 1.1 million were recognised as expenses in the reporting period (2012: EUR 2.5 million). No write-backs were recognised.

### (16) Cash and cash equivalents

	31.12.2013	31.12.2012
	Million EUR	
Securities . . . . .	0.5	0.5
Cash at bank . . . . .	459.4	554.0
Cash in hand and cheques . . . . .	4.9	6.3
<b>Total</b> . . . . .	<b>464.8</b>	<b>560.8</b>

As at 31 December 2013, as in the previous year, cash and cash equivalents were not subject to any restrictions.

### (17) Subscribed capital, capital reserves and retained earnings

Following the retrospective merging of Hapag-Lloyd Holding AG with Hapag-Lloyd AG, capital reserves of EUR 935.3 million were recognised for Hapag-Lloyd AG within the Hapag-Lloyd Group from 1 January 2013. The reduction in capital reserves of EUR 2,334.5 million as a result of the merger led to a corresponding increase in retained earnings. Overall, there were no changes to the Group's equity as a result of the merger.

EUR 100.0 million of the hybrid capital was repaid to TUI AG in the previous year and a further EUR 125.0 million was acquired from TUI AG through the "Albert Ballin" consortium. A capital increase which saw the "Albert Ballin" consortium and TUI AG each contribute EUR 125.0 million of hybrid capital in exchange for the granting of new shares from already approved capital resulted in an increase in subscribed capital to EUR 66.1 million and prompted a EUR 243.2 million addition to capital reserves after allowing for transaction costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As at 31 December 2013, Hapag-Lloyd AG's subscribed capital is divided into 66.1 million no-par registered shares with equal rights.

Retained earnings comprise earnings from the financial year as well as previous years, in addition to the effect of the merger.

### **(18) Cumulative other equity**

Cumulative other equity comprises the reserve for cash flow hedges, the reserve for remeasurements from defined benefit plans and the translation reserve.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recorded within other comprehensive income and amounted to EUR 6.4 million as at 31 December 2013 (2012: EUR 9.1 million).

The reserve for remeasurements from defined benefit plans (2013: EUR (46.6) million; 2012: EUR (62.7) million) results from actuarial gains and losses recognised in other comprehensive income, among other things due to the change in actuarial parameters in connection with the valuation of pension obligations and the associated fund assets.

The differences from currency translation of EUR (115.9) million in the year under review (previous year: EUR (52.3) million) were due to the translation of the financial statements of subsidiaries prepared in foreign currency and from the conversion of goodwill carried in foreign currency as well as other purchase price allocation items. The translation reserve as at 31 December 2013 amounted to EUR (94.6) million (2012: EUR 21.3 million).

### **(19) Non-controlling interests**

Non-controlling interests rose to EUR 2.7 million in the year under review (2012: EUR 0.8 million) as a result of the sale of 5.1% of the Company's shares in Hapag-Lloyd Grundstücksholding GmbH, Hamburg.

### **(20) Provisions for pensions and similar obligations**

#### ***Defined benefit pension plans***

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

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

The Group also makes contributions to a separate defined benefit plan for current and former members of the Executive Board. This plan also entails entitlement to pension, survivorship annuity and disability benefits. Pension sums are based on an individually defined percentage of pensionable emoluments. There is also the option of forgoing bonus payments in favor of the company pension scheme. Executive Board pensions are secured by plan assets in the form of reinsurance. Retirement benefits are paid out in the form of monthly pension payments.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

### *Financing status of the pension plans*

	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>Million EUR</b>	
<b>Domestic defined benefit obligations</b>		
Net present value of defined benefit obligations . . . . .	132.1	137.5
Less fair value of plan assets . . . . .	10.0	9.8
<b>Deficit (net liabilities)</b> . . . . .	<b>122.1</b>	<b>127.7</b>
<b>Foreign defined benefit obligations</b>		
Net present value of defined benefit obligations . . . . .	116.6	116.7
Less fair value of plan assets . . . . .	91.9	88.8
<b>Deficit (net liabilities)</b> . . . . .	<b>24.7</b>	<b>27.9</b>

### *Composition and management of plan assets*

The Group's plan assets are made up as follows:

	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>Million EUR</b>	
Equity instruments		
with quoted market price in an active market . . . . .	29.0	26.8
without quoted market price in an active market . . . . .	2.3	2.2
Government bonds		
with quoted market price in an active market . . . . .	27.1	28.5
without quoted market price in an active market . . . . .	—	—
Corporate bonds		
with quoted market price in an active market . . . . .	14.2	15.4
without quoted market price in an active market . . . . .	—	—
Other debt instruments		
mortgage-backed securities		
with quoted market price in an active market . . . . .	5.6	5.7
without quoted market price in an active market . . . . .	—	—
(other) asset-backed securities		
with quoted market price in an active market . . . . .	2.9	2.5
without quoted market price in an active market . . . . .	—	—
Derivatives		
with quoted market price in an active market . . . . .	1.8	1.9
without quoted market price in an active market . . . . .	—	—
Pension plan reinsurance . . . . .	10.0	9.8
Real estate . . . . .	0.9	0.8
Cash and cash equivalents . . . . .	2.4	0.6
Other . . . . .	5.7	4.4
<b>Fair value of plan assets</b> . . . . .	<b>101.9</b>	<b>98.6</b>

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

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

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for the



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

investment decision in close consultation with the Hapag-Lloyd parent company; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated pension obligations, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from eight to twelve years, low-risk investment forms are chosen, *e.g.* fixed-interest or index-linked government and corporate bonds. For obligations falling due beyond this, investments are made with a higher risk, but with a greater expected return.

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

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

### *Development of the present value of defined benefit obligations*

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

	2013	2012
	Million EUR	
<b>Net present value of defined benefit obligations as at 1.1.</b> . . . . .	<b>254.1</b>	<b>198.1</b>
Current service cost . . . . .	7.4	5.3
Interest expenses . . . . .	8.9	9.1
Remeasurements:		
Actuarial gains (–) / losses (+) from changes in demographic assumptions . . . . .	0.3	—
Actuarial gains (–) / losses (+) from changes in financial assumptions . . . . .	(16.0)	40.1
Actuarial gains (–) / losses (+) from changes due to experience . . . . .	0.9	5.2
(Negative (–)) past service cost . . . . .	—	0.3
Plan settlements . . . . .	(0.1)	—
Contributions by plan participants . . . . .	0.4	0.6
Benefits paid . . . . .	(6.4)	(6.1)
Exchange rate differences . . . . .	(0.8)	1.5
<b>Net present value of defined benefit obligations as at 31.12.</b> . . . . .	<b>248.7</b>	<b>254.1</b>

The weighted average maturity of defined benefit obligations was 17.8 years as at 31 December 2013 (previous year: 18.6 years).

### *Development of the fair value of the plan assets*

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

	2013	2012
	Million EUR	
<b>Fair value of plan assets as at 1.1.</b> . . . . .	<b>98.6</b>	<b>88.2</b>
Interest income* . . . . .	3.8	3.9
Return on plan assets (excluding interest income)** . . . . .	1.6	5.1
Employer contributions . . . . .	4.0	3.5
Contributions by plan participants . . . . .	0.4	0.6
Benefits paid . . . . .	(3.3)	(3.6)
Exchange rate differences . . . . .	(3.2)	0.9
<b>Fair value of plan assets as at 31.12.</b> . . . . .	<b>101.9</b>	<b>98.6</b>

\* The comparison values from prior year is the expected return on plan assets.

\*\* The comparison values from prior year is the difference between the expected and the actual return on plan assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Net pension expenses*

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

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Current service cost .....	7.4	5.3
Interest expenses .....	8.9	9.1
Interest income* .....	(3.8)	(3.9)
(Negative (-)) past service cost .....	—	0.3
Plan settlements .....	(0.1)	—
<b>Net pension expenses</b> .....	<b>12.4</b>	<b>10.8</b>

\* The comparison values from prior year is the expected return on plan assets.

