9M 2020

Hapag-Lloyd AG

Quarterly financial report

1 Januar to
30 September
2020

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES QUARTERLY FINANCIAL REPORT 9M 2020

		1.7.– 30.9. 2020	1.7.– 30.9. 2019	1.1.– 30.9. 2020	1.1.– 30.9. 2019	Change absolute
Key operating figures[1]						
Total vessels		234	231	234	231	3
Aggregate capacity of vessels	TTEU	1,709	1,670	1,709	1,670	39
Aggregate container capacity	TTEU	2,674	2,556	2,674	2,556	118
Freight rate (average for the period)	USD/TEU	1,084	1,084	1,097	1,075	22
Transport volume	TTEU	2,942	3,045	8,696	9,011	–315
Revenue	million EUR	3,002	3,244	9,362	9,482	–120
EBITDA	million EUR	649	554	1,818	1,511	307
EBIT	million EUR	347	253	858	643	216
Group profit/loss	million EUR	252	150	538	297	241
Earnings per share	EUR	1.43	0.85	3.01	1.63	1.38
Cash flow from operating activities	million EUR	720	652	1,927	1,537	390
Key return figures[1]						
EBITDA margin (EBITDA/revenue)	%	21.6	17.1	19.4	15.9	3.5 ppt
EBIT margin (EBIT/revenue)	%	11.6	7.8	9.2	6.8	2.4 ppt
ROIC (Return on Invested Capital)[2]	%	11.3	7.6	8.9	6.5	2.4 ppt
Key balance sheet figures as at 30 September[1]						
Balance sheet total	million EUR	15,832	16,200	15,832	16,200	–368
Equity	million EUR	6,645	6,621	6,645	6,621	25
Equity ratio (equity/balance sheet total)	%	42.0	40.9	42.0	40.9	1.1 ppt
Borrowed capital	million EUR	9,187	9,580	9,187	9,580	–393
Key financial figures as at 30 September[1]						
Financial debt and lease liabilities	million EUR	5,959	6,397	5,959	6,397	–438
Cash and cash equivalents	million EUR	820	512	820	512	309

1 The key operating figures and key return figures refer to the respective reporting period. The comparison of key balance sheet figures and key financial figures refers to the reporting date 31 December 2019.

2 The return on invested capital (ROIC) is calculated as the ratio of net operating profit after taxes (NOPAT) to invested capital (assets excluding cash and cash equivalents less liabilities excluding financial debt). This key operating figure is calculated on an annualised basis and in US dollars.

For computational reasons, rounding differences may occur in some of the tables and charts of this quarterly financial report.

Disclaimer: This report contains statements concerning future developments at Hapag-Lloyd. Due to market fluctuations, the development of the competitive situation, world market prices for commodities, and changes in exchange rates and the economic environment, the actual results may differ considerably from these forecasts. Hapag-Lloyd neither intends nor undertakes to update forward-looking statements to adjust them for events or developments which occur after the date of this report.

This quarterly financial report was published on 13 November 2020.

MAIN DEVELOPMENTS IN 9M 2020

- The first 9 months of 2020 were dominated by the outbreak of the COVID-19 pandemic and an associated sharp fluctuation in demand. Hapag-Lloyd responded to the challenging operating conditions by promptly establishing the Performance Safeguarding Program (PSP) to mitigate the economic effects of the pandemic.
- The transport volume fell by 3.5% to 8,696 TTEU in the first 9 months of 2020. The decrease was primarily due to a double-digit fall in demand in the second quarter of 2020. At –3.4%, transport volumes in the third quarter 2020 were only slightly lower than in the previous year.
- The average freight rate rose by 2.0% to USD 1,097 / TEU compared with the prior year period (prior year period: USD 1,075 / TEU).
- Revenue of EUR 9.4 billion was around 1.3% down on the previous year (EUR 9.5 billion) due to the decline in transport volumes in the first 9 months of 2020.
- Transport expenses fell more sharply than the transport volume in the first 9 months of 2020, decreasing by 6.1% to EUR 6,845.7 million (prior year period: EUR 7,286.7 million). In addition to the drop in the transport volume, this development primarily reflects the lower bunker prices as well as active cost management under the PSP programme.
- EBITDA increased accordingly by 33.5% to EUR 1,817.8 million (prior year period: EUR 1,510.5 million). The EBITDA margin of 19.4% was around 3.5 percentage points higher than in the previous year (15.9%).
- EBIT was also significantly up on the previous year, at EUR 858.3 million, (prior year period: EUR 642.8 million).
- Earnings per share improved by EUR 1.38 to EUR 3.01.
- Free cash flow of EUR 1,659.9 million was once again clearly positive (prior year period: EUR 1,319.7 million). As a result, the level of debt was further reduced.
- Due to the measures implemented under the PSP programme, the liquidity reserve was substantially increased and totalled around EUR 1.3 billion as at 30 September 2020 (30 September 2019: EUR 1.1 billion).
- As a result of the Company's strong operating performance and the reduction in its debt over several years, the rating agencies Standard & Poor's and Moody's raised their credit ratings for Hapag-Lloyd from "B+" to "BB-" and from "B1" to "Ba3" respectively. This is the highest rating obtained by Hapag-Lloyd since it was first rated in 2010.
- Due to the overall positive business development in the first 9 months and the expected stronger demand in the fourth quarter, the earnings forecast was increased on 15 October. For 2020, the Executive Board now expects EBITDA of EUR 2.4 – 2.6 billion (previously: EUR 1.7 – 2.2 billion) and EBIT of EUR 1.1 – 1.3 billion (previously: EUR 0.5 – 1.0 billion). In view of the ongoing risk regarding the progression of the COVID-19 pandemic and the associated economic effects, the forecast remains subject to uncertainty.

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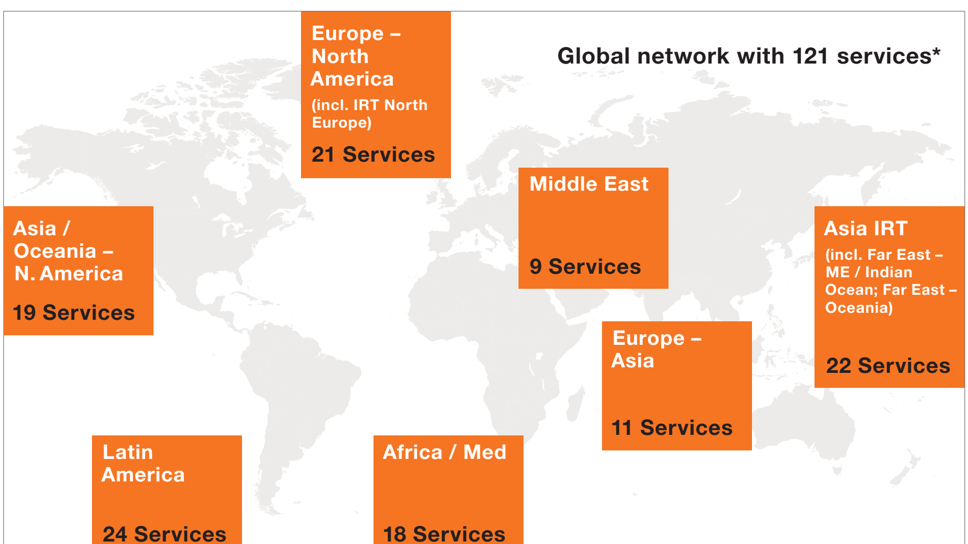
INTERIM GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES

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

Hapag-Lloyd's fleet comprised 234 container ships as at 30 September 2020 (30 September 2019: 231). The Group currently has 388 sales offices in 129 countries (30 September 2019: 392 sales offices in 129 countries) and offers its customers worldwide access to a network of 121 liner services (previous year: 121 services). However, 3 of these services (30 June 2020: 6 services) are temporarily suspended at present due to the decrease in demand as a result of the COVID-19 pandemic. In the first 9 months of 2020, Hapag-Lloyd served approximately 27,200 customers around the world (previous year: approximately 27,800).

Network of Hapag-Lloyd services



Source: Company data; Note: *FP1 and FP2 Service listed twice (Asia – North America / Europe – Asia)

Since 1 April 2017, Hapag-Lloyd has been operating THE Alliance in partnership with Ocean Network Express Pte. Ltd. (Singapore) (ONE) (formerly Kawasaki Kisen Kaisha Ltd. (Japan), Mitsui O.S.K. Lines Ltd. (Japan), Nippon Yusen Kabushiki Kaisha Ltd. (Japan)) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). On 1 April 2020, the South Korean liner shipping company Hyundai Merchant Marine (HMM) joined the alliance as a full new member.

The partnership is scheduled to last for 10 years, after which point it will automatically be extended by 1 more year in each case. Members must remain in the alliance for 36 months and then give 12 months' notice if they wish to leave. In the event of a change of control or insolvency, a member may be excluded from the alliance. The decision to exclude an alliance member must be taken unanimously by the other members.

As at 30 September 2020, THE Alliance covered all East-West trades with 274 container ships and 30 services (30 September 2019: 250 container ships and 29 services). One service (30 June 2020: 4 services) is still temporarily suspended at present due to the decrease in demand as a result of the COVID-19 pandemic.

Hapag-Lloyd conducts its container liner shipping business in an international business environment. Transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities and the corresponding financing of investments. The functional currency of Hapag-Lloyd AG and 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 using the mean exchange rate on the reporting 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.

Changes to the composition of the Hapag-Lloyd AG Executive Board
Mr Mark Frese was appointed as a new Executive Board member with effect from 25 November 2019 as per a resolution passed by the Supervisory Board on 13 November 2019. Mr Mark Frese succeeded Mr Nicolás Burr as CFO, who stepped down on 29 February 2020.

As per a resolution passed by the Supervisory Board on 5 June 2020, the contract of Chief Personnel and Global Procurement Officer Joachim Schlotfeldt was extended by 2 years until 31 March 2023.

Shareholder structure of Hapag-Lloyd AG
The shareholder structure of Hapag-Lloyd AG is dominated by its 5 major shareholders, which together hold around 96.4% of the Company's share capital. These include Kühne Maritime GmbH together with Kühne Holding AG (Kühne), CSAV Germany Container Holding GmbH (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), and Qatar Holding Germany GmbH on behalf of the Qatar Investment Authority (QIA) and Public Investment Fund Saudi Arabia (PIF). In addition, CSAV, Kühne Maritime GmbH and HGV have agreed under a shareholders' agreement to exercise their voting rights from the shares in Hapag-Lloyd AG by issuing a common voting proxy, thereby making important decisions together.

In January 2020, CSAV acquired a share package from QIA of 3,890,899 shares (corresponding to approximately 2.2%), followed by a further 1,000 shares in March. Since then, CSAV has held an interest of around 30%. In March, Kühne Maritime GmbH acquired 656,526 shares, which also increased Kühne's interest to around 30%.

The shareholder structure of Hapag-Lloyd AG as at 30 September 2020 is as follows:

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

CORPORATE OBJECTIVES AND STRATEGY

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth measured on the basis of the development of the transport volume and the key performance indicators of EBITDA, EBIT and return on invested capital (ROIC).

The growing global demand for container transportation is the foundation of the organic growth that Hapag-Lloyd hopes to achieve. In general, Hapag-Lloyd intends to increase the transport volume organically in line with market growth.

The key internal performance indicators for the Company's operating activities are earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). The performance of these key financial indicators is outlined in the section "Group earnings, financial and net asset position". EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. It has a special significance for capital-intensive companies. Hapag-Lloyd uses EBITDA as an important parameter for investment decisions.

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

Hapag-Lloyd is aiming to be profitable throughout the entire economic cycle, i. e. to achieve a return on invested capital (ROIC) that is at least equal to the Company's weighted average cost of capital (WACC). In the first 9 months of 2020, Hapag-Lloyd generated a return on invested capital (ROIC) of 8.9% (prior year period: 6.5%). The weighted average cost of capital (WACC) determined as of December 31, 2019, amounted to 6.8%. Details on how the ROIC is calculated can be found in the chapter "Important financial performance indicators".