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

	1.1.–31.12. 2013	1.1.–31.12. 2012
	Million EUR	
Personnel expenses .....	7.3	5.6
Interest result .....	5.1	5.2
<b>Total</b> .....	<b>12.4</b>	<b>10.8</b>

*Actuarial assumptions*

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

The 2005 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension obligations. The following significant financial actuarial assumptions were also used:

<u>Percentage points</u>	2013	2012
Discount factors .....	3.50	3.20
Expected rate of pension increases .....	1.80	1.80

Demographic assumptions based on local generally applicable guidance tables were used to measure the significant foreign pension obligations: The following financial actuarial assumptions were also used:

<u>Percentage points</u>	2013	2012
Discount factors for pension obligations		
—United Kingdom .....	4.60	4.30
—Netherlands .....	3.50	3.20
—Canada .....	4.50	3.50
—Mexico .....	7.20	7.30
Expected rate of pension increases		
—United Kingdom .....	3.20	3.00
—Netherlands .....	2.00	2.00
—Canada .....	n/a	n/a
—Mexico .....	3.30	3.10

The discounting factors for the pension plans are determined annually as at 31 December on the basis of first-rate corporate bonds with maturities and values matching those of the pension payments. An index based on corporate bonds with relatively short terms is used for this purpose. The resultant

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk premium, and the discounting rate is then determined in line with the duration of the obligation.

### *Remeasurements*

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR 16.9 million before tax as at 31 December 2013 (2012: EUR (40.9) million) and can be split as follows:

	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>Million EUR</b>	
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions .....	(0.3)	—
Changes in financial assumptions .....	16.0	(40.1)
Changes from experience .....	(0.9)	(5.2)
(Negative (–)) return on plan assets (excluding interest income)* .....	1.6	5.1
Exchange rate differences .....	0.5	(0.7)
<b>Remeasurements .....</b>	<b>16.9</b>	<b>(40.9)</b>

\* The comparison values from prior year is the difference between the expected and the actual return on plan assets.

The cumulative amount of remeasurements recorded in other comprehensive income, after taxes, totalled EUR (46.6) million as at 31 December 2013 (2012: EUR (62.7) million).

### *Future contribution and pension payments*

For 2014, the Group is planning to make contributions amounting to EUR 4.1 million (2013: EUR 4.0 million) into pension plan assets. Payments for unfunded pension plans are anticipated in the amount of EUR 3.0 million in 2014 (2013: EUR 2.6 million).

### *Sensitivity analyses*

An increase or decrease in the material actuarial assumptions would have the following effects on the present value of pension obligations as at 31 December 2013:

	<b>Δ Present value 31.12.2013</b>
	<b>Million EUR</b>
Discount factor 0.8% points higher .....	(30.5)
Discount factor 0.8% points lower .....	37.7
Expected rate of pension increase 0.2% higher .....	4.8
Expected rate of pension increase 0.2% lower .....	(4.5)
Life expectancy 1 year longer .....	6.9

The sensitivity calculations are based on the average maturity of pension obligations determined as at 31 December 2013. In order to present the effects on the present value of obligations calculated as at 31 December 2013 separately, the calculations for key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension obligations and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

### *Defined contribution pension plans*

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2013, expenses incurred in connection with defined contribution pension plans totalled EUR 17.9 million (2012: EUR 18.0 million). The amount includes an expense of EUR 0.3 million in connection with a joint plan operated by several employers (2012: EUR 0.4 million).

In the financial year 2008, pension and medical benefit obligations in the USA were transferred, together with the corresponding plan assets, from the Company's own benefit plan to a joint plan of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

several employers. This plan is a defined benefit pension plan. As the joint plan does not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, this plan has been recognised as a defined contribution plan since then.

Contributions are paid to finance the plan. These are determined on the basis of current service cost, the anticipated costs of the earned entitlement of active participants for the current year and the distribution of shortfalls. The total amount required is spread in an amount calculated per working hour which falls due per participant and paid working hour.

A total of 17 shipping companies participate in the plan. When joining the plan, the companies brought with them shortfalls of EUR 20.6 million (pensions) and EUR 57.7 million (medical care). Hapag-Lloyd's share amounted to a surplus of EUR 0.9 million (pensions) and a deficit of EUR 1.9 million (medical care). These initial surpluses and deficits are being equalised over a period of ten years by means of reduced contributions or additional contributions respectively. In this context, the Company reported a net liability of EUR 0.7 million as at 31 December 2013 (2012: EUR 0.8 million).

Deficits which have arisen since the calculation of the initial deficits are spread over 15 years, which results in higher contributions. Deficits are calculated by deducting the market value of the plan assets from the cumulative obligations.

According to the most recent report (1 January 2013), the plan participants were as follows:

<u>Plan participants (total)</u>	<u>Medical care</u>	<u>Pensions</u>
Active vested participants .....	581	539
Inactive vested participants .....	—	48
Beneficiaries .....	123	122
<b>Total</b> .....	<b>704</b>	<b>709</b>
<u>Plan participants (Hapag-Lloyd)</u>	<u>Medical care</u>	<u>Pensions</u>
Active vested participants .....	37	37
Inactive vested participants .....	3	3
Beneficiaries .....	1	1
<b>Total</b> .....	<b>41</b>	<b>41</b>

In the event that a company wishes to leave the plan, they must pay a withdrawal liability. This withdrawal liability is calculated on the basis of the current proportionate shortfall by taking into account only the non-forfeitable benefits less the market value of the plan assets. If a company leaves the plan without being able to pay the withdrawal liability, for instance in the event of insolvency, the shortfall remains within the plan and must be covered by the other companies.

For 2014, payments to the plan are expected to amount to EUR 0.8 million (2013: EUR 0.4 million).

### (21) Other provisions

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

	<u>As per 1.1.2012</u>	<u>Reclassi- fication</u>	<u>Utilisation</u>	<u>Release</u>	<u>Addition</u>	<u>Exchange rate differences</u>	<u>As per 31.12.2012</u>
	<u>Million EUR</u>						
Guarantee, warranty and liability risks .....	74.3	—	4.8	14.2	9.7	(1.4)	63.6
Risks from pending transactions .....	61.2	—	10.3	—	—	(1.1)	49.8
Personnel costs .....	43.0	—	30.7	1.5	28.6	(0.6)	38.8
Insurance premiums .....	12.0	—	4.0	5.3	9.1	(0.2)	11.6
Provisions for other taxes .....	2.6	—	2.2	—	2.9	0.1	3.4
Restructuring .....	0.9	—	0.3	—	—	—	0.6
Other provisions .....	45.5	—	12.6	2.8	9.5	(0.4)	39.2
<b>Other provisions</b> .....	<b>239.5</b>	<b>0.0</b>	<b>64.9</b>	<b>23.8</b>	<b>59.8</b>	<b>(3.6)</b>	<b>207.0</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	As per 1.1.2013	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2013
Million EUR							
Guarantee, warranty and liability risks . . . . .	63.6	—	5.9	25.7	5.9	(1.8)	36.1
Risks from pending transactions . . . . .	49.8	—	14.5	—	—	(1.7)	33.6
Personnel costs . . . . .	38.8	(3.6)	23.7	0.6	28.5	(1.3)	38.1
Insurance premiums . . . . .	11.6	—	11.4	—	5.8	(0.3)	5.7
Provisions for other taxes . . . . .	3.4	(0.5)	2.5	0.4	2.1	(0.2)	1.9
Restructuring . . . . .	0.6	—	0.4	—	—	(0.1)	0.1
Other provisions . . . . .	39.2	0.3	19.5	9.9	8.3	(0.9)	17.5
<b>Other provisions . . . . .</b>	<b>207.0</b>	<b>(3.8)</b>	<b>77.9</b>	<b>36.6</b>	<b>50.6</b>	<b>(6.3)</b>	<b>133.0</b>

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. In the 2013 financial year, provisions for liability losses were released in the amount of EUR 25.7 million following the end of a legal dispute by settlement with the parties involved.

Provisions for risks from pending transactions relate to contracts identified with regard to the purchase price allocation of the purchase of Hapag-Lloyd AG and its subsidiaries in 2009 that had a negative market value compared to the market conditions at the time of the purchase. Provisions for risks from pending transactions are utilised over the respective contractual terms of the underlying contracts.

Provisions for personnel costs comprise provisions for holidays not yet taken, bonuses not yet paid, severance compensation and anniversary payments.

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

Other provisions in particular include provisions for country-specific risks (EUR 6.0 million; 2012: EUR 16.7 million), archiving provisions (EUR 3.7 million; 2012: EUR 3.5 million) and provisions for audit and tax consultancy fees (EUR 1.0 million; 2012: EUR 0.9 million).

The increase in the discounted amount during the financial year due to the passage of time is insignificant, as is the change in discounted provisions as a result of the change in the discount rate.

The maturities of the other provisions are as follows:

	31.12.2013				31.12.2012			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1–5 years	more than 5 years		up to 1 year	1–5 years	more than 5 years
Million EUR								
Guarantee, warranty and liability risks . . . . .	36.1	26.6	7.6	1.9	63.6	40.2	18.7	4.7
Risks from pending transactions . . . . .	33.6	14.0	19.6	—	49.8	10.3	39.5	—
Personnel costs . . . . .	38.1	30.1	3.5	4.5	38.8	28.0	4.0	6.8
Insurance premiums . . . . .	5.7	5.7	—	—	11.6	11.6	—	—
Provisions for other taxes . . . . .	1.9	1.9	—	—	3.4	3.4	—	—
Restructuring . . . . .	0.1	0.1	—	—	0.6	0.5	0.1	—
Other provisions . . . . .	17.5	12.9	0.7	3.9	39.2	25.5	9.9	3.8
<b>Other provisions . . . . .</b>	<b>133.0</b>	<b>91.3</b>	<b>31.4</b>	<b>10.3</b>	<b>207.0</b>	<b>119.5</b>	<b>72.2</b>	<b>15.3</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(22) Financial debt

	31.12.2013				31.12.2012			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Liabilities to banks . . . . .	1,694.2	334.4	848.1	511.7	1,499.0	294.1	767.9	437.0
Bonds . . . . .	873.0	16.2	856.8	—	655.8	(3.6)	659.4	—
Liabilities from finance lease contracts . . . . .	233.6	110.8	83.1	39.7	215.8	31.2	184.6	—
Other financial liabilities . . . . .	134.2	13.5	58.7	62.0	1.3	1.3	—	—
<b>Total . . . . .</b>	<b>2,935.0</b>	<b>474.9</b>	<b>1,846.7</b>	<b>613.4</b>	<b>2,371.9</b>	<b>323.0</b>	<b>1,611.9</b>	<b>437.0</b>

Financial debt by currency exposure

	31.12.2013	31.12.2012
	Million EUR	
Financial liabilities denoted in US\$ (excl. transaction costs) . . . . .	2,192.4	1,798.8
Financial liabilities denoted in EUR (excl. transaction costs) . . . . .	773.3	599.2
Interest payable . . . . .	27.9	32.0
Accounting for transaction costs . . . . .	(58.6)	(58.1)
<b>Total . . . . .</b>	<b>2,935.0</b>	<b>2,371.9</b>

Liabilities to banks comprise loans to finance the existing fleet of vessels and to finance containers. Among other things, the increase in the 2013 financial year was the result of four credit tranches in connection with the financing of the newbuilds in the “Hamburg Express” class delivered in 2013 (as at 31 December 2013: EUR 241.9 million) and financing in connection with the keel laying and launching of three additional ship new-builds (as at 31 December 2013: EUR 83.2 million).

The existing loans for four vessels were paid off in full and were replaced by new financing (as at 31 December 2013: EUR 111.9 million).

At the end of the 2012 financial year, Hapag-Lloyd had access to an uncommitted credit facility of EUR 44.0 million to fund investments in containers. EUR 41.5 million was drawn down from this credit facility in 2013 in connection with the purchase of containers.

To date, container rental contracts classified as operating lease contracts have been turned into finance lease contracts in order to optimise the financing structure (as at 31 December 2013: EUR 66.3 million). In the course of restructuring, part of the maintenance provisions for leased containers was released.

In addition, two container tranches were sold to a group of Japanese investors and were then leased back by Hapag-Lloyd for 3.5 and 4.5 years respectively. Hapag-Lloyd has the option of buying back the containers when the lease expires, and it is highly likely that it will do so. Container lease contracts are therefore shown as credit financing, in accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. Liabilities to banks generated by this transaction came to EUR 46.0 million as at 31 December 2013.

In the previous year, a container portfolio was also sold to a group of Japanese investors and was leased back as part of a 3.5 year lease contract. The lease contract was essentially a form of borrowing with the container portfolio transferred by way of security. In accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*, the container lease contract was therefore shown as credit financing. Liabilities to banks generated by this transaction came to EUR 27.7 million as at 31 December 2013 (2012: EUR 33.1 million).

In the 2013 financial year, in relation to ordering new containers, arrangements were made with various international leasing companies for legal ownership of the ordered containers to be transferred to the leasing companies and then for the containers to be leased back for a period of eight years on the basis of multiple lease agreements. All of these agreements involve Hapag-Lloyd reacquiring legal ownership of the containers when a lease agreement expires. The container lease contracts are



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

therefore shown as credit financing, in accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. In total, these agreements resulted in other financial debt of EUR 133.3 million as at 31 December 2013.

Pursuant to SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*, the containers in all container lease agreements continue to be accounted for and depreciated within the Group. The obligations arising from these contracts are reported as liabilities to banks or as other financial debt depending on the investor. Interest totalling EUR 5.1 million was recognised in interest expenses for the liabilities in the 2013 financial year (2012: EUR 2.1 million).

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of securitised trade accounts receivable amounting to EUR 135.3 million (2012: EUR 89.5 million).

A EUR bond in the amount of EUR 250 million was placed at an issue price of 100.0% in the 2013 financial year. The bond has a nominal interest rate of 7.75% per annum and a maturity of five years as well as embedded buy-back options. Due to high demand, additional bond volume of EUR 150.0 million was placed at an issue price of 101.75%. The total issue volume of the EUR bond is therefore EUR 400.0 million. The proceeds from the issue were used to make an early partial repayment of the bond placed in 2010. EUR 85.9 million was repaid by exercising buy-back options and EUR 114.1 million was replaced by the issuance of shares in the new bond. The review of changes in contractual conditions using quantitative and qualitative criteria confirmed that both contracts are materially the same, meaning that the old liability is to be continued with the new conditions. The volume of the EUR bond issued in 2010 that now remains following this repurchase is EUR 280.0 million.

As in the previous year, Hapag-Lloyd has a previously unused revolving credit facility totalling US\$95.0 million (EUR 69.0 million). The maturity of this free liquidity reserve was extended to 1 October 2016 in the 2013 financial year.

**(23) Trade accounts payable and other liabilities**

	31.12.2013				31.12.2012			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1-5 years	more than 5 years		up to 1 year	1-5 years	more than 5 years
	<b>Million EUR</b>							
Trade accounts payable . . . . .	700.3	700.3	—	—	886.4	886.4	—	—
thereof to third parties . . . . .	691.9	691.9	—	—	879.7	879.7	—	—
thereof to investments . . . . .	8.4	8.4	—	—	6.7	6.7	—	—
Other liabilities . . . . .	104.5	99.3	4.7	0.5	104.5	99.1	4.5	0.9
Prepayments received . . . . .	62.5	62.5	—	—	65.8	65.8	—	—
Other liabilities and deferred income . . . . .	26.8	24.5	2.1	0.2	23.3	20.8	2.2	0.3
Other liabilities as part of social security . . . . .	10.1	7.4	2.6	0.1	10.0	7.3	2.3	0.4
Other liabilities from other taxes . . . . .	3.7	3.7	—	—	4.1	4.1	—	—
Other liabilities to employees . . . . .	1.2	1.0	—	0.2	1.1	0.9	—	0.2
Other liabilities to affiliated non-consolidated companies . . . . .	0.2	0.2	—	—	0.2	0.2	—	—
<b>Total . . . . .</b>	<b>804.8</b>	<b>799.6</b>	<b>4.7</b>	<b>0.5</b>	<b>990.9</b>	<b>985.5</b>	<b>4.5</b>	<b>0.9</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**(24) Derivative financial instruments**

	31.12.2013		31.12.2012	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	Million EUR			
Liabilities from derivative financial instruments . . . . .	6.7	6.7	6.0	6.0
thereof derivatives not included in hedge accounting . . . . .	6.7	6.7	6.0	6.0

Liabilities from derivative financial instruments are the result of currency put options. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (25)).

**(25) Financial instruments**

**FINANCIAL RISKS AND RISK MANAGEMENT**

*Risk management principles*

The Hapag-Lloyd Group is exposed to market risks as a result of Hapag-Lloyd AG’s international operations. The market risks include, in particular, the currency risk, the interest rate risk and the fuel price risk. The objective of financial risk management is to reduce market risks. For this purpose, selected derivative financial instruments are deployed at Hapag-Lloyd AG; these are used solely as a hedging instrument and not for trading or other speculative purposes.