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a sufficient liquidity and equity base, are once again key cornerstones of the Hapag-Lloyd Group's corporate strategy in the 2020 financial year. As at 30 September 2020, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit lines) totalling EUR 1,319.9 million (31 December 2019: EUR 1,032.8 million). The equity ratio was 42.0% as at the reporting date (31 December 2019: 40.9%).

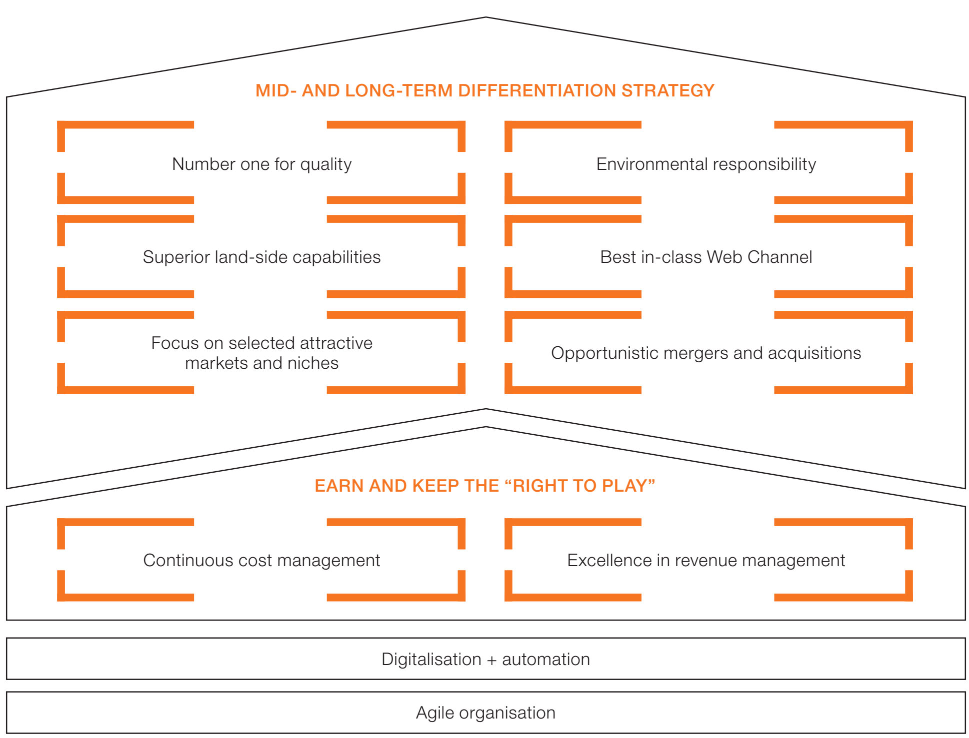
Strategy 2023

The Executive Board of Hapag-Lloyd AG first presented the Group's new strategy ("Strategy 2023") at a capital market day in November 2018. Strategy 2023 is also described in detail on pages 58 ff. of the Group management report in the 2019 annual report, including information on the current status of target achievement.

The 3 core objectives of Strategy 2023 are:

- Become number one for quality
- Remain a global player
- Profitability throughout the entire economic cycle

The focus of Strategy 2023 is on becoming number one for quality and achieving profitable growth. The basis is continuous and consistent cost and revenue management as well as improving internal processes through greater agility and taking advantage of technological opportunities, such as digitalisation and automation. The most important elements of Strategy 2023 are presented in the following illustration. The focus here is on clearly differentiating the Company from its competitors.



Strategy 2023, including the aforementioned targets and goals, will become even more concrete as the strategy is implemented and it will be flexibly adapted to the changing operating environment.

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBITDA, EBIT, the transport volume and freight rates. Transport volume and freight rates are important factors influencing revenue development. The development of the financial performance indicators in the first half of the year 2020 is presented in the section "Group earnings position".

In addition to EBITDA and EBIT as operating performance indicators, the return on invested capital (ROIC) is calculated at Group level as an indicator of the performance within a period. ROIC compares net operating profit after tax (NOPAT), defined as EBIT less taxes, with invested capital as at the reporting date. Invested capital is defined as assets excluding cash and cash equivalents less liabilities excluding financial debt. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

Calculation of the return on invested capital is as follows:

	million EUR		million USD	
	9M 2020	9M 2019	**9M 2020**	9M 2019
Non-current assets	13,247.6	14,213.5	15,517.2	15,524.2
Inventory	173.3	215.3	202.9	235.1
Accounts receivables	1,275.0	1,290.0	1,493.4	1,409.0
Other assets	315.9	394.5	370.1	430.9
Assets	**15,011.7**	**16,113.3**	**17,583.6**	**17,599.2**
Provisions	781.8	785.3	915.8	857.7
Accounts payable	1,773.1	1,835.7	2,076.9	2,004.9
Other liabilities	672.9	604.3	787.8	660.2
Liabilities	**3,227.8**	**3,225.2**	**3,780.5**	**3,522.8**
Invested Capital	**11,783.9**	**12,888.1**	**13,803.1**	**14,076.4**
EBIT	858.3	642.8	964.9	722.2
Taxes	35.4	30.3	39.8	34.0
Net Operating Profit after Tax (NOPAT)	**822.9**	**612.5**	**925.1**	**688.2**
Return on Invested Capital (ROIC)			**8.9%**	**6.5%**

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

IMPORTANT NON-FINANCIAL PRINCIPLES

In addition to the financial performance indicators, the optimum utilisation of the available ship and container capacities has a substantial influence on whether Hapag-Lloyd achieves long-term profitable growth. Sustainable and quality-conscious corporate governance and highly qualified and motivated employees are also important principles for Hapag-Lloyd's targeted profitable growth.

The following non-financial parameters are important for understanding Hapag-Lloyd as a container liner shipping company. However, they are not used by the Company as performance indicators.

Flexible fleet and capacity development

As at 30 September 2020, Hapag-Lloyd's fleet comprised a total of 234 container ships (30 September 2019: 231 ships). All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate.

The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 30 September 2020 was 1,708,977 TEU, thus 2.3% higher than as per 30 September 2019 (1,670,417 TEU). The share of ships chartered by Hapag-Lloyd was approximately 39% as at 30 September 2020 based on TEU capacity (30 September 2019: approximately 37%).

As at 30 September 2020, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 9.3 years. The average ship size within the Hapag-Lloyd Group fleet is 7,303 TEU, which is approximately 15% above the comparable average figure for the 10 largest container liner shipping companies (30 September 2020: 6,343 TEU; MDS Transmodal) and around 69% above the average ship size in the global fleet (30 September 2020: 4,321 TEU; MDS Transmodal).

As at 30 June 2020, Hapag-Lloyd owned or rented 1,619,977 containers (30 September 2019: 1,557,700) with a capacity of 2,673,956 TEU for shipping cargo (30 September 2019: 2,555,867 TEU). The capacity-weighted share of leased containers was around 45% as at 30 September 2020 (30 September 2019: 46%). To facilitate further growth in the strategically important reefer segment, Hapag-Lloyd ordered 10,900 new reefer containers in the third quarter of 2020.

Hapag-Lloyd's service network comprised 121 services as at 30 September 2020 (30 September 2019: 121 services). 3 of the services (30 June 2020: 6 services) are temporarily suspended at present due to the decrease in demand as a result of COVID-19.

Structure of Hapag-Lloyd's container ship fleet

	30.9.2020	31.12.2019	30.9.2019
Number of vessels	234	239	231
thereof			
Own vessels[1]	112	112	112
Chartered vessels	122	127	119
Aggregate capacity of vessels (TTEU)	1,709	1,707	1,670
Aggregate container capacity (TTEU)	2,674	2,540	2,556
Number of services	121	121	121

[1] Including lease agreements with purchase option / obligation at maturity

Bunker consumption totalled approximately 3.0 million tonnes in the first 9 months of the year 2020 and was therefore around 7% lower than in the previous year (9M 2019: approximately 3.3 million tonnes). This decline is essentially attributable to the COVID-19 related temporary suspension of sailings. Due to the new requirement to reduce sulphur emissions from 1 January 2020, the percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) increased to 94% (9M 2019: around 15%). The efficiency of the container ship fleet is also reflected in the bunker consumption data per slot (as measured by the average annual container storage space) of 2.3 tonnes (9M 2019: 2.6 tonnes). In terms of transported TEU, bunker consumption decreased to 0.35 tonnes per TEU compared with the previous year (9M 2019: 0.36 tonnes per TEU).

There were no orders for newbuilds as at the reporting date. Particularly since the merger with UASC, Hapag-Lloyd has had a modern and efficient fleet. The Executive Board of Hapag-Lloyd AG believes that the existing fleet and cooperation with the partners in THE Alliance (including HMM from 1 April 2020) will make it possible to utilise expansion opportunities resulting from market growth and to realise economies of scale in ship operations. However, in order to remain competitive in the medium term, the Executive Board of Hapag-Lloyd AG believes that the Group will invest in new ship systems again in the not too distant future.

With regard to the new regulations of the International Maritime Organization (IMO), which came into effect in 2020 to reduce sulphur emissions, Hapag-Lloyd will predominantly use low-sulphur fuel. On 17 of its own larger ships and 9 container ships chartered on a long-term basis, the Company is installing exhaust gas cleaning systems (EGCS) to filter the sulphur from the exhaust gases. One large ship is also being retrofitted to test how it runs on liquefied natural gas (LNG). From the perspective of Hapag-Lloyd AG's Executive Board, the conversion to the new exhaust gas thresholds and the associated switch to low-sulphur fuel went according to plan.

Customers

Top clients are supported globally and locally by the Global Account Management team in Hamburg and in the regional head offices. This enables the Company to establish and maintain long-standing, sustainable customer relationships. The Key Account Programme also ensures that top regional clients receive particular care and attention. Hapag-Lloyd's aim is to maintain a diversified customer portfolio consisting of direct customers and freight forwarders, with the latter ensuring a permanent regular supply of cargo volumes.

In the first 9 months of the 2020 financial year, Hapag-Lloyd completed transport contracts for approximately 27,200 customers (9M 2019: approximately 27,800).

Employees

The Hapag-Lloyd Group employed 13,174 people as at 30 September 2020 (30 September 2019: 12,953). Of this total, 10,945 were shore-based employees (30 September 2019: 10,627), while 1,977 people were sea-based (30 September 2019: 2,076). Hapag-Lloyd also employed 252 apprentices as at 30 September 2020 (30 September 2019: 250).

Number of employees

	30.9.2020	31.12.2019	30.9.2019
Marine personnel	1,977	2,072	2,076
Shore-based personnel	10,945	10,691	10,627
Apprentices	252	233	250
Total	**13,174**	**12,996**	**12,953**

IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS DEVELOPMENT

Business development in the first 9 months of 2020 was significantly influenced by the outbreak of the COVID-19 pandemic. An abrupt, sharp drop in demand in the second quarter was followed by a moderate recovery in demand in the third quarter. The resulting effects on the earnings, financial and net asset position are described in detail in the economic report.

As a result of the containment measures, it was difficult to maintain business operations due to restrictions on movement and contact. Hapag-Lloyd reacted to the crisis at an early stage and established a central crisis committee headed by the Executive Board at the beginning of March 2020. The crisis committee assesses the current situation on a regular basis, implementing measures as necessary. To ensure the safety of personnel and stable business operations both on land and on board the ships, emergency plans (business continuity plans) have been drawn up for each department and office. Hapag-Lloyd employees are kept fully informed about the current situation and the protective measures via the intranet.

This enabled the Company to ensure business operations in the first 9 months of the year despite comprehensive protective measures and extensive office closures. At the peak of restrictions, more than 90% of shore-based employees were working from home. This was achieved by the creation of additional IT capacities worldwide. The majority of shore-based employees continued to work from home at the end of the quarter. The safety of crews on board ships is also a top priority for the executive management. Hapag-Lloyd has therefore also put in place additional safety measures on board its ships to ensure the safety of its crews as best it can. Shipping operations have largely continued without any significant disruptions. However, worldwide travel restrictions as well as local restrictions are preventing crew changes or making them much more difficult at present. Hapag-Lloyd is working closely with local authorities and other market participants to improve the situation.

In addition to securing the current operational business, the second focus is to minimise the negative effects of the decline in demand in connection with the COVID-19 pandemic and to ensure the financial solidity of the Company at all times. To safeguard profitability and liquidity, a comprehensive package of measures under the project name Performance Safeguarding Program (PSP) was developed and implemented. This includes measures for cost savings, the review of all investments and measures to increase the liquidity framework. More than 1,700 individual measures were identified within the PSP project, which are spread across the entire organisation.

In cooperation with the other THE Alliance partners, the service network for the major East-West routes has been revised and individual services have been temporarily merged or cancelled. These measures enabled the alliance partners to ensure adequate utilisation of their ships and thus save costs – particularly in the second quarter – despite the double-digit fall in demand. As a result of the incipient recovery in demand, capacities were gradually increased again in the third quarter. Hapag-Lloyd has also identified additional cost-cutting measures to reduce the costs of container handling and transport, equipment (mainly containers), ship systems and overheads. In addition to the non-renewal of short-term charter contracts, medium and long-term charter contracts were renegotiated with regard to duration and charter rates. The capacity and cost-cutting measures aim to reduce costs in the current year by a medium three-digit million US dollar amount. The bulk of the expected savings was realised in the first 9 months of the year.

Liquidity was significantly increased through the expanded use of the programme to securitise trade accounts, the drawing of credit lines and the refinancing of ships and containers. Due to the improvement in the expected development of business compared with the situation at the start of the pandemic, liquidity was slightly reduced again at the end of the quarter with the aim of further reducing debt. In addition, the investment budget is reviewed on an ongoing basis and a prioritisation of planned investments is made. Hapag-Lloyd has currently not ordered any newbuilds. Any new orders of large container vessels or additional containers will only be made if financing is contractually assured. The budgeted investments are spread over numerous, partly smaller measures, so that Hapag-Lloyd has a certain scope for postponing or suspending planned investments. For necessary investments, liquidity-saving financing such as chartering/leasing is used where economically viable.

ECONOMIC REPORT

General economic conditions

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

Initially, the effects of the COVID-19 pandemic were largely restricted to China in spring 2020. Chinese economic output fell sharply by 6.8% in the first quarter 2020. However, China's national statistics agency reported growth of 3.2% and 4.9% in the second and third quarter respectively compared with the previous year. For the rest of the world, the economic effects of the pandemic have been significant, particularly in the second quarter. The stringent containment measures caused economic output in the EU to plummet by 11.4% compared with the previous quarter, the sharpest decline since records began in 1995. The USA also recorded a significant decrease, although it was not as sharp, at around 7.1% (annualised 31.4%). However, the early indicators of the International Monetary Fund (World Economic Outlook, October 2020) show that global economic output recovered considerably in the third quarter. The statistics agencies in the EU and USA reported growth of 12.1% and 7.4% (annualised 33.1%) respectively in the third quarter 2020 compared with the previous quarter.

The international movement of goods was affected by the containment measures to an even greater extent. According to the national statistics agencies in the EU and USA, the import and export of goods plummeted by more than 20% in April and May 2020, although they subsequently recovered slightly. In the period from January to August, the decline in both the U.S. and EU was around 13%.

To reduce the economic impact of the COVID-19 pandemic, more than 190 countries as well as national and supranational central banks have adopted fiscal and monetary measures. The US Federal Reserve and the European Central Bank have cut their key interest rates and increased their bond purchasing. Fiscal measures include direct subsidies, (interest-free) loans and tax relief for companies and private individuals. According to the IMF, these measures are likely to be effective in protecting the global economy from an even sharper downturn.

There was a sharp drop in the price of oil during the first half of 2020 due to weak demand caused by the fall in economic output and a price war among key oil producers. While the price of Brent Crude was more than USD 60 per barrel at the start of the year, this had plummeted by over 60% to around USD 20 by the end of April 2020. In response to the sharp price decrease, key oil producers cut their daily oil production. Following a clear price recovery in April and May 2020, the price of Brent Crude was comparatively stable in the third quarter at around USD 40 per barrel.

Sector-specific conditions

The sector-specific conditions improved significantly in the third quarter 2020 in line with the general economic recovery. While global container transport dropped sharply in April and May 2020 by 13% and 12% respectively, demand gradually recovered after that. The volume even grew in September 2020 by 6.9% year-on-year, mainly due to the trades from Far East to Europe and especially North America. Exports from Latin America also increased. However, the overall volume of containers transported globally fell by 3.5% in the first 9 months of 2020 (CTS, November 2020). The sharpest declines in volume in this period were recorded on the Atlantic and on the Far East-Europe trades.

The improvement in demand in the third quarter 2020 was also reflected in the capacity of idle ships. This totalled around 2.3 million TEU at the end of June 2020 (Alphaliner Weekly, June 2020), which corresponded to approximately 9.9% of the global fleet. However, due to the rising demand for container transport in the third quarter of 2020, some suspended services were reinstated, with idle ships entering service once again. This significantly reduced the capacity of idle ships again to 0.5 million TEU at the end of September 2020 (Alphaliner Weekly, October 2020), which equated to around 2.2% of the global fleet (September 2019: approximately 0.8 million TEU or around 3.3% of the global fleet). The majority of idle vessels have a capacity of up to 5,100 TEU.

The tonnage of the commissioned container ships of approximately 1.9 million TEU (MDS Transmodal, October 2020) is equivalent to around 8.0% of the present global container fleet's capacity (approximately 23.6 million TEU as at September 2020). This is a historically low level and well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%).

In the period from January to September 2020, orders were placed for the construction of 30 container ships with a transport capacity totalling approximately 0.2 million TEU, a drop of around 47% compared with the prior year period (Clarksons Research, October 2020).

The actual growth in the global container ship fleet's transport capacity is regularly lower than the projected nominal increase, as old and inefficient ships are scrapped and deliveries of newbuilds are postponed. Based on figures from MDS Transmodal, a total of 88 container ships with a transport capacity of approximately 0.6 million TEU were placed into service in the first 9 months of 2020 (prior year period: 102 ships with a transport capacity of approximately 0.8 million TEU). Following an initial decline in scrapping compared with the previous year as a result of COVID-19 restrictions, it increased again in the third quarter of this year in particular. It totalled around 0.2 million TEU in the first 9 months of the year, which was approximately 15% higher than in the previous year (prior year period: around 0.2 million TEU).

The bunker price was very volatile in the first 9 months of 2020. Low-sulphur bunker, the fuel predominantly used since the start of 2020, cost around USD 560/t on the year's first day of trading (MFO 0.5%, FOB Rotterdam). However, the bunker price decreased significantly during the first half of 2020, due to the global decline in demand and a simultaneous sharp fall in the price of oil caused by a dispute about production volumes among leading oil-producing countries. As a result, it briefly stood at around USD 135/t at the end of April 2020 (MFO 0.5%, FOB Rotterdam). However, the bunker price subsequently rose again significantly by more than 100% and stood at around USD 298/t (MFO 0.5%, FOB Rotterdam) at the end of September 2020.

Due to the introduction of the new fuel type and differing supply situations at the various ports, there were clear price differences at the start of the year for MFO 0.5% bunker. In Singapore, for example, the price at the start of the year was around USD 700/t, which was more than USD 140/t higher than the price in Rotterdam. During the year, the price difference normalised again and was only around USD 28/t at the end of September 2020.

Consolidation of the industry and alliances

In recent years, the container shipping industry has gone through a phase of significant consolidation. According to data from MDS Transmodal (October 2020), the 10 largest container liner shipping companies provide approximately 84% of the total capacity of the global fleet of container ships. This figure was just 61% in 2013.

Alliances are an essential part of the container shipping industry as they enable better utilisation of ships and provide the opportunity for shipping companies to offer a more extensive service. There are currently 3 global alliances. Measured in terms of transport capacity, the largest alliance is the "2M Alliance", consisting of the two market leaders – Maersk Line (Denmark) (Maersk) and Mediterranean Shipping Company S. A. (Switzerland) (MSC). The "Ocean Alliance" consists of CMA CGM S. A. (France), including its subsidiary APL (Singapore), COSCO (China), including its subsidiary OOIL (Hong Kong), and Evergreen Marine Corp. Ltd. (Taiwan) (Evergreen) and is the second-biggest alliance. Hapag-Lloyd (Germany) operates "THE Alliance" in partnership with ONE (Singapore), Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming) and, since 1 April 2020, Hyundai Merchant Marine (South Korea) (HMM). As at 30 September 2020, THE Alliance covered all East-West trades with 274 container ships and 30 services (30 September 2019: 250 container ships and 29 services). Due to the decrease in demand as a result of the COVID-19 pandemic, one service in THE Alliance is temporarily suspended at present (30 June 2020: 4 services).

Capacity share of alliances based on selected trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	38	22	47
Ocean Alliance	36	42	14
THE ALLIANCE	**26**	**29**	**35**
Other	0	7	4

Source: Alphaliner, September 2020

GROUP EARNINGS, FINANCIAL AND NET ASSET POSITION

Group earnings position

The first 9 months of the 2020 financial year were dominated by the outbreak and global spread of the COVID-19 pandemic, the corresponding cost management implemented under the PSP programme, and volatile bunker prices.

After falling sharply in the second quarter, transport volumes recovered during the third quarter to a greater extent than had been expected just a few months previously. However, at –3.5%, transport volumes were still down on the previous year. At –1.3%, revenue also remained lower than the previous year's figure. On the other hand, a slight rise in freight rate, a moderate decrease in bunker prices and active cost reduction under the PSP programme all had a positive impact on earnings in the first 9 months of the financial year.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 1,817.8 million in the reporting period (prior year period: EUR 1,510.5 million) and earnings before interest and taxes (EBIT) of EUR 858.3 million (prior year period: EUR 642.8 million). The Group profit came to EUR 537.9 million (prior year period: EUR 296.7 million).

Since the average dollar / euro exchange rate of USD 1.12 / EUR was at the level of the previous year (USD 1.12 / EUR), currency translation had no significant effects compared with the previous year.

Consolidated income statement

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Revenue	3,001.6	3,244.0	9,361.9	9,482.1
Transport expenses	2,115.5	2,461.4	6,845.7	7,286.7
Personnel expenses	172.0	172.5	512.3	504.3
Depreciation, amortisation and impairment	302.1	300.9	959.4	867.7
Other operating result	–74.2	–67.0	–210.7	–209.6
Operating result	**337.8**	**242.2**	**833.7**	**613.8**
Share of profit of equity-accounted investees	9.1	10.2	24.8	27.7
Result from investments and securities	0.1	1.1	–0.2	1.3
Earnings before interest and tax (EBIT)	**347.0**	**253.4**	**858.3**	**642.8**
Interest result	–79.4	–93.0	–283.4	–317.9
Other financial items	–4.3	3.0	–1.6	2.1
Income taxes	10.9	13.0	35.4	30.3
Group profit/loss	**252.5**	**150.4**	**537.9**	**296.7**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	250.9	148.9	529.6	286.8
thereof profit/loss attributable to non-controlling interests	1.5	1.5	8.3	9.9
Basic/diluted earnings per share (in EUR)	1.43	0.85	3.01	1.63
EBITDA	**649.1**	**554.4**	**1,817.8**	**1,510.5**
EBITDA margin (%)	**21.6**	**17.1**	**19.4**	**15.9**
EBIT	**347.0**	**253.4**	**858.3**	**642.8**
EBIT margin (%)	**11.6**	**7.8**	**9.2**	**6.8**

Transport volume per trade

TTEU	Q3 2020	Q3 2019	9M 2020	9M 2019
Atlantic	426	489	1,349	1,472
Transpacific	478	512	1,368	1,456
Far East	581	593	1,644	1,771
Middle East	382	335	1,081	1,030
Intra-Asia	216	230	639	666
Latin America	689	722	2,100	2,112
EMA (Europe – Mediterranean – Africa)	170	163	517	505
Total	**2,942**	**3,045**	**8,696**	**9,011**

The transport volume decreased by 315 TTEU to 8,696 TTEU in the first 9 months of the 2020 financial year (prior year period: 9,011 TTEU). This equates to a fall of 3.5%. The decline was primarily attributable to the second quarter, when the global effects of the political measures to combat the COVID-19 pandemic were reflected in transport volumes on all trades. At –3.4%, transport volumes in the third quarter were only slightly lower than in the previous year, while transport volumes rose again on the Middle East and EMA trades compared with the previous year. However, at –12.9%, the Atlantic trade remained significantly down on the previous year in the third quarter as well.