As well as the market risks, the Hapag-Lloyd Group is subject to liquidity risks and default risks, which involve the risk that the Group itself or one of its contractual partners cannot meet its contractually agreed payment obligations.

The basic features of financial risk management have been established and described in a financial management guideline approved by the Executive Board. The guideline stipulates areas of responsibility, describes the framework for action and the reporting function, and establishes the strict separation of trading and handling with binding force. The risk management processes are examined for their effectiveness annually by the corporate audit department and by external auditors.

The derivative financial instruments used to limit market risks are acquired only through financial institutions with first-rate creditworthiness. The hedging strategy is approved by the Executive Board of Hapag-Lloyd AG. Implementation, reporting and ongoing financial risk management are the responsibility of the Treasury department.

*Market risk*

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

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

In order to portray the market risks, IFRS 7 demands sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on after-tax earnings and equity. The hypothetical changes in these risk variables relate to the respective portfolio of primary and derivative financial instruments on the balance sheet date.

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

*Currency risk*

Currency risks are hedged if they influence the Hapag-Lloyd Group’s cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing future disadvantageous fluctuations of the currency exchange rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Hapag-Lloyd Group's functional currency is the US dollar. Currency risks mainly result from incoming or outgoing payments in currencies other than the US dollar and from financial debt taken on in euros.

Hapag-Lloyd AG's currency management generally provides for the hedging of operating euro-denominated cost exposure of up to 80%. The repayment of euro-denominated financial debt is also secured up to as much as 100%. The risks are hedged through customised use of derivative financial instruments, on a case-by-case basis in the form of currency options and currency forward contracts, as well as of instruments that have a natural hedging effect (*e.g.* euro money market investments).

The following sensitivity analysis contains the Hapag-Lloyd Group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that the US dollar as the functional currency might appreciate or depreciate by 10% against the major Group currencies (EUR, CAD, GBP). The analysis is depicted accordingly in US dollars.

	31.12.2013		31.12.2012	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
	Million US\$			
<b>US\$/EUR</b>				
+10% .....	12.6	26.8	19.6	43.7
-10% .....	36.9	(7.8)	(7.6)	(13.9)
<b>US\$/CAD</b>				
+10% .....	0.3	—	(3.6)	—
-10% .....	(0.3)	—	3.6	—
<b>US\$/GBP</b>				
+10% .....	6.4	—	1.1	—
-10% .....	(6.4)	—	(1.1)	—

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

### *Fuel price risks*

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

The risk management's basic objective is securing up to 80% of the forecasted bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed, with an implied hypothetical market price change of +/-10%. The effects on earnings and equity resulting from the market price changes of the derivative financial instrument used are shown in the following table.

	31.12.2013		31.12.2012	
	10%	-10%	10%	-10%
	Million EUR			
Reserve for cash flow hedges .....	33.3	(3.0)	13.6	—
Earnings before income taxes .....	(7.7)	(9.3)	13.4	(14.7)

### *Interest rate risks*

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly with financial debt based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate hedging instruments were not used in 2013. In addition, non-cash interest rate risks

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

relating to the measurement of separately recognised embedded derivatives exist in the form of early buy-back options for issued bonds. Effects from the market valuation of these financial instruments are also reflected in the interest result.

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2013 was increased or decreased by +/- 100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to nil. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 1,566.8 million that existed at the balance sheet date (2012: EUR 1,232.2 million) and the market value of embedded derivatives totalling EUR 25.0 million (previous year: EUR 0.0 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

	31.12.2013		31.12.2012	
	Million EUR			
Change in variable interest rate . . .	+100 basis-points	-100 basis-points	+100 basis-points	-100 basis-points
Earnings before income taxes . . . .	(20.8)	11.6	(12.3)	5.4

### *Credit risk*

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

Generally, a risk of this kind is minimised by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to its operational activities, the Group has an established credit and receivables management system at area, regional and head office level which is based on internal guidelines. Payment periods for customers are determined and continuously monitored within the framework of a credit check. This process takes account of both internal data based on empirical values and external information on the respective customer's creditworthiness and rating. To provide protection against default risks, moreover, a credit insurance policy or bank guarantees are used to hedge around 75% of the trade accounts receivable.

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

If there are discernible risks in the area of trade accounts receivable and other assets, these are taken into account by means of appropriate impairment allowances. With regard to the age structure analysis for the trade accounts receivables and other assets, please refer to Note (13).

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

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

There is the possibility to offset financial assets and financial liabilities amounting to EUR 6.7 million as a result of standard market offsetting regulations.

In addition to these, there are no further long-term financial obligations or loans with external contracting partners from which a potential credit risk may arise.

### *Liquidity risk*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The bonds issued entail certain limitations with regard to possible payments to the shareholders and subordinated creditors. Additionally, there are customary cancellation clauses for significant portions of the financial debt in the event that more than 50% of shares are purchased by a single third party.

Further explanatory notes regarding the management of liquidity risks are included in the Group management report.

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

### *Cash flows of financial instruments (31.12.2012)*

	Cash inflows and outflows			
	2013	2014	2015–2017	from 2018
	Million EUR			
<b>Primary financial liabilities</b>				
Liabilities to banks <sup>1)</sup> . . . . .	(301.7)	(240.5)	(571.9)	(430.6)
Bonds . . . . .	(61.7)	(61.7)	(768.3)	—
Finance leases . . . . .	(53.8)	(52.4)	(109.3)	(78.7)
Other financial liabilities (excl. operating leases) . . . . .	(6.7)	(6.7)	(110.1)	(55.1)
Trade accounts payable . . . . .	(886.4)	—	—	—
Other liabilities . . . . .	(19.8)	(0.9)	(1.8)	(0.6)
<b>Total primary financial liabilities</b> . . . . .	<b>(1,330.1)</b>	<b>(362.2)</b>	<b>(1,561.4)</b>	<b>(565.0)</b>

1) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$647.5 million to be paid upon delivery of the vessels. The loan has a term of twelve years starting with the delivery of the financed vessels and is subject to an interest rate of US\$ LIBOR +2.25%.

### *Cash flows of financial instruments (31.12.2013)*

	Cash inflows and outflows			
	2014	2015	2016–2018	from 2019
	Million EUR			
<b>Primary financial liabilities</b>				
Liabilities to banks <sup>1)</sup> . . . . .	(318.6)	(267.6)	(777.2)	(615.8)
Bonds . . . . .	(73.9)	(353.9)	(716.5)	—
Finance leases . . . . .	(55.0)	(45.2)	(108.3)	(92.7)
Other financial liabilities (excl. operating leases) . . . . .	(20.2)	(20.1)	(60.5)	(77.9)
Trade accounts payable . . . . .	(700.3)	—	—	—
Other liabilities . . . . .	(21.5)	(3.5)	—	—
<b>Total primarily financial liabilities</b> . . . . .	<b>(1,189.5)</b>	<b>(690.3)</b>	<b>(1,662.5)</b>	<b>(786.4)</b>

1) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$162.1 million to be paid upon delivery of the vessels. The loan has a term of twelve years starting with the delivery of the financed vessels and is subject to an interest rate of US\$ LIBOR +2.25%.

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2013 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the balance sheet date were used for the following periods as well.

There were no cash flows resulting from derivative financial instruments as in the previous year.

### *Derivative financial instruments and hedges*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Currency risks are currently hedged predominantly by means of currency options and currency forward contracts. Commodity options are used as hedges for fuel price risks.

Hedging relationships in accordance with IAS 39 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review. Until the underlying transaction is realised, the effective share of the accumulated changes in market value is shown in other comprehensive income and upon completion of the hedged underlying transaction is recognised in the consolidated income statement.

As at 31 December 2013, there were hedges that were classified as hedge accounting in accordance with IAS 39, with remaining terms of up to three years. Hedged cash flows from the underlying transactions are recognised through profit or loss during the same period. In the financial year 2013, changes in the fair values of derivative financial instruments in hedging relationships resulted in gains totalling EUR 38.7 million, which were recorded in other comprehensive income (2012: EUR 37.1 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, EUR 41.4 million from other comprehensive income was reclassified and recognised through profit or loss (2012: EUR 28.0 million). EUR 7.0 million (2012: EUR 17.8 million) of this relates to commodity hedges, whose earnings contribution is shown in transport expenses. The remaining EUR 34.4 million (previous year: EUR 10.2 million) relates to exchange rate hedges. Exchange rate hedges of EUR 36.1 million were recognised as other operating income (2012: EUR 11.1 million) and EUR 1.6 million relating to the interest portion from currency forward contracts was recognised as interest expenses (2012: EUR 0.9 million).