The increase in transport volumes in the Middle East is partly due to catch-up effects in the third quarter from previously lower volume developments in connection with the COVID-19 pandemic. Transport volumes in the EMA trade increased year-on-year, mainly due to the introduction of new services in Africa in the fourth quarter 2019.

The decline in the Atlantic, Transpacific and Far East trades is still mainly due to the ongoing effects of the COVID-19 pandemic.

Freight rates per trade

USD/TEU	**Q3 2020**	Q3 2019	**9M 2020**	9M 2019
Atlantic	1,374	1,411	1,395	1,374
Transpacific	1,476	1,357	1,394	1,328
Far East	963	912	969	922
Middle East	823	733	820	748
Intra-Asia	533	552	568	543
Latin America	1,068	1,146	1,132	1,156
EMA (Europe – Mediterranean – Africa)	1,028	1,072	1,035	1,047
Total (weighted average)	**1,084**	**1,084**	**1,097**	**1,075**

The average freight rate in the first 9 months of the 2020 financial year was USD 1,097/TEU, which was USD 22/TEU, or 2.0%, up on the prior year period (USD 1,075/TEU).

Compared with the previous year, the freight rate increased among other things due to the transfer of higher bunker costs for low-sulphur fuel and active revenue management.

Revenue per trade

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Atlantic	496.8	620.4	1,673.9	1,799.8
Transpacific	604.9	624.4	1,697.0	1,721.1
Far East	479.3	486.1	1,416.1	1,452.4
Middle East	269.0	221.2	787.9	685.6
Intra-Asia	97.7	114.1	323.1	321.6
Latin America	623.9	744.6	2,113.4	2,173.2
EMA (Europe – Mediterranean – Africa)	148.9	157.4	475.5	471.0
Revenue not assigned to trades	281.1	275.9	875.0	857.4
Total	**3,001.6**	**3,244.0**	**9,361.9**	**9,482.1**

The Hapag-Lloyd Group's revenue fell by EUR 120.2 million to EUR 9,361.9 million in the first 9 months of the 2020 financial year (prior year period: EUR 9,482.1 million), representing a decrease of 1.3%.

The main reason for this was the decline in transport volumes of –3.5% compared with the prior year period. However, the rise in average freight rates of 2.0% compared with the prior year period helped to offset the fall in revenue.

Operating expenses

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Transport expenses	2,115.5	2,461.4	6,845.7	7,286.7
thereof				
Transport expenses for completed voyages	2,066.8	2,458.6	6,811.0	7,293.6
Bunker	263.3	411.5	1,126.2	1,233.7
Handling and haulage	1,098.5	1,252.6	3,494.9	3,692.2
Equipment and repositioning [1]	276.9	317.9	839.0	898.9
Vessels and voyages (excluding bunker) [1]	428.0	476.6	1,351.0	1,468.8
Transport expenses for pending voyages [2]	48.7	2.8	34.7	–6.9
Personnel expenses	172.0	172.5	512.3	504.3
Depreciation, amortisation and impairments	302.1	300.9	959.4	867.7
Other operating result	–74.2	–67.0	–210.7	–209.6
Total operating expenses	**2,515.4**	**2,867.8**	**8,528.1**	**8,868.3**

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

Transport expenses fell by EUR 441.0 million in the first 9 months of the 2020 financial year to EUR 6,845.7 million (prior year period: EUR 7,286.7 million). This represents a drop of 6.1%. This decline was primarily due to the volume-related decrease in expenses, the lower average bunker price compared with the previous year and active cost management under the PSP programme.

The decline in bunker expenses in the amount of EUR 107.6 million resulted from the 3.5% fall in transport volumes and from the decrease in the average bunker consumption price compared with the previous year. Hapag-Lloyd's bunker consumption price of USD 402 / t in the first 9 months of the year was down USD 23 / t (–5.4%) on the figure for the corresponding prior year period of USD 425 / t. While the prices for the lower-sulphur fuel remained very high level at the beginning of the year (MFO 0.5%, FOB Rotterdam, approximately USD 560 / t), they dropped significantly during the first half of 2020 due to a global decline in the demand of oil and a simultaneous dispute about production volumes between leading oil-producing countries, and were briefly quoted at around USD 135 / t at the end of April (MFO 0.5%, FOB Rotterdam). Subsequently, however, bunker price rose again, reaching around USD 298 / t at the end of September 2020 (MFO 0.5%, FOB Rotterdam). The decrease in the bunker consumption price was partly offset by the required use of the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020.

The decrease in container handling expenses of EUR 197.3 million to EUR 3,494.9 million resulted primarily from a volume-related decline, active cost management under the PSP programme and lower hinterland transport expenses.

The fall in container and repositioning expenses of EUR 59.9 million to EUR 839.0 million was essentially due to active cost management under the PSP programme and the resulting decline in expenses for loading and unloading empty containers at the terminals.

The decrease in expenses for vessels and voyages (excluding bunker) of EUR 117.8 million to EUR 1,351.0 million resulted primarily from active cost management under the PSP programme. Suspended services, a reduced number of voyages, network optimisations and a higher percentage of ships chartered in on a medium-term basis compared with the previous year were the main reasons for the decrease in expenses.

Personnel expenses rose by EUR 8.1 million (1.6%) to EUR 512.3 million in the first 9 months of the 2020 financial year (prior year period: EUR 504.3 million). This was primarily due to an increase in the number of employees compared with the previous year and a special COVID-19 payment to employees.

Depreciation and amortisation came to EUR 959.4 million in the first 9 months of the 2020 financial year (prior year period: EUR 867.7 million). The year-on-year increase in depreciation and amortisation resulted essentially from depreciation associated with the recognition of ship retrofittings due to IMO 2020 as well as from a rise in the percentage of ships chartered in on a medium-term basis primarily due to measures under the PSP programme and the resulting increase in rights of use. The amortisation of rights of use relating to leased assets (essentially ships, containers, buildings) led to amortisation of EUR 389.6 million (prior year period: EUR 319.1 million).

The other operating result of EUR –210.7 million (prior year period: EUR –209.6 million) comprised the net balance of other operating income and expenses. Other operating expenses totalled EUR 251.3 million for the first 9 months of the 2020 financial year (prior year period: expenses of EUR 246.5 million). This mainly included IT expenses (EUR 127.5 million; prior year period: EUR 111.7 million), administrative expenses (EUR 26.4 million; prior year period EUR 30.9 million) and consultancy fees (EUR 22.8 million; prior year period: EUR 24.1 million). The other operating income included in the figure resulted primarily from the disposal of assets (EUR 11.1 million; prior year period: EUR 16.1 million) and the release of provisions (EUR 7.6 million; prior year period: EUR 1.9 million).

Key earnings figures

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Revenue	3,001.6	3,244.0	9,361.9	9,482.1
EBIT	347.0	253.4	858.3	642.8
EBITDA	649.1	554.4	1,817.8	1,510.5
EBIT margin (%)	11.6	7.8	9.2	6.8
EBITDA margin (%)	21.6	17.1	19.4	15.9
Basic earnings per share (in EUR)	1.43	0.85	3.01	1.63
Return on invested capital (ROIC) annualised (%)[1]	11.3	7.6	8.9	6.5

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

Interest result

The interest result for the first 9 months of the 2020 financial year was EUR –283.4 million (prior year period: EUR –317.9 million). The decrease in interest expenses compared with the first 9 months of 2019 was primarily due to the savings on interest expenses for the bond repaid in February and June 2019 in the amount of EUR 25.6 million. In addition, further reductions in interest expenses in relation to bank financing in the amount of EUR 37.0 million which were primarily due to the past repayment of debt helped to improve the interest result. By contrast, the profit or loss effect of the embedded derivative in the amount of EUR –13.0 million (prior year period: EUR +8.8 million), which mainly resulted from the uncertainties on the financial markets due to COVID-19, and the realised and unrealised valuation effects of the interest rate swaps in the amount of EUR –15.3 million (prior year period: EUR –6.8 million) had a negative impact on the interest result.

Income taxes

Income tax expense increased by EUR 5.1 million compared with the previous year to EUR 35.4 million. The increase in expenses was primarily due to the devaluation of deferred tax assets on losses carried forward and exchange rate effects.

Group profit

A Group profit of EUR 537.9 million was achieved in the first 9 months of 2020 (prior year period: EUR 296.7 million).

Group financial position

Condensed statement of cash flows

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Cash flow from operating activities	720.1	652.1	1,927.0	1,536.9
Cash flow from investing activities	–128.9	–99.9	–267.1	–217.2
Free cash flow	**591.1**	**552.2**	**1,659.9**	**1,319.7**
Cash flow from financing activities	–1,265.2	–446.7	–1,314.2	–1,424.0
Changes in cash and cash equivalents	**–674.1**	**105.5**	**345.6**	**–104.3**

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 1,927.0 million in the first 9 months of the 2020 financial year (prior year period: EUR 1,536.9 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the current financial year and the positive development of working capital compared with the previous year.

Cash flow from investing activities

In the first 9 months of the 2020 financial year, the cash outflow from investing activities totalled EUR 267.1 million (prior year period: EUR 217.2 million). Therein included were payments for investments of EUR 320.9 million (prior year period: EUR 278.6 million), primarily in new containers as well as ship equipment associated with adherence to the new IMO 2020 regulations. Although the investment amount includes payments for containers acquired in the previous year in the amount of EUR 49.6 million, the payments for new containers decreased slightly by EUR 8.9 million to EUR 207.7 million in the first 9 months of the year. This contrasted with cash inflows of EUR 26.0 million (prior year period: EUR 31.5 million), which were primarily due to the sale of containers.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 1,314.2 million in the first 9 months of the financial year (prior year period: EUR 1,424.0 million). The cash outflow essentially resulted from the repayment of financial liabilities for ship financing in the amount of EUR 1,003.1 million (prior year period: EUR 523.9 million). There were also cash outflows from interest payments in the amount of EUR 193.3 million (prior year period: EUR 258.3 million) as well as interest and redemption payments from lease liabilities as per IFRS 16 in the amount of EUR 443.2 million (prior year period: EUR 393.3 million). The payment of a dividend to shareholders for the 2019 financial year led to an additional cash outflow of EUR 193.3 million (prior year period: EUR 26.4 million). The borrowings from revolving credit lines of EUR 355.8 million drawn down to secure the liquidity framework under the PSP programme in the first half of the year 2020 were repaid in full in the third quarter. In addition, the repayment of the ABS programme resulted in net outflows of EUR 112.8 million in the first 9 months of the 2020 fiscal year.

The cash outflows contrasted with cash inflows from the financing of ships and containers using sale and leaseback transactions in the amount of EUR 709.6 million (prior year period: EUR 275.7 million).

Developments in cash and cash equivalents

million EUR	9M 2020	9M 2019
Cash and cash equivalents at beginning of period	**511.6**	**657.1**
Changes due to exchange rate fluctuations	–36.7	28.6
Net changes	345.6	–104.3
Cash and cash equivalents at end of period	**820.5**	**581.4**

Overall, cash inflow totalled EUR 345.6 million in the first 9 months of the 2020 financial year. After accounting for exchange rate-related effects in the amount of EUR –36.7 million, cash and cash equivalents of EUR 820.5 million were reported at the end of the reporting period on 30 September 2020 (30 September 2019: EUR 581.4 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item “cash and cash equivalents”. In addition, there are unused credit lines of EUR 499.4 million (30 September 2019: EUR 517.3 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit lines) therefore totalled EUR 1,319.9 million (30 September 2019: EUR 1,098.7 million).

Financial solidity

million EUR	30.9.2020	31.12.2019
Financial debt and lease liabilities	5,959.3	6,397.2
Cash and cash equivalents	820.5	511.6
Net debt	**5,138.8**	**5,885.6**
Gearing (%) [1]	**77.3**	**88.9**
Unused credit lines	**499.4**	**521.3**
Equity ratio (%)	**42.0**	**40.9**

[1] Ratio net debt to equity

The Group's net debt amounted to EUR 5,138.8 million as at 30 September 2020. This was a fall of EUR 746.8 million (–12.7%) compared to net debt of EUR 5,885.6 million as at 31 December 2019. The improvement in net debt was primarily due to a positive operating cash flow as well as the simultaneous repayment of financial liabilities for ship financing.