In the reporting period and in the previous year, inefficiencies from hedging relationships occurred to a insignificant extent.

In addition, the Hapag-Lloyd Group uses optional hedges to hedge currency risks from existing foreign currency liabilities, which are in an economic relationship with the respective underlying transaction, but were not designated as a hedging relationship according to IAS 39. Derivative financial instruments are at no time used for speculative purposes.

The following table shows the nominal values of the derivative financial instruments:

	31.12.2013			31.12.2012		
	Remaining terms		Total	Remaining terms		Total
	up to 1 year	more than 1 year		up to 1 year	more than 1 year	
	Million EUR					
<b>Currency options</b>						
Asset .....	176.9	420.0	596.9	299.1	320.0	619.1
Liability .....	—	80.0	80.0	—	80.0	80.0
<b>Currency forwards</b> .....	—	<b>275.0</b>	<b>275.0</b>	—	<b>240.0</b>	<b>240.0</b>
<b>Commodity options</b> .....	<b>381.3</b>	—	<b>381.3</b>	<b>689.8</b>	—	<b>689.8</b>

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

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

An analysis of the underlying contracts conducted upon the issuance of new bonds in 2013 resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair value as separate derivatives independently of the underlying contract and are classified as held for trading. 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	31.12.2013		31.12.2012	
	Positive market values	Negative market values	Positive market values	Negative market values
	Million EUR			
Hedging instruments acc. to IAS 39 (Hedge Accounting)				
Currency options .....	7.6	—	13.4	—
Commodity options .....	17.5	—	23.6	—
Currency forwards .....	16.1	—	8.5	—
<b>Hedges</b> .....	<b>41.2</b>	<b>—</b>	<b>45.5</b>	<b>—</b>
Hedging instruments (held for trading)				
Currency options (hedging instruments) .....	33.4	(6.7)	24.0	(6.0)
Embedded derivatives .....	25.0	—	—	—
<b>Other derivative financial instruments</b> .....	<b>58.4</b>	<b>(6.7)</b>	<b>24.0</b>	<b>(6.0)</b>
<b>Total</b> .....	<b>99.6</b>	<b>(6.7)</b>	<b>69.5</b>	<b>(6.0)</b>

### *Financial instruments—additional disclosures, carrying amounts and fair values*

The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the balance sheet date in the course of a normal transaction between market participants.

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

The carrying amounts of cash and cash equivalents, trade receivables, and significant portions of other assets, trade payables and other liabilities are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases.

The available-for-sale financial assets included in other assets are generally measured at fair value. If no reliable fair value is available, the assets are measured at cost.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2012

	Classification category according to IAS 39	Carrying amount 31.12.2012	Amount recognised in the balance sheet under IAS 39				Amount recognized in the balance sheet under IAS 17	Carrying amount of financial instruments	Fair value of financial instruments
		Total	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss			
Million EUR									
<b>Assets</b>									
Other assets	LaR	135.9	47.6	—	—	—	—	47.6	47.6
	AfS	0.2	—	0.2	—	—	—	0.2	0.2
Derivative financial instruments									
Derivatives (held for trading)	FAHfT	24.0	—	—	—	24.0	—	24.0	24.0
Hedges (hedge accounting)	n. a.	45.5	—	—	9.1	36.4	—	45.5	45.5
Trade accounts receivable	LaR	449.5	449.5	—	—	—	—	449.5	449.5
Cash and cash equivalents	LaR	560.8	560.8	—	—	—	—	560.8	560.8
<b>Liabilities</b>									
Financial debt	FLAC	2,156.0	2,156.0	—	—	—	—	2,156.0	2,236.2
Liabilities from finance leases <sup>1)</sup>	n. a.	215.9	—	—	—	—	215.9	215.9	223.0
Other liabilities	FLAC	104.7	23.1	—	—	—	—	23.1	23.1
Derivative financial liabilities									
Derivatives (held for trading)	FLHfT	6.0	—	—	—	6.0	—	6.0	6.0
Hedges (hedge accounting)	n. a.	—	—	—	—	—	—	—	—
Trade accounts payable	FLAC	886.4	886.4	—	—	—	—	886.4	886.4
<b>Thereof aggregated according to IAS 39 classification category</b>									
Loans and receivables (LaR)		1,057.9	1,057.9	—	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—	—
Financial assets held for trading (FAHfT)		24.0	—	—	—	24.0	—	—	—
Financial liabilities measured at amortised cost (FLAC)		3,065.5	3,065.5	—	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		6.0	—	—	—	6.0	—	—	—

1) Part of financial debt

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2013

	Carrying amount 31.12.2013	Amount recognised in the balance sheet under IAS 39			Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognized in the balance sheet under IAS 17	Fair value of financial instruments
		Classification category according to IAS 39	Total	Amortised acquisition cost				
<b>Assets</b>								
Other assets	LaR/n.a.	114.7	51.0	—	—	—	—	—
	AfS	0.2	—	0.2	—	—	—	—
Derivative financial instruments								
Derivatives (held for trading)	FAHfT	58.4	—	—	—	58.4	—	58.4
Hedges (hedge accounting)	n.a.	41.2	—	—	3.9	37.3	—	41.2
Trade accounts receivable	LaR	473.3	473.3	—	—	—	—	—
Cash and cash equivalents	LaR	464.8	464.8	—	—	—	—	—
<b>Liabilities</b>								
Financial debt	FLAC	2,701.4	2,701.4	—	—	—	—	2,792.6
Liabilities from finance								
leases <sup>1)</sup>	n.a.	233.6	—	—	—	—	233.6	244.6
Other liabilities	FLAC/n.a.	104.5	25.0	—	—	—	—	—
Derivative financial liabilities								
Derivatives (held for trading)	FLHfT	6.7	—	—	—	6.7	—	6.7
Hedges (hedge accounting)	n.a.	—	—	—	—	—	—	—
Trade accounts payable	FLAC	700.3	700.3	—	—	—	—	—
<b>Thereof aggregated according to IAS 39 classification category</b>								
Loans and receivables (LaR)		989.1	989.1	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—
Financial assets held for trading (FAHfT)		58.4	—	—	—	58.4	—	—
Financial liabilities measured at amortised cost (FLAC)		3,426.7	3,426.7	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		6.7	—	—	—	6.7	—	—

1) Part of financial debt

The financial instruments in the available-for-sale category which are included in other assets contain, among other things, investments not listed on a stock exchange for which there are no market prices listed on an active market. A reliable determination of the market value could only be achieved in the context of actual sales negotiations. Their disposal is not planned at present.

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter “Accounting and measurement principles”.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table shows the classification of the financial instruments measured at fair value in the three levels of the fair value hierarchy:

	31.12.2012			
	Level 1	Level 2	Level 3	Total
	Million EUR			
<b>Assets</b>				
Derivative financial instruments (hedge accounting) . . . . .	—	45.5	—	45.5
Derivative financial instruments (trading) . . . . .	—	24.0	—	24.0
<b>Liabilities</b>				
Financial debt . . . . .	—	2,236.2	—	2,236.2
Liabilities from finance leases . . . . .	—	223.0	—	223.0
Derivative financial instruments (trading) . . . . .	—	6.0	—	6.0
	31.12.2013			
	Level 1	Level 2	Level 3	Total
	Million EUR			
<b>Assets</b>				
Derivative financial instruments (hedge accounting) . . . . .	—	41.2	—	41.2
Derivative financial instruments (trading) . . . . .	—	58.4	—	58.4
<b>Liabilities</b>				
Financial debt . . . . .	—	2,792.6	—	2,792.6
Liabilities from finance leases . . . . .	—	244.6	—	244.6
Derivative financial instruments (trading) . . . . .	—	6.7	—	6.7

### *Net earnings*

The net earnings of the financial instruments by classification category pursuant to IAS 39 are as follows:

	31.12.2013			31.12.2012		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
	Million EUR					
Loans and receivables . . . . .	(0.6)	(11.3)	(11.9)	0.9	(1.9)	(1.0)
Available-for-sale financial assets . . . . .	—	—	—	—	—	—
Financial assets and liabilities held for trading . . . . .	(0.4)	2.8	2.4	—	(8.4)	(8.4)
Financial liabilities measured at amortised cost . . . . .	(133.2)	(13.9)	(147.1)	(121.4)	11.2	(110.2)
<b>Total . . . . .</b>	<b>(134.2)</b>	<b>(22.4)</b>	<b>(156.6)</b>	<b>(120.5)</b>	<b>0.9</b>	<b>(119.6)</b>

In addition to interest income and expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of Hapag-Lloyd AG's trade receivables as well as the valuation result from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39.

### *Capital management*

The Hapag-Lloyd Group strives to achieve an adequate financial profile in order to guarantee the continuation of the Company and its financial flexibility and independence. Its objective is to strengthen the trust of shareholders and other parties involved in the Company in a lasting manner. To achieve this, the Hapag-Lloyd Group is aiming for an equity ratio of 50%.

The goal of its capital management is to safeguard the capital base at its disposal over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

One of the most essential control parameters within the scope of capital risk management is the relationship between equity and the balance sheet total (equity ratio).

Covenant clauses that are customary in the market have been arranged for existing financing from bonds or loans (financial covenants regarding equity, liquidity and loan-to-value ratio), and are used as

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

an additional control tool. In the reporting period, as in the previous year, the financial covenants were adhered to for all the reporting dates. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

### NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows the development of cash and cash equivalents using separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies are eliminated.

#### **(26) Cash inflow/outflow from operating activities**

In the financial year, interest amounting to EUR 1.6 million was received (2012: EUR 2.4 million). Income tax payments in the financial year 2013 led to a cash inflow of EUR 0.0 million (2012: EUR 1.9 million) and a cash outflow of EUR 5.9 million (2012: EUR 4.9 million).

The other non-cash expenses and income contained in the reconciliation from Group profit/ loss to cash inflow/outflow from operating activities essentially encompass the effects of the measurement of financial debt in a foreign currency, the effects of the measurement of the time value of derivative financial instruments, and expenses in connection with options, which were not exercised.

#### **(27) Cash inflow/outflow from investing activities**

In the year under review, the cash outflow from investing activities amounted to EUR 544.7 million (2012: EUR 272.6 million). Cash payments for investments in property, plant and equipment and intangible assets totalling EUR 664.5 million (2012: EUR 526.7 million) mainly consisted of investments in new containers, final payments for ship newbuilds delivered in 2013 and prepayments on account for ship newbuilds due to be delivered in 2014, as well as shore-based power units.

The proceeds from disposals of property, plant and equipment and intangible assets totalling EUR 66.0 million (2012: EUR 225.0 million) primarily related to ship and container disposals, and the signing of three operating sale and leaseback agreements. Dividends amounting to EUR 33.2 million were also received (2012: EUR 18.4 million). The proceeds from the disposal of companies in the amount of EUR 20.6 million came from the sale of Montreal Gateway Terminals Ltd. Partnership, Montreal, (EUR 19.1 million) and the sale of 4.9% of the Company's shares in Hapag-Lloyd Grundstücksholding GmbH, Hamburg (EUR 1.5 million).

Cash flows from investing activities contained capitalised interest on debt amounting to EUR 16.3 million (2012: EUR 36.8 million).

#### **(28) Cash inflow/outflow from financing activities**

Cash inflow from financing activities amounted to a balance of EUR 403.2 million (2012: EUR 39.7 million).

Borrowing amounting to EUR 1,118.8 million (2012: EUR 763.1 million) related primarily to cash inflows from the placement of a new EUR bond and to loans for the financing of vessels and containers. This was offset by the partial repayment of a bond issued in 2010 as well as interest and capital repayments amounting to EUR 707.9 million (2012: EUR 606.7 million) and payments made in connection with hedging transactions for financial debt. In the previous year, funds of EUR 136.9 million were also used to repay the residual hybrid capital including interest.

#### **(29) Cash and cash equivalents at the end of the period**

Cash and cash equivalents encompass all liquid funds, *i. e.* cash in hand, bank balances and cheques. The impact of changes in cash and cash equivalents due to exchange rate fluctuations is shown separately.

As at 31 December 2013, as in the previous year, cash and cash equivalents were not subject to any restrictions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### OTHER NOTES

#### (30) Government assistance

The Federal Maritime and Hydrographic Agency approved training subsidies and subsidies for marine personnel totalling EUR 10.3 million in 2013 (2012: EUR 7.9 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income.

#### (31) Contingencies

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

As at 31 December 2013, there were merely guarantees and sureties for liabilities of affiliated consolidated companies.

#### (32) Legal disputes

Hapag-Lloyd AG and several of its foreign subsidiaries are involved in legal proceedings. These encompass a range of topics, such as disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with customers, former agents and suppliers. It is regarded as unlikely that these proceedings will result in any noteworthy payment obligations. Consequently, no provisions for litigation risks have been formed and no contingent liabilities reported in the Notes.

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 assumes that the transport services are provided in line with EU competition regulations. There were no new developments in this context in 2013. Consequently, no provisions for litigation risks were formed and no contingent liabilities were reported in the Notes.

At Hapag-Lloyd Mexico in 2013, tax audits were completed for the years 2004 and 2005. The Company appealed against the resulting tax assessments which, among other things, obliged it to make significant additional value-added-tax payments. The lawyers handling the case are of the opinion that the tax assessments are not lawful. The quantification of a financial risk, the determination of the maturity of possible outflows and the evaluation of third-party rights to reimbursement are therefore currently not possible for these circumstances.

Naturally the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2013. Such payment obligations will not have any significant influence on the Group's net assets and earnings positions.

#### (33) Leases

##### *Lessee—finance leases*

The items leased on the basis of finance lease contracts are primarily vessels and containers. In the previous year, seven operating lease contracts for vessels and one for containers were amended such that Hapag-Lloyd committed to purchasing these assets at the end of their lease tenures. These contracts have now become finance lease contracts. The contracts state that legal ownership will be transferred between 2014 and 2019. In the 2013 financial year, existing short-term operating lease contracts for containers were turned into long-term lease contracts, resulting in the classification of the amended container rental agreements as finance lease contracts. The contracts have terms of up to twelve years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2013, the vessels recognised in connection with the finance lease contracts had a net carrying amount of EUR 201.5 million (2012: EUR 225.6 million); the containers were recognised at EUR 75.2 million as at 31 December 2013 (2012: EUR 11.7 million).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The future minimum lease payments and their present values are as follows:

	31.12.2013				31.12.2012			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Future minimum lease payments	276.2	126.3	101.8	48.1	244.4	45.1	199.3	—
Interest portion	42.6	15.5	18.7	8.4	28.6	13.9	14.7	—
<b>Present value</b>	<b>233.6</b>	<b>110.8</b>	<b>83.1</b>	<b>39.7</b>	<b>215.8</b>	<b>31.2</b>	<b>184.6</b>	<b>0.0</b>

At the balance sheet date, there were no expectations of future income from non-cancellable subletting arrangements, nor were there any conditional payments.

*Lessee—operating leases*

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises. The agreements have terms of between one year and 17 years, with the majority of them having a term of up to five years. Some of the agreements include prolongation and purchase options as well as price adjustment clauses. The containers are used in the short term at standard market leasing rates until they are ultimately transferred to the purchaser. There is no obligation to repurchase them. Some of the rental agreements for business premises include conditional rental payments based on the consumer price index for Germany.

Charter agreements for ships are always structured as time charter contracts, *i.e.* in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the 2013 financial year, lease payments of EUR 698.6 million were posted to expenses (2012: EUR 767.2 million), of which EUR 335.7 million were charter expenses (2012: EUR 403.6 million), of which EUR 0.1 million related to conditional rental payments (2012: EUR 0.0 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	31.12.2013				31.12.2012			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Vessels and containers	606.5	355.3	251.2	—	733.6	350.1	383.5	—
Business premises	98.7	16.7	39.2	42.8	117.3	18.4	51.2	47.7
Other	82.0	37.5	44.5	—	143.6	47.1	96.5	—
<b>Total</b>	<b>787.2</b>	<b>409.5</b>	<b>334.9</b>	<b>42.8</b>	<b>994.5</b>	<b>415.6</b>	<b>531.2</b>	<b>47.7</b>
<b>Fair value</b>	<b>761.5</b>	<b>406.1</b>	<b>318.8</b>	<b>36.6</b>	<b>962.4</b>	<b>412.6</b>	<b>508.4</b>	<b>41.4</b>

The fair value was ascertained by discounting the future minimum lease payments using a market interest rate of 1.6% p.a. (31 December 2012: 1.4% p.a.). Due to the change in the discount rate, other financial obligations decreased by EUR 3.0 million.