The equity ratio increased by 1.1 percentage points, from 40.9% as at 31 December 2019 to 42.0%. The increase was primarily due to the decrease in financial liabilities for ship financing. Equity was up by EUR 24.5 million compared with 31 December 2019 and came to EUR 6,645.1 million as at 30 September 2020. A detailed overview of the change in equity can be found in the interim consolidated financial statements.

Group net asset position

Changes in the asset structure

million EUR	30.9.2020	31.12.2019
Assets		
Non-current assets	13,247.6	13,811.8
of which fixed assets	13,181.4	13,716.1
Current assets	2,584.6	2,388.6
of which cash and cash equivalents	820.5	511.6
Total assets	**15,832.2**	**16,200.4**
Equity and liabilities		
Equity	6,645.1	6,620.6
Borrowed capital	9,187.0	9,579.8
of which non-current liabilities	5,247.6	5,586.2
of which current liabilities	3,939.4	3,993.6
of which financial debt and lease liabilities	5,959.3	6,397.2
of which non-current financial debt and lease liabilities	4,770.7	5,156.0
of which current financial debt and lease liabilities	1,188.6	1,241.2
Total equity and liabilities	**15,832.2**	**16,200.4**
Net debt	5,138.8	5,885.6
Equity ratio (%)	42.0	40.9

As at 30 September 2020, the Group's balance sheet total was EUR 15,832.2 million, which is EUR 368.2 million lower than the figure at year-end 2019. The reasons for this change included exchange rate effects as at the reporting date due to the weaker US dollar against the euro. The US dollar / euro exchange rate was quoted at 1.17 on 30 September 2020 (31 December 2019: 1.12).

Within non-current assets, the carrying amounts of fixed assets decreased by a total of EUR 534.6 million to EUR 13,181.4 million (31 December 2019: EUR 13,716.1 million). This decline was largely due to depreciation of fixed assets in the amount of EUR 959.4 million. This figure includes an amount of EUR 389.6 million for the amortisation of capitalised rights of use relating to lease assets. Exchange rate effects of EUR –558.2 million at the reporting date contributed to the decrease in the fixed assets. The newly received rights of use for lease assets had an opposite effect, increasing fixed assets by EUR 701.0 million, in particular extended charter contracts for vessels under the PSP programme.

Cash and cash equivalents increased by EUR 308.9 million to EUR 820.5 million compared to the end of 2019 (EUR 511.6 million). In addition to the positive operating cash flow, the main reasons for this were the surplus proceeds from sale and leaseback transactions in the amount of EUR 498.5 million in the framework of the PSP programme.

On the liabilities side, equity (including non-controlling interests) grew by EUR 24.5 million to a total of EUR 6,645.1 million. This increase was mainly due to the Group profit recognised in retained earnings in the amount of EUR 537.9 million. The dividends paid to shareholders from retained earnings in the amount of EUR 193.3 million and the negative change in the translation reserve in the amount of EUR 284.8 million due to the weaker US dollar against the euro had the opposite effect. The equity ratio was 42.0% as at 30 September of the current year (31 December 2019: 40.9%).

The Group's borrowed capital has fallen by EUR 392.7 million to EUR 9,187.0 million since the 2019 consolidated financial statements were prepared, which was mainly due to redemption payments for financial debt for ships in the amount of EUR 1,003.1 million. This contrasted with an increase in financial debt in connection with sale and leaseback transactions in the amount of EUR 706.6 million. Additional lease liabilities of EUR 637.9 million contrasted with debt repayments of EUR 390.5 million. The borrowings from revolving credit lines drawn down to secure the liquidity framework under the PSP programme and from the ABS programme during the year were repaid in full in the third quarter 2020.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 30 September 2020 was EUR 5,138.8 million (31 December 2019: EUR 5,885.6 million).

For further information on significant changes to specific balance sheet items, please refer to the Notes to the consolidated statement of financial position, which can be found in the condensed consolidated financial statements.

Executive Board’s statement on overall expected developments

Due to the measures taken to control the global COVID-19 pandemic and the resulting impact on international trade, the global economy recorded negative growth in the first 9 months of 2020. Although the second quarter was characterised by a sharp decline in the global economy and a significant decrease in transport volumes, demand in the third quarter of 2020 was stronger than had been assumed just a few months previously. The Executive Board expects the demand for transport capacity to remain strong in the fourth quarter of 2020 and this forms the basis for the Outlook described in the following section. At the same time, the development of freight rates and the development of the bunker price will have a major effect on Hapag-Lloyd’s earnings in the last 3 months of the 2020 financial year.

Compared with the previous year, the decrease in transport volumes in particular had a negative impact on earnings in the first 9 months of the financial year. However, these effects were offset by a lower bunker price compared with the start of the year, a slight increase in freight rates and active cost management under the PSP programme. Overall, earnings increased in the first 9 months compared with the previous year.

However, with the number of cases remaining high or increasing once again in many parts of the world, the outlook for the rest of 2020 continues to be uncertain and the possibility of further regional and local lockdowns with clear effects on the economy and Hapag-Lloyd’s operations remains at any time. Current risks are highlighted in the risk and opportunity report.

OUTLOOK, RISK AND OPPORTUNITY REPORT

Outlook

General economic outlook

The general economic and sector-specific conditions which are of importance to container shipping have improved slightly again following an economic collapse in the second quarter 2020. Based on its forecast updated in October, the International Monetary Fund (IMF) predicts that global economic output will fall by around 4.4% in 2020. In June 2020, it had forecast a decrease of 4.9%. At the same time, global trade is expected to fall by around 10.4% (June 2020: 11.9%). The slight improvement in the forecast is primarily due to a faster recovery in industrialised countries. The IMF even expects slight economic growth in China for the year as a whole, while forecasts for the other developing countries were further reduced.

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

in %	2021e	2020e	2019	2018	2017
Global economic growth	5.2	–4.4	2.8	3.5	3.9
Industrialised countries	3.9	–5.8	1.7	2.2	2.5
Developing and newly industrialised countries	6.0	–3.3	3.7	4.5	4.8
World trade volume (goods and services)	8.3	–10.4	1.0	3.9	5.7

Source: IMF, October 2020

Due to the recent recovery in demand, numerous business information services have also revised their forecasts for the global container transport volume upwards for 2020 as a whole. For example, Clarksons expects the global container transport volume to decline by around 3.0% for 2020 (Clarksons, October 2020), having forecast double-digit decreases in the meantime. For 2021, Clarksons currently predicts a recovery of approximately 5.5%.

Development of container transport volume

	2021e	2020e	2019	2018	2017
Growth rate in %	5.5	–3.0	1.7	4.1	4.7

Sources: Seabury (September 2020) for the actual data 2017 – 2019, Clarksons (October 2020) for 2020 and 2021

The recovery in container transport volumes is due in particular to rising exports from Asia, especially China. As a result, there is currently a shortage of available containers in Asia, which is a limiting factor for transport volume growth.

Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0.7 million TEU in 2020 and around 0.5 million TEU in 2021 (Drewry Container Forecaster Q3 2020). In relation to the total capacity of the global trading fleet, this represents an increase of 3.1% in the current year and 2.3% in 2021. Nevertheless, all 3 alliances, which are responsible for around 80% of the world's container ship transport, made capacity adjustments during the year in response to the significant drop in demand. The temporary laying-up of ships, combined with ships spending extended periods in shipyards due to the installation of scrubbers in connection with IMO 2020, led to a reduction in the capacity actually available in line with the dynamic development of demand.

The tonnage of the commissioned container ships of approximately 1.9 million TEU (MDS Transmodal, October 2020) is equivalent to around 8.0% of the present global container fleet's capacity (approximately 23.6 million TEU as at September 2020). This is a historically low level and well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%). According to Drewry, this low order volume is likely to be reflected in a low increase in net capacity in subsequent years.

Expected development of global container fleet capacity

million TEU	2021e	2020e	2019	2018	2017
Existing fleet (beginning of the year)	23.7	23.0	22.1	20.9	20.1
Planned deliveries	1.2	1.1	1.1	1.5	1.5
Expected scrappings	0.5	0.2	0.2	0.1	0.4
Postponed deliveries and other changes	0.3	0.2	0.1	0.2	0.4
Net capacity growth	**0.5**	**0.7**	**0.9**	**1.2**	**0.8**

Source: Drewry Container Forecaster Q3 2020, September 2020. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

Expected business development of Hapag-Lloyd

Due to the overall positive business development in the first 9 months, the stable development of freight rates combined with persistently low bunker costs, the cost reduction related to the PSP measures as well as the expected higher demand for transport capacity in the fourth quarter, the Executive Board decided on 15 October 2020 to raise its earnings forecast published in March 2020. For 2020, the Executive Board now expects EBITDA of EUR 2.4 – 2.6 billion (previously: EUR 1.7 – 2.2 billion) and EBIT of EUR 1.1 – 1.3 billion (previously: EUR 0.5 – 1.0 billion). The forecast is based on the assumption of a slight decrease in the transport volume and a moderate decline in the average bunker consumption price compared with the previous year. An average USD / EUR exchange rate of 1.14 is assumed for 2020. In view of the ongoing risk regarding the progression of the COVID-19 pandemic and the associated economic effects, the forecast remains subject to uncertainty.

	Updated Outlook	Outlook according to annual report 2019
Global economic growth (IMF)	−4.4%	3.3%
World trade volume (IMF)	−10.4%	2.9%
Global container transport volume (Clarksons / Seabury)	−3.0%	3.1%
Transport volume, Hapag-Lloyd	Slightly decreasing	Slightly increasing
Average bunker consumption prices, Hapag-Lloyd	Moderately decreasing	Clearly increasing
Average freight rate, Hapag-Lloyd	Slightly increasing	Slightly increasing
Earnings before interest, taxes, depreciation and amortisation (EBITDA), Hapag-Lloyd	EUR 2.4 – 2.6 billion	EUR 1.7 – 2.2 billion
Earnings before interest and taxes (EBIT), Hapag-Lloyd	EUR 1.1 – 1.3 billion	EUR 0.5 – 1.0 billion

In an industry environment dominated by volatile freight rates and stiff competition, business developments at Hapag-Lloyd are subject to risks and opportunities that could cause them to differ from the forecast. The general risks are described in detail in the risk and opportunity report in the combined management report of the 2019 annual report (page 100 ff.). Risks and opportunities that may have an impact on the forecast for business development are also described in detail in the risk and opportunity report in the combined management report. Discrepancies and in particular supplementary information relating to the economic consequences of the spread of the COVID-19 pandemic are presented below in the risk and opportunity report of this financial report. The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd, which could also lead to impairments on goodwill, other intangible assets, and property, plant and equipment.

Risk and opportunity report

Please refer to the 2019 annual report for details of significant opportunities and risks and an assessment of these.

The assessment of the risks and opportunities detailed in the 2019 annual report for the financial year 2020 has changed in principal against the background of the developments to date and forthcoming developments of the COVID-19 pandemic as follows.

Following positive signs of economic recovery since June 2020, the rise in infections at the end of the third quarter 2020 increases~~s~~ the uncertainty associated with the COVID-19 pandemic. The resulting, potential negative impact globally on global economic growth and world trade could have an indirect impact on Hapag-Lloyd's main risks and opportunities in the current year. Further waves of infection continue to pose a threat to public health response capacity and to the continuation of public and economic life. A persistent economic downturn combined with a stronger than currently forecast decline in economic output could have a negative impact on Hapag-Lloyd's earnings.

To safeguard the performance, Hapag-Lloyd has taken several measures which have been bundled in the Performance Safeguarding Program (PSP). If some of these measures cannot be enforced completely until the end of the year, this could negatively impact Hapag-Lloyd's earnings. Based on the efficiency contribution already achieved in the first 9 months of 2020, the probability of occurrence is classified as low.

A stable political environment and global trade are important prerequisites for the development of container shipping. The relapsing escalation of the trade disputes between the USA and China as well as the European Union and other nations and the accompanying threat of government intervention, for instance in the form of increased or additional customs and import duties or import restrictions on certain products, represent additional trade barriers that could have a negative impact on trade flows and thus negatively affect Hapag-Lloyd's earnings position.

With regard to the sector- and company-specific risks and opportunities, the fluctuation of the average freight rate is significantly influenced by available container shipping capacities, intense competition and bunker consumption prices. While the continued low price of oil is having a positive effect on the cost structure, the price trend for the rest of the financial year remains subject to uncertainty. A negative development of transport volumes or the average freight rate with bunker consumption prices increasing at the same time could negatively affect Hapag-Lloyd's revenue and earnings.

Under the impression of number and impact of cyberattacks in general and especially in the shipping industry during the year so far as well as due to the continued elevated risk exposure given the considerable use of mobile working the probability of occurrence and the negative impact on the financial and earnings position are classified as medium for the risk regarding the availability of information and communication technology.

The main risks regarding the Group's expected performance for the rest of the financial year are currently classified as follows with regard to the business development planned and presented in the Outlook:

Risk	Probability of occurrence	Potential impact
Fluctuations in transport volumes	Medium	Medium
Fluctuations in freight rates	Medium	Low
US dollar exchange rate fluctuations	Medium	Low
Bunker consumption price fluctuations	Medium	Low
Liquidity [1]	Low	High
Earnings contribution of efficiency and cost saving projects [2]	Low	Low

[1] The assessment relates to the impact on the covenants to be complied with and on the liquidity situation.
[2] In comparison with the presentation in the 2019 annual report, the analysis now also includes the risk position that the savings ambition of the Performance Safeguarding Program (PSP) cannot be fully realised for measures pending implementation.

At the time of reporting on the first 9 months of 2020, there were no risks which threatened the continued existence of the Hapag-Lloyd Group. The probability of EBIT and EBITDA falling below the range indicated in the outlook is classified as very low.

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The notes on relationships and transactions with related parties can be found in the section Other Notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

of Hapag-Lloyd AG for the period 1 January to 30 September 2020

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Revenue	3,001.6	3,244.0	9,361.9	9,482.1
Transport expenses	2,115.5	2,461.4	6,845.7	7,286.7
Personnel expenses	172.0	172.5	512.3	504.3
Depreciation, amortisation and impairment	302.1	300.9	959.4	867.7
Other operating result	–74.2	–67.0	–210.7	–209.6
Operating result	**337.8**	**242.2**	**833.7**	**613.8**
Share of profit of equity-accounted investees	9.1	10.2	24.8	27.7
Result from investments and securities	0.1	1.1	–0.2	1.3
Earnings before interest and taxes (EBIT)	**347.0**	**253.4**	**858.3**	**642.8**
Interest income and similar income	2.3	2.6	5.3	10.1
Interest expenses and similar expenses	81.6	95.6	288.6	328.0
Other financial items	–4.3	3.0	–1.6	2.1
Earnings before taxes	**263.3**	**163.4**	**573.4**	**327.0**
Income taxes	10.9	13.0	35.4	30.3
Group profit/loss	**252.5**	**150.4**	**537.9**	**296.7**
thereof attributable to shareholders of Hapag-Lloyd AG	250.9	148.9	529.6	286.8
thereof attributable to non-controlling interests	1.5	1.5	8.3	9.9
Basic/diluted earnings per share (in EUR)	**1.43**	**0.85**	**3.01**	**1.63**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 30 September 2020

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Group profit/loss	**252.5**	**150.4**	**537.9**	**296.7**
Items which will not be reclassified to profit and loss:				
Remeasurements from defined benefit plans after tax	–17.6	–25.8	–15.3	–70.8
Remeasurements from defined benefit plans before tax	–17.4	–25.9	–14.7	–71.0
Tax effect	–0.2	0.1	–0.5	0.2
Cash flow hedges (no tax effect)	–1.3	–	3.1	–
Effective share of the changes in fair value	–1.3	–	3.3	–
Currency translation differences	–0.1	–	–0.1	–
Cost of hedging (no tax effect)	–5.4	–4.4	–28.9	–8.4
Changes in fair value	–5.8	–4.1	–29.4	–8.1
Currency translation differences	0.4	–0.3	0.5	–0.4
Currency translation differences (no tax effect)	–287.7	263.4	–285.3	298.2
Items which may be reclassified to profit and loss:				
Cash flow hedges (no tax effect)	4.0	–2.6	–12.4	–17.5
Effective share of the changes in fair value	30.7	–31.5	8.2	–54.5
Reclassification to profit or loss	–27.5	29.5	–21.8	37.5
Currency translation differences	0.9	–0.6	1.1	–0.5
Cost of hedging (no tax effect)	0.6	–0.8	1.4	–1.1
Changes in fair value	–1.2	–6.3	–9.3	–21.9
Reclassification to profit or loss	1.8	5.5	10.8	20.8
Other comprehensive income after tax	**–307.4**	**229.8**	**–337.4**	**200.4**
Total comprehensive income	**–54.9**	**380.2**	**200.5**	**497.0**
thereof attributable to shareholders of Hapag-Lloyd AG	–55.9	378.2	192.8	486.5
thereof attributable to non-controlling interests	1.0	2.0	7.7	10.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 30 September 2020

Assets

million EUR	30.9.2020	31.12.2019
Goodwill	1,537.1	1,600.7
Other intangible assets	1,571.0	1,716.9
Property, plant and equipment	9,750.5	10,064.9
Investments in equity-accounted investees	322.9	333.6
Other assets	20.0	23.7
Derivative financial instruments	13.7	27.6
Income tax receivables	4.6	4.7
Deferred tax assets	27.8	39.7
Non-current assets	**13,247.6**	**13,811.8**
Inventories	173.3	248.5
Trade accounts receivable	1,275.0	1,239.8
Other assets	276.4	346.9
Derivative financial instruments	6.7	14.5
Income tax receivables	32.8	27.4
Cash and cash equivalents	820.5	511.6
Current assets	**2,584.6**	**2,388.6**
Total assets	**15,832.2**	**16,200.4**

Equity and liabilities

million EUR	30.9.2020	31.12.2019
Subscribed capital	175.8	175.8
Capital reserves	2,637.4	2,637.4
Retained earnings	3,764.1	3,430.8
Cumulative other equity	52.1	362.6
Equity attributable to shareholders of Hapag-Lloyd AG	**6,629.4**	**6,606.6**
Non-controlling interests	15.8	14.0
Equity	**6,645.1**	**6,620.6**
Provisions for pensions and similar obligations	351.8	327.6
Other provisions	67.6	65.7
Financial debt	3,844.6	4,445.1
Lease liabilities	926.0	710.9
Other liabilities	6.1	5.3
Derivative financial instruments	41.9	22.8
Deferred tax liabilities	9.6	8.7
Non-current liabilities	**5,247.6**	**5,586.2**
Provisions for pensions and similar obligations	9.5	12.6
Other provisions	352.9	399.3
Income tax liabilities	37.3	50.0
Financial debt	735.7	758.7
Lease liabilities	452.9	482.4
Trade accounts payable	1,773.1	1,779.4
Contract liabilities	448.5	372.9
Other liabilities	125.0	126.6
Derivative financial instruments	4.4	11.6
Current liabilities	**3,939.4**	**3,993.6**
Total equity and liabilities	**15,832.2**	**16,200.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 30 September 2020

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Group profit/loss	252.5	150.4	537.9	296.7
Income tax expenses (+)/income (–)	10.9	13.0	35.4	30.3
Other financial Items	4.3	–3.0	1.6	–2.1
Interest result	79.4	93.0	283.4	317.9
Depreciation, amortisation and impairment (+)/write-backs (–)	302.1	300.9	959.4	867.7
Impairment (+)/write-backs (–) of financial assets	–	–	0.1	–
Profit (–)/loss (+) from disposals of non-current assets	–3.7	–6.2	–11.1	–15.0
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–9.2	–10.4	–24.9	–28.0
Other non-cash expenses (+)/income (–)	12.7	–4.1	25.9	–1.2
Increase (–)/decrease (+) in inventories	–4.8	44.5	67.6	33.4
Increase (–)/decrease (+) in receivables and other assets	–132.1	36.5	–49.6	–59.6
Increase (+)/decrease (–) in provisions	47.8	25.6	–32.2	29.5
Increase (+)/decrease (–) in liabilities (excl. financial debt)	164.7	7.9	142.2	76.7
Payments received from (+) / made for (–) income taxes	–6.1	2.4	–12.1	–14.1
Payments received for interest	1.6	1.6	3.3	4.6
Cash inflow (+)/outflow (–) from operating activities	**720.1**	**652.1**	**1,927.0**	**1,536.9**
Payments received from disposals of property, plant and equipment and intangible assets	7.7	11.9	26.0	31.5
Payments received from dividends	35.2	1.0	35.4	29.9
Payments made for investments in property, plant and equipment and intangible assets	–172.0	–112.9	–320.8	–278.6
Payments made for the issuing of loans	0.2	–	–7.7	–
Cash inflow (+)/outflow (–) from investing activities	**–128.9**	**–99.9**	**–267.1**	**–217.2**

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Payments made for dividends	–2.9	–2.6	–202.4	–34.6
Payments received from raising financial debt	147.4	182.1	1,294.1	825.0
Payments made for the redemption of financial debt	–1,203.8	–353.5	–1,745.8	–1,467.9
Payments made for the redemption of lease liabilities	–130.1	–128.6	–390.5	–338.8
Payments made for leasehold improvements	–1.8	–	–25.9	–
Payments made for interest and fees	–82.7	–95.2	–245.9	–312.7
Payments received (+) and made (–) from hedges for financial debt	8.7	–48.9	2.2	–101.6
Change in restricted cash	–	–	–	6.6
Cash inflow (+) / outflow (–) from financing activities	**–1,265.2**	**–446.7**	**–1,314.2**	**–1,424.0**
Net change in cash and cash equivalents	**–674.1**	**105.5**	**345.6**	**–104.3**
Cash and cash equivalents at beginning of period	**1,509.2**	**452.7**	**511.6**	**657.1**
Change in cash and cash equivalents due to exchange rate fluctuations	–14.7	23.1	–36.7	28.6
Net change in cash and cash equivalents	–674.1	105.5	345.6	–104.3
Cash and cash equivalents at end of period	**820.5**	**581.4**	**820.5**	**581.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 30 September 2020

	Equity attributable to shareholders			
million EUR	Subscribed capital	Capital reserves	Retained earnings	Remeasure-ments from defined benefit plans
As at 1.1.2019	**175.8**	**2,637.4**	**3,117.4**	**–112.6**
Effect from the initial application of IFRS 16	–	–	–17.4	–
Adjusted as at 1.1.2019	**175.8**	**2,637.4**	**3,100.0**	**–112.6**
Total comprehensive income	**–**	**–**	**286.8**	**–70.8**
thereof				
Group profit/loss	–	–	286.8	–
Other comprehensive income	–	–	–	–70.8
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–29.9**	**–**
thereof				
Distribution to shareholders	–	–	–26.4	–
Distribution to non-controlling interests	–	–	–3.6	–
As at 30.9.2019	**175.8**	**2,637.4**	**3,356.8**	**–183.4**
As at 1.1.2020	**175.8**	**2,637.4**	**3,430.8**	**–173.3**
Total comprehensive income	**–**	**–**	**529.6**	**–15.3**
thereof				
Group profit/loss	–	–	529.6	–
Other comprehensive income	–	–	–	–15.3
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–196.4**	**–**
thereof				
Distribution to shareholders	–	–	–193.3	–
Distribution to non-controlling interests	–	–	–3.0	–
As at 30.9.2020	**175.8**	**2,637.4**	**3,764.1**	**–188.6**

of Hapag-Lloyd AG							
Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put-options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
–0.8	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,248.7**	**10.6**	**6,259.3**
–	–	–	–	–	–17.4	–	–17.4
–0.8	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,231.3**	**10.6**	**6,241.9**
–17.5	**–9.5**	**297.5**	**–**	**199.7**	**486.5**	**10.5**	**497.0**
–	–	–	–	–	286.8	9.9	296.7
–17.5	–9.5	297.5	–	199.7	199.7	0.6	200.4
–	**9.0**	**–**	**–**	**9.0**	**9.0**	**–**	**9.0**
–	**–**	**–**	**–**	**–**	**–29.9**	**–4.7**	**–34.6**
–	–	–	–	–	–26.4	–	–26.4
–	–	–	–	–	–3.6	–4.7	–8.3
–18.2	**–8.3**	**737.2**	**–0.5**	**526.8**	**6,696.8**	**16.4**	**6,713.2**
–14.0	**–10.2**	**560.5**	**–0.5**	**362.6**	**6,606.6**	**14.0**	**6,620.6**
–9.3	**–27.5**	**–284.8**	**–**	**–336.9**	**192.8**	**7.7**	**200.5**
–	–	–	–	–	529.6	8.3	537.9
–9.3	–27.5	–284.8	–	–336.9	–336.9	–0.6	–337.4
–	**26.4**	**–**	**–**	**26.4**	**26.4**	**–**	**26.4**
–	**–**	**–**	**–**	**–**	**–196.4**	**–6.0**	**–202.4**
–	–	–	–	–	–193.3	–	–193.3
–	–	–	–	–	–3.0	–6.0	–9.0
–23.3	**–11.3**	**275.7**	**–0.4**	**52.1**	**6,629.4**	**15.8**	**6,645.1**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

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

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

The interim consolidated financial statements cover the period 1 January to 30 September 2020 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. In individual cases, rounding differences may occur in the tables and charts of these interim consolidated financial statements for computational reasons.