The decline in obligations from operating lease contracts in the 2013 financial year was due, in part, to the cancellation of existing operating lease contracts through the exercising of purchase options, followed by the sale and leaseback over 3.5 and 4.5 years. The obligations rose marginally due to the completed sale and leaseback transactions.

As at 31 December 2013, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 2.5 million (2012: EUR 3.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Lessor—operating leases*

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. The assets let within the scope of the operating lease contracts are essentially fully owned vessels and slot charter agreements.

The following future minimum lease payments relate to non-cancellable operating lease contracts:

	31.12.2013				31.12.2012			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Vessels . . . . .	24.3	24.3	—	—	16.3	16.3	—	—
Business premises . . . . .	0.5	0.1	0.4	—	0.5	0.2	0.3	—
<b>Total . . . . .</b>	<b>24.8</b>	<b>24.4</b>	<b>0.4</b>	<b>0.0</b>	<b>16.8</b>	<b>16.5</b>	<b>0.3</b>	<b>0.0</b>

At the reporting date, the gross carrying amount of the chartered ship (2012: five ships) amounted to EUR 84.7 million (2012: EUR 463.0 million). The accumulated depreciation amounted to EUR 23.0 million (2012: EUR 101.2 million) and depreciation for the period amounted to EUR 4.3 million (2012: EUR 23.7 million). No conditional rental payments were recorded through profit or loss in the financial year 2013.

**(34) Other financial obligations**

The Group’s other financial obligations as at 31 December 2013 include a purchase obligation for investments in container ships amounting to EUR 113.4 million (2012: EUR 502.1 million), of which EUR 113.4 million is for a term of up to a year (2012: EUR 502.1 million). Neither in the 2013 financial year nor in the previous year was the remaining term of the purchase obligation greater than five years.

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

The following corporate entities, which are affiliated consolidated subsidiaries of Hapag-Lloyd AG and for which the consolidated financial statements of Hapag-Lloyd AG are the discharging consolidated financial statements, are utilising the discharging option provided by Section 264 (3) of the German Commercial Code (HGB) in respect of disclosure:

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

**(36) Services provided by the auditors of the consolidated financial statements**

In the 2013 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

	1.1.–31.12. 2013 Total	1.1.–31.12. 2013 Domestic	1.1.–31.12. 2012 Total	1.1.–31.12. 2012 Domestic
	Million EUR			
Audit fees for annual audit . . . . .	1.2	0.5	1.0	0.4
Audit fees for other assurance services . . . . .	0.5	0.5	0.1	0.1
Audit fees for tax consultancy . . . . .	0.1	—	—	—
Audit fees for other services . . . . .	0.4	0.4	0.4	0.3
<b>Total . . . . .</b>	<b>2.2</b>	<b>1.4</b>	<b>1.5</b>	<b>0.8</b>

Fees for audit services were mainly related to the audit of the consolidated financial statements as well as the statutory audit of Hapag-Lloyd AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**(37) Related party disclosures**

In carrying out its ordinary business activities, Hapag-Lloyd AG maintains indirect or direct relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

The Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. During the reporting period, transactions were made with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), which is a wholly owned subsidiary of the Free and Hanseatic City of Hamburg, the shareholder of Hapag-Lloyd AG. Payments in the amount of EUR 3.8 million were made to HGV, its affiliates and its associated companies mainly for harbour dues and mooring fees (2012: EUR 3.9 million).

Following the dissolution of the “Albert Ballin” consortium per shareholder resolution in September 2013, the former members of the consortium have a direct stake in Hapag-Lloyd AG. Their shareholdings have not changed in volume.

<u>Shares in %</u>	<u>2013</u>	<u>2012</u>
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH . . . . .	36.9%	36.9%
Kühne Maritime GmbH . . . . .	28.2%	28.2%
TUI AG / TUI-Hapag Beteiligungs GmbH . . . . .	22.0%	22.0%
SIGNAL IDUNA Gruppe . . . . .	5.3%	5.3%
HSH Nordbank AG . . . . .	2.9%	2.9%
Pool of investors led by M.M.Warburg & CO KGaA . . . . .	2.9%	2.9%
HanseMercur Versicherungsgruppe . . . . .	1.8%	1.8%
<b>Total</b> . . . . .	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

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

	<u>Delivered goods and services and other income recognised</u>		<u>Goods and services received and other expenses recognised</u>	
	<u>1.1.–31.12.2013</u>	<u>1.1.–31.12.2012</u>	<u>1.1.–31.12.2013</u>	<u>1.1.–31.12.2012</u>
	<b>Million EUR</b>			
Parent company . . . . .	—	0.1	—	—
Shareholders . . . . .	282.5	269.7	42.8	35.7
Associated companies . . . . .	0.2	0.1	109.6	98.0
Other investments . . . . .	5.2	4.2	1.3	1.4
<b>Total</b> . . . . .	<b><u>287.9</u></b>	<b><u>274.1</u></b>	<b><u>153.7</u></b>	<b><u>135.1</u></b>
	<u>Receivables</u>		<u>Liabilities</u>	
	<u>31.12.2013</u>	<u>31.12.2012</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
	<b>Million EUR</b>			
Parent company . . . . .	—	2.2	—	—
Shareholders . . . . .	118.7	116.1	235.8	275.0
Affiliated non-consolidated Companies . . . . .	—	—	0.2	0.2
Associated companies . . . . .	0.7	0.5	13.0	10.7
Other investments . . . . .	1.0	0.8	0.3	0.3
<b>Total</b> . . . . .	<b><u>120.4</u></b>	<b><u>119.6</u></b>	<b><u>249.3</u></b>	<b><u>286.2</u></b>

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 287.5 million; 2012: EUR 272.9 million), interest income (EUR 0.2 million; 2012: EUR 0.8 million) and other services (EUR 0.2 million; 2012: EUR 0.4 million).

Of the expenses shown above, EUR 135.0 million result from operating services (2012: EUR 112.7 million), EUR 18.6 million relate to interest expenses (2012: EUR 22.0 million), and EUR 0.1 million are from other services (2012: EUR 0.4 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

	1.1.– 31.12.2013	1.1.– 31.12.2012
	Million EUR	
Short-term benefits .....	1.8	2.0
Post-employment benefits .....	0.9	0.7
<b>Total</b> .....	<b>2.7</b>	<b>2.7</b>

Post-employment benefits refer to the allocations to pension provisions for active Executive Board members.

Pension obligations to current and former members of the Executive Board amount to EUR 18.7 million (2012: EUR 19.1 million). The fair value of plan assets for members of the Executive Board amounts to EUR 10.0 million (2012: EUR 9.8 million).

Pensions and other expense allowances in the amount of EUR 0.8 million were paid to former members of the Executive Board in the 2013 financial year (2012: EUR 0.2 million).

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

	1.1.– 31.12.2013	1.1.– 31.12.2012
	Million EUR	
Short-term benefits .....	1.1	1.1
<b>Total</b> .....	<b>1.1</b>	<b>1.1</b>

The amount includes salaries paid for employee representatives that were also employed with the Group. These salaries were appropriate to the positions and functions.

### (38) Significant transactions after the balance sheet date

There were no events after the balance sheet date that would have brought a material change in the net asset, financial and earnings position of the Hapag-Lloyd Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/ loss for the year in TCU*
<b>Affiliated consolidated companies</b>					
Hamburg-Amerika Linie GmbH . . . . .	Hamburg	100.00	EUR	63	2
Hapag-Lloyd Grundstücksholding GmbH . . . . .	Hamburg	94.90	EUR	30,045	**
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH . . . . .	Hamburg	100.00	EUR	26	**
Hapag-Lloyd Africa PTY Ltd. . . . .	Durban	100.00	ZAR	2,937	366
Hapag-Lloyd (Austria) GmbH . . . . .	Vienna	100.00	EUR	1,195	21
Hapag-Lloyd Belgium N.V.*** . . . . .	Antwerp	100.00	EUR	5,391	0
Oy Hapag-Lloyd Finland AB . . . . .	Helsinki	100.00	EUR	111	40
Hapag-Lloyd (France) S.A.S. . . . .	Paris	100.00	EUR	4,771	282
Hapag-Lloyd (Ireland) Ltd. . . . .	Dublin	100.00	EUR	201	24
Hapag-Lloyd (Italy) S.R.L. . . . .	Milan	100.00	EUR	1,222	235
Hapag-Lloyd Polska Sp.z.o.o. . . . .	Gdynia	100.00	PLN	647	33
Hapag-Lloyd Portugal LDA . . . . .	Lisbon	100.00	EUR	136	5
Hapag-Lloyd (Schweiz) AG . . . . .	Basle	100.00	CHF	284	34
Hapag-Lloyd Special Finance Limited . . . . .	Dublin	100.00	US\$	15	5
Hapag-Lloyd (Sweden) AB . . . . .	Göteborg	100.00	SEK	2,184	382
Hapag-Lloyd Spain S.L. . . . .	Barcelona	90.00	EUR	720	78
Hapag-Lloyd (UK) Ltd. . . . .	London	100.00	GBP	3,427	132
Hapag-Lloyd Agency LLC. . . . .	Dubai	49.00	AED	9,335	8,885
Hapag-Lloyd (Australia) Pty.Ltd. . . . .	Sydney	100.00	AUD	1,889	55
Hapag-Lloyd (China) Ltd. . . . .	Hong Kong	100.00	HKD	5,817	584
Hapag-Lloyd (China) Shipping Ltd. . . . .	Shanghai	100.00	CNY	50,977	3,154
Hapag-Lloyd Crew Management Pte.Ltd.*** . . . . .	Singapore	100.00	US\$	0	(3)
Hapag-Lloyd (Eastwind) Pte. Ltd. . . . .	Singapore	100.00	US\$	385	23
Hapag-Lloyd Global Services Pvt.Ltd. . . . .	Mumbai	100.00	INR	492,230	51,091
Hapag-Lloyd India Private Ltd. . . . .	Mumbai	100.00	INR	198,759	26,103
Hapag-Lloyd (Japan) K.K. . . . .	Tokyo	100.00	JPY	227,255	3,182
Hapag-Lloyd (Korea) Ltd. . . . .	Seoul	100.00	KRW	1,286,505	58,389
Hapag-Lloyd (Malaysia) Sdn.Bhd. . . . .	Kuala Lumpur	100.00	MYR	1,309	(1)
Hapag-Lloyd (New Zealand) Ltd. . . . .	Auckland	100.00	NZD	762	68
Hapag-Lloyd Pte.Ltd. . . . .	Singapore	100.00	US\$	6,745	765
Hapag-Lloyd (South East Asia) Sdn. Bhd. . . . .	Kuala Lumpur	100.00	MYR	2,399	(24)
Hapag-Lloyd (Taiwan) Ltd. . . . .	Taipei	100.00	TWD	85,962	1,154
Hapag-Lloyd (Thailand) Ltd. . . . .	Bangkok	49.90	THB	5,310	338
Hapag-Lloyd (Vietnam) Ltd. . . . .	Ho Chi Minh City	100.00	VND	3,528,366	836,677
Hapag-Lloyd (America) Inc. . . . .	Piscataway	100.00	US\$	7,369	627
Hapag-Lloyd Argentina S.R.L. . . . .	Buenos Aires	100.00	ARS	3,862	(260)
Hapag-Lloyd Brasil Agenciamento Maritimo Ltda. . . . .	Sao Paulo	100.00	BRL	11,854	(682)
Hapag-Lloyd (Canada) Inc. . . . .	Montreal	100.00	CAD	692	206
Hapag-Lloyd Chile Agencia Maritima Ltda. . . . .	Santiago	100.00	CLP	133,101	27,351
Hapag-Lloyd Colombia LTDA . . . . .	Bogota	100.00	COP	149,841	(35,382)
Hapag-Lloyd Costa Rica S.A. . . . .	San Jose	100.00	CRC	147,602	8,186
Hapag-Lloyd Guatemala S.A. . . . .	Guatemala	100.00	GTQ	(219)	28
Hapag-Lloyd Mexico S.A. de C.V. . . . .	Mexico City	100.00	MXN	238,241	(28,087)
Hapag-Lloyd (Peru) S.A.C. . . . .	Lima	100.00	PEN	5,417	10,315
Hapag-Lloyd USA LLC . . . . .	Tampa	100.00	US\$	210,832	29,844
Hapag-Lloyd Venezuela C.A. . . . .	Caracas	100.00	VEF	967	202
Florida Vessel Management LLC . . . . .	Tampa	75.00	US\$	34	(6)
Servicios Corporativos Portuarios S.A. de C.V. . . . .	Mexico City	100.00	MXN	6,536	4,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<u>Name of the company</u>	<u>Registered office</u>	<u>Shareholding in %</u>	<u>Currency unit (CU)</u>	<u>Equity in TCU*</u>	<u>Net profit/ loss for the year in TCU*</u>
<b>Associated companies</b>					
Hapag-Lloyd Denizasiri Nakliyat A.S. ....	Izmir	50.00	TRY	29,182	21,018
Hapag-Lloyd Lanka (Pvt) Ltd .....	Colombo	40.00	LKR	122,827	114,867
HHLA Container Terminal Altenwerder GmbH ...	Hamburg	25.10	EUR	74,072	**
HHLA CTA Besitzgesellschaft mbH .....	Hamburg	25.10	EUR	6,360	**
<b>Affiliated non-consolidated companies</b>					
Hapag-Lloyd Container Ltd .....	Barking	100.00	EUR	2	1
Hapag-Lloyd Container (No. 2) Ltd. ....	Barking	100.00	EUR	1	1
Hapag-Lloyd GP Inc. ....	Montreal	100.00	CAD	(20)	(6)
Hapag-Lloyd Ships Ltd. ....	London	100.00	EUR	103	(1)
Hamburg-Amerikanische					
Packetfahrt-Gesellschaft mbH .....	Hamburg	100.00	EUR	63	2
Norddeutscher Lloyd GmbH .....	Bremen	100.00	EUR	31	1
Verwaltung „Albert Ballin“ Holding GmbH*** ...	Hamburg	100.00	EUR	16	0
Zweite Hapag-Lloyd Schiffsvermietungs- gesellschaft mbH .....	Hamburg	100.00	EUR	26	**

\*) TCU = thousand of currency units as at 31.12.2013

\*\*) Profit and loss transfer agreement

\*\*\*) In liquidation

Hamburg, 28 February 2014

Hapag-Lloyd AG  
Executive Board

Peter Ganz

Micheal Behrendt

Ulrich Kranich



The following auditor's report, prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow, notes to the consolidated financial statements, together with the group management report of Hapag-Lloyd Aktiengesellschaft for the financial year from 1 January to 31 December 2013. The group management report is not included in this prospectus. The above-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

## AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Hapag-Lloyd Aktiengesellschaft, Hamburg, consisting of consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, and notes to the consolidated financial statements—and the Group management report for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as applicable in the EU, and the provisions of German commercial law in accordance with Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated 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 consolidated financial statements, taking account of the applicable accounting principles, and by the Group management report are detected with a reasonable degree of certainty. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the Group management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the annual financial statements of the companies in the consolidated group, the determination of the scope of the group of consolidated companies, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as an assessment of the overall presentation of the consolidated financial statements and Group 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 consolidated financial statements are in compliance with the IFRS, as adopted by the EU, and the additional provisions stated in Section 315a (1) of the German Commercial Code (HGB) and give a true and fair view of the net asset, financial and earnings position of the Group in accordance with these provisions. The Group management report is consistent with the consolidated financial statements and as a whole provides an accurate picture of the Group's position and an accurate description of the opportunities and risks of future development.

Hamburg, 28 February 2014

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Wirtschaftsprüfungsgesellschaft

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Heckert  
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## OFFERING MEMORANDUM

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Hapag-Lloyd Aktiengesellschaft



€250,000,000 6.75% Senior Notes due 2022

*Joint Lead Managers and Bookrunners*

**Berenberg**

**Deutsche Bank**

**Credit Suisse**

*Joint Bookrunners*

**HSH Nordbank**

**ING**

**M.M. Warburg & CO**

January 18, 2017

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**Hapag-Lloyd**

**€250,000,000 6.75% Senior Notes due 2022**