On 9 November 2020, the Executive Board approved the condensed interim consolidated financial statements for publication.

Measures in connection with the COVID-19 pandemic
Business development in the first 9 months of 2020 was largely shaped by the outbreak of the COVID-19 pandemic around the world. In the financial year 2020, a comprehensive package of measures was developed as part of a project entitled the Performance Safeguarding Program (PSP). This aims to maintain profitability and liquidity. The package includes cost-saving measures and steps to increase the liquidity framework.

Detailed information about how the PSP measures are being implemented and the current impact of the COVID-19 pandemic on business operations can be found in the interim Group management report.

Accounting principles

The consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRIC), as they are to be applied in the European Union (EU). This interim report as at 30 September 2020 was 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 2020 were applied during the preparation of the interim consolidated financial statements. As regards the possible effects of standards and interpretations that have already been adopted, but that are not yet mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2019. The possible effects of standards and interpretations that were adopted in the first 9 months of 2020, but that are not yet mandatory, are currently being examined. The interim consolidated financial statements as at 30 September 2020 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2019. The interim consolidated financial statements were prepared in compliance with the same accounting and measurement principles that formed the basis for the consolidated financial statements as at 31 December 2019. Unless stated otherwise in the chapter “Significant assumptions and estimates”, estimates and discretionary decisions are used in the same way as in the previous year. The actual values may differ from the estimated values.

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 using the mean exchange rate on the reporting 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 2020, the closing US dollar / euro exchange rate was quoted as USD 1.17135 / EUR (31 December 2019: USD 1.12230 / EUR). For the first 9 months of 2020, the average US dollar / euro exchange rate was USD 1.12420 / EUR (prior year period: USD 1.12360 / EUR).

New accounting standards

The standards which are to be applied for the first time in the 2020 financial year have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

Significant assumptions and estimates

Estimates and discretionary decisions may affect the amount of assets and liabilities recognised, the disclosure of contingent liabilities on the reporting date, and the reported amounts of income and expenses for the reporting period.

The Executive Board of Hapag-Lloyd has reassessed the assumptions and estimates used as a basis for the measurement of assets and liabilities as at 31 December 2019. Expected useful lives of assets were also reviewed in relation to this and, as a result, the expected useful life of the UASC brand was shortened by 2 years. As a result of this change, the brand was amortised in full in the second quarter of 2020. Depreciation and amortisation increased by EUR 14.2 million in the first 9 months of 2020.

Otherwise, the assessment as at the reporting date did not indicate any other changes to the assumptions and estimates with significant effects on the Group's net asset, financial and earnings position. In particular, there were no other indications of any significant impairment or valuation risks for existing receivables and other tangible and intangible assets as at the reporting date. Due to the currently unforeseeable worldwide consequences of the COVID-19 pandemic, estimates and discretionary decisions are subject to increased uncertainty.

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 comprised 135 fully consolidated companies (31 December 2019: 135) and 5 equity-accounted investees (31 December 2019: 6) as at 30 September 2020. In the first 9 months of 2020, 3 newly established companies and one company which was not previously consolidated on the grounds of immateriality were added to the group of consolidated companies. Of the companies included in the consolidated financial statements as part of the integration of the UASC Group in 2017, 2 were merged and one was liquidated. One fully consolidated company and one company which had been consolidated using the equity method were deconsolidated due to their immateriality to the Group's net asset, financial and earnings position.

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 of 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 throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBITDA and EBIT as the key performance indicators can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container liner shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade

TTEU	Q3 2020	Q3 2019	9M 2020	9M 2019
Atlantic	426	489	1,349	1,472
Transpacific	478	512	1,368	1,456
Far East	581	593	1,644	1,771
Middle East	382	335	1,081	1,030
Intra-Asia	216	230	639	666
Latin America	689	722	2,100	2,112
EMA (Europe – Mediterranean – Africa)	170	163	517	505
Total	**2,942**	**3,045**	**8,696**	**9,011**

Freight rates per trade

USD / TEU	Q3 2020	Q3 2019	9M 2020	9M 2019
Atlantic	1,374	1,411	1,395	1,374
Transpacific	1,476	1,357	1,394	1,328
Far East	963	912	969	922
Middle East	823	733	820	748
Intra-Asia	533	552	568	543
Latin America	1,068	1,146	1,132	1,156
EMA (Europe – Mediterranean – Africa)	1,028	1,072	1,035	1,047
Total (weighted average)	**1,084**	**1,084**	**1,097**	**1,075**

Revenue per trade

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Atlantic	496.8	620.4	1,673.9	1,799.8
Transpacific	604.9	624.4	1,697.0	1,721.1
Far East	479.3	486.1	1,416.1	1,452.4
Middle East	269.0	221.2	787.9	685.6
Intra-Asia	97.7	114.1	323.1	321.6
Latin America	623.9	744.6	2,113.4	2,173.2
EMA (Europe – Mediterranean – Africa)	148.9	157.4	475.5	471.0
Revenue not assigned to trades	281.1	275.9	875.0	857.4
Total	**3,001.6**	**3,244.0**	**9,361.9**	**9,482.1**

Revenue not assigned to trades essentially comprises income from demurrage and detention and income from charter rent and the provision of container slots. At the same time, revenue for pending voyages already generated is recognised under revenue not assigned to trades.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) 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 share of profits of the segment's equity-accounted investees correspond to those of the Group.

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**649.1**	**554.4**	**1,817.8**	**1,510.5**
Depreciation, amortisation and impairment	302.1	300.9	959.4	867.7
Earnings before interest and taxes (EBIT)	**347.0**	**253.4**	**858.3**	**642.8**
Earnings before taxes (EBT)	**263.3**	**163.4**	**573.4**	**327.0**
Share of profit of equity-accounted investees	**9.1**	**10.2**	**24.8**	**27.7**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENTS

Detailed Notes on the current effects of the COVID-19 pandemic on business activities are contained in the interim Group management report in the chapter “Group earnings, financial and net asset position”.

Revenue

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

The Hapag-Lloyd Group’s revenue fell by EUR 120.2 million to EUR 9,361.9 million in the first 9 months of the 2020 financial year (prior year period: EUR 9,482.1 million), representing a decrease of 1.3%.

This was primarily due to a reduction of 3.5% in the transport volume compared with the prior year period. However, a 2.0% increase in the average freight rate compared with the prior year period softened the impact on revenue.

Transport expenses

million EUR	Q3 2020	Q3 2019	9M 2020	9M 2019
Transport expenses for completed voyages	2,066.8	2,458.6	6,811.0	7,293.6
Bunker	263.3	411.5	1,126.2	1,233.7
Handling and haulage	1,098.5	1,252.6	3,494.9	3,692.2
Equipment and repositioning [1]	276.9	317.9	839.0	898.9
Vessels and voyages (excluding bunker) [1]	428.0	476.6	1,351.0	1,468.8
Transport expenses for pending voyages [2]	48.7	2.8	34.7	–6.9
Total	**2,115.5**	**2,461.4**	**6,845.7**	**7,286.7**

[1] Lease expenses for short-term leases are included in expenses for vessels and voyages (excluding fuel) along with containers and repositioning.

[2] The amounts presented as transport expenses for pending voyages represent the difference between the transport expenses for pending voyages for the current period and the transport expenses for pending voyages for the previous period. The transport expenses for pending voyages recognised in the previous period are presented in the current financial year as transport expenses for completed voyages within the expense items bunker, handling and haulage, equipment and repositioning, and vessels and voyages (excluding bunker).

Transport expenses fell by EUR 441.0 million in the first 9 months of the 2020 financial year to EUR 6,845.7 million (prior year period: EUR 7,286.7 million). This represents a drop of 6.1%. This decrease is primarily attributable to a lower average bunker price than in the previous year, a volume-related reduction in expenses and active cost management in connection with the PSP programme.

The decline in bunker expenses in the amount of EUR 107.6 million resulted from the 3.5% fall in transport volumes and from the decrease in the average bunker consumption price compared with the previous year. Hapag-Lloyd's bunker consumption price of USD 402/t in the first 9 months of the year was down USD 23/t (–5.4%) on the figure for the corresponding prior year period of USD 425/t. While the prices for the lower-sulphur fuel remained very high level at the beginning of the year (MFO 0.5%, FOB Rotterdam, approximately USD 560/t), they dropped significantly during the first half of 2020 due to a global decline in the demand of oil and a simultaneous dispute about production volumes between leading oil-producing countries, and were briefly quoted at around USD 135/t at the end of April (MFO 0.5%, FOB Rotterdam). Subsequently, however, bunker price rose again, reaching around USD 298/t at the end of September 2020 (MFO 0.5%, FOB Rotterdam). The decrease in the bunker consumption price was partly offset by the required use of the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020.

The decrease in container handling expenses of EUR 197.3 million to EUR 3,494.9 million resulted primarily from a volume-related decline, active cost management as part of the PSP programme, and lower hinterland transport expenses.

The fall in container and repositioning expenses of EUR 59.9 million to EUR 839.0 million was essentially due to active cost management under the PSP programme and the resulting decline in expenses for loading and unloading empty containers at the terminals.

The decrease in expenses for vessels and voyages (excluding bunker) of EUR 117.8 million to EUR 1,351.0 million resulted primarily from active cost management under the PSP programme. Suspended services, a reduced number of voyages, network optimisations and a higher percentage of ships chartered in on a medium-term basis compared with the previous year were the main reasons for the decrease in expenses.

Depreciation, amortisation and impairment

Depreciation and amortisation came to EUR 959.4 million in the first 9 months of the 2020 financial year (prior year period: EUR 867.7 million). The year-on-year increase in depreciation and amortisation resulted essentially from depreciation associated with the recognition of ship retrofittings due to IMO 2020 and from a rise in the percentage of ships chartered in on a medium-term basis primarily due to measures under the PSP programme and the resulting increase in rights of use. The amortisation of rights of use relating to leased assets (essentially ships, containers, buildings) led to amortisation of EUR 389.6 million (prior year period: EUR 319.1 million).

Other operating result

The other operating result of EUR –210.7 million (prior year period: EUR –209.6 million) comprised the net balance of other operating income and expenses. Other operating expenses totalled EUR 251.3 million for the first 9 months of the 2020 financial year (prior year period: expenses of EUR 246.5 million). This mainly included IT expenses (EUR 127.5 million; prior year period: EUR 111.7 million), administrative expenses (EUR 26.4 million; prior year period EUR 30.9 million) and consultancy fees (EUR 22.8 million; prior year period: EUR 24.1 million). The other operating income included in the figure resulted primarily from the disposal of assets (EUR 11.1 million; prior year period: EUR 16.1 million) and the release of provisions (EUR 7.6 million; prior year period: EUR 1.9 million).

Interest result

The interest result for the first 9 months of the 2020 financial year was EUR –283.4 million (prior year period: EUR –317.9 million). The decrease in interest expenses compared with the first 9 months of 2019 was primarily due to the savings on interest expenses for the bond repaid early in February and June 2019 in the amount of EUR 25.6 million. In addition, further reductions in interest expenses in relation to bank financing in the amount of EUR 37.0 million which were primarily due to the past repayment of debt helped to improve the interest result. By contrast, the profit or loss effect of the embedded derivative in the amount of EUR –13.0 million (prior year period: EUR +8.8 million), which mainly resulted from the uncertainties on the financial markets due to COVID-19, and the realised and unrealised valuation effects of the interest rate swaps in the amount of EUR –15.3 million (prior year period: EUR –6.8 million) had a negative impact on the interest result.

Income taxes

Income tax expense increased by EUR 5.1 million compared with the previous year to EUR 35.4 million. The increase in expenses was primarily due to the devaluation of deferred tax assets on losses carried forward and exchange rate effects.

Earnings per share

	Q3 2020	Q3 2019	**9M 2020**	9M 2019
Profit/loss attributable to shareholders of Hapag-Lloyd AG in million EUR	250.9	148.9	529.6	286.8
Weighted average number of shares in millions	175.8	175.8	175.8	175.8
Basic earnings per share in EUR	**1.43**	**0.85**	**3.01**	**1.63**

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

There were no dilutive effects in the first 9 months of 2020 or in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill and intangible assets fell compared to 31 December 2019. This reduction stemmed largely from currency translation effects of EUR 135.8 million (prior year period: EUR +159.8 million) and the amortisation of other intangible assets in the amount of EUR 86.8 million (prior year period: EUR 74.5 million). EUR 14.2 million thereof resulted from the complete write-off of the UASC brand due to the 2-year reduction in its useful life.

Property, plant and equipment

million EUR	30.9.2020	31.12.2019
Vessels	7,179.2	7,484.9
Container	2,297.7	2,291.7
Other equipment	218.9	223.3
Prepayments on account and assets under construction	54.7	65.0
Total	**9,750.5**	**10,064.9**

In the first 9 months of the financial year 2020, the carrying amounts for property, plant and equipment were reduced by depreciation to property, plant and equipment and amortisation to rights of use in the amount of EUR 872.6 million. Currency effects of EUR 422.2 million also contributed to the decline. By contrast, investments in ship equipment and containers, the extension of charter agreements and amendment of their terms in connection with the PSP programme, the associated increase in rights of use for ocean-going vessels and new rights of use for long-term container contracts all prompted a rise in property, plant and equipment totalling EUR 965.7 million.

Inventories

In the first 9 months of the 2020 financial year, the average bunker consumption price for Hapag-Lloyd was USD 402 / t, down USD 23 / t (5.4%) on the figure of USD 425 / t for the prior year period. An impairment of fuel inventories in the amount of EUR 3.3 million was recognised as at 30 September 2020 (prior year period: EUR 2.1 million). No write-backs were recognised.

Cash and cash equivalents

million EUR	30.9.2020	31.12.2019
Cash at bank	809.5	490.6
Cash on hand and cheques	11.0	21.0
Total	**820.5**	**511.6**

As at 30 September 2020, a sum totalling EUR 8.4 million with a term of up to 3 months was deposited in pledged accounts (31 December 2019: EUR 10.0 million) and was therefore subject to a limitation on disposal.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 5.1 million (31 December 2019: EUR 2.3 million) at individual subsidiaries.

The rise in cash and cash equivalents resulted primarily from operating activities and various refinancing measures to increase liquidity in connection with the PSP programme. For details of the refinancing activities, please refer to the “Financial debt” section.

Cumulative other equity

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

The reserve for remeasurements from defined benefit pension plans (30 September 2020: EUR –188.6 million; 31 December 2019: EUR –173.3 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the measurement of pension obligations and the associated fund assets. The effect of remeasuring pension obligations and the associated plan assets recognised in other comprehensive income in the first 9 months of 2020 resulted in an increase of EUR –15.3 million in the negative reserve (prior year period: EUR 70.8 million).

The reserve for cash flow hedges contains changes in the intrinsic value of commodity options, changes in the spot component of currency forward contracts and changes in the market value of interest rate and commodity swaps that are recognised in other comprehensive income and amounted to EUR –23.3 million as at 30 September 2020 (31 December 2019: EUR –14.0 million). In the first 9 months of 2020, the resulting gains and losses totalling EUR 11.5 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –54.5 million), while gains and losses of EUR –21.8 million (prior year period: EUR 37.5 million) were reclassified and recognised through profit or loss.

The reserve for costs of hedging contains changes in the time value of commodity options and in the forward component of currency forward contracts that are recognised in other comprehensive income and amounted to EUR –11.3 million as at 30 September 2020 (31 December 2019: EUR –10.2 million). In the first 9 months of 2020, the resulting gains and losses totalling EUR –38.7 million were recognised in other comprehensive income (prior year period: EUR –29.9 million), while gains and losses of EUR 10.8 million (prior year period: EUR 20.8 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 275.7 million (31 December 2019: EUR 560.5 million) includes differences from currency translation. The differences from currency translation of EUR –285.3 million recognised in other comprehensive income in the first 9 months of 2020 (prior year period: EUR 298.2 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled.

Provisions

As part of the implementation of Strategy 2023, plans to optimise the organisation were approved in the 2019 financial year in order to further strengthen and increase the Company's competitiveness. A provision of EUR 9.5 million was created for severance payments in connection with this, EUR 1.9 million of which had been used as at 30 September 2020.

Financial instruments

Carrying amounts and fair values

The carrying amounts and fair values of the financial instruments as at 31 December 2019 are presented in the table below.

	Carrying amount		Fair value
million EUR	**Total**	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,239.8	1,239.8	1,239.8
Other assets	370.6	257.2	257.2
Derivative financial instruments (FVTPL)	27.3	27.3	27.3
Embedded derivatives	27.3	27.3	27.3
Derivative financial instruments (Hedge accounting)[1]	14.8	14.8	14.8
Currency forward contracts	1.0	1.0	1.0
Commodity options	13.5	13.5	13.5
Interest rate swaps	0.3	0.3	0.3
Cash and cash equivalents	511.6	511.6	511.6
Liabilities			
Financial debt	5,203.8	5,203.8	5,277.8
Liabilities from lease contracts	1,193.4	1,193.4	–
Trade accounts payable	1,779.4	1,779.4	1,779.4
Derivative financial instruments (FVTPL)	8.0	8.0	8.0
Interest rate swaps	8.0	8.0	8.0
Derivative financial liabilities (Hedge accounting)[1]	26.4	26.4	26.4
Currency forward contracts	11.6	11.6	11.6
Interest rate swaps	14.9	14.9	14.9
Other liabilities	130.3	104.0	104.0
Liabilities from put options[2]	1.6	1.6	1.8
Contract liabilities	372.9	–	–

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

The carrying amounts and fair values of the financial instruments as at 30 September 2020 are presented in the table below.

	Carrying amount		Fair value
million EUR	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,275.0	1,275.0	1,275.0
Other assets	296.4	211.2	211.2
Derivative financial instruments (FVTPL)	13.7	13.7	13.7
Embedded derivatives	13.7	13.7	13.7
Derivative financial instruments (Hedge accounting)[1]	6.7	6.7	6.7
Currency forward contracts	2.8	2.8	2.8
Commodity options and swaps	4.0	4.0	4.0
Cash and cash equivalents	820.5	820.5	820.5
Liabilities			
Financial debt	4,580.3	4,580.3	4,697.6
Liabilities from lease contracts	1,379.0	1,379.0	–
Trade accounts payable	1,773.1	1,773.1	1,773.1
Derivative financial instruments (FVTPL)	14.5	14.5	14.5
Interest rate swaps	14.5	14.5	14.5
Derivative financial liabilities (Hedge accounting)[1]	31.9	31.9	31.9
Currency forward contracts	4.4	4.4	4.4
Interest rate swaps	27.4	27.4	27.4
Other liabilities	128.9	100.5	100.5
Liabilities from put options[2]	2.1	2.1	2.5
Contract liabilities	448.5	–	–

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

The derivative financial instruments were measured at fair value.

Other assets include securities with a fair value of EUR 1.9 million (31 December 2019: EUR 1.9 million) that are allocated to level 1 of the fair value hierarchy, as their prices are quoted on an active market.

The liabilities from the bond included within financial debt that, due to the quotation on an active market, are also allocated to level 1 of the fair value hierarchy have a fair value of EUR 460.2 million (31 December 2019: EUR 472.8 million).

Financial debt also includes a liability to reflect a contingent consideration payable for a business combination for which a fair value at level 3 of EUR 1.4 million (31 December 2019: EUR 0.6 million) was calculated.

The put options recognised under other liabilities, whose fair value was calculated at EUR 2.5 million (31 December 2019: EUR 1.8 million), also belong to level 3 of the fair value hierarchy.

The fair values indicated for the remaining financial debt and the derivative financial instruments are assigned to level 2 of the fair value hierarchy. This means that the instruments are measured using methods which are based on factors derived directly or indirectly from observable market data.

As a rule, the carrying amounts of all other level 2 financial instruments are a suitable approximation of the fair values.

There were no transfers between levels 1, 2 and 3 in the first 9 months of 2020.

IBOR reform

As part of the IBOR reform, the existing reference interest rates (interbank offered rates – IBOR) are to be replaced by alternative risk-free interest rates by the end of 2021. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd has adopted the resulting changes to IFRS 9, IAS 39 and IFRS 7 as and from 1 January 2020. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The reference interest rate that the hedged variable cash flows are based on is the USD LIBOR. As at 30 September 2020, the nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 1,046.9 million.

The Hapag-Lloyd Group is currently examining the effects of the alternative reference interest rates on existing IBOR-based agreements and preparing relevant IT systems, where possible, so that they can reproduce the financing agreements and the hedging instruments based on the new reference interest rates. There is a high level of uncertainty in the market about how the alternative reference interest rates are calculated, when they will be ready and therefore also about how they will affect existing and new financing agreements and hedging instruments in particular. However, Hapag-Lloyd assumes that the replacement of the reference interest rates in the hedged item and hedging transaction and the associated contractual changes will occur at the same time. As a result, there will be no incongruence between the hedged item and the hedging transaction, thereby ensuring that the existing hedging relationships remain effective. With regard to further developments relating to alternative reference interest rates, Hapag-Lloyd is in regular contact with its international bank partners.

Financial debt and lease liabilities

The following tables contain the carrying amounts for the individual categories of financial debt and lease liabilities.

Financial debt and lease liabilities

million EUR	30.9.2020	31.12.2019
Financial debt	4,580.3	5,203.8
Liabilities to banks[1]	3,286.2	4,292.9
Bonds	452.9	458.3
Other financial debt	841.2	452.6
Lease liabilities	1,379.0	1,193.4
Total	**5,959.3**	**6,397.2**

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

Financial debt and lease liabilities by currency

million EUR	30.9.2020	31.12.2019
Denoted in USD (excl. transaction costs)	5,159.5	5,472.9
Denoted in EUR (excl. transaction costs)	660.5	736.1
Denoted in SAR (excl. transaction costs)	102.8	152.0
Denoted in other currencies (excl. transaction costs)	61.5	56.6
Interest liabilities	19.4	32.5
Transaction costs	–44.4	–52.9
Total	**5,959.3**	**6,397.2**

As part of the PSP programme, the following transactions were completed in order to increase liquidity and in connection with investments.

In the first 9 months of the 2020 financial year, Hapag-Lloyd conducted 4 container sale and leaseback transactions to refinance investments in new standard and reefer containers (Japanese operating leases (JOLs)). Each of the lease agreements includes substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 7 or 8 years. As a result, the transactions are recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 216.2 million.

Hapag-Lloyd also conducted 6 container sale and leaseback transactions to refinance used standard containers (Japanese operating leases (JOLs)). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 3 years. As a result, the transactions are likewise recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 84.8 million. The liabilities are assigned to the category “other financial debt”, as the liabilities are to special purpose entities which are financed exclusively through equity without the involvement of banks.

In the first 9 months of the 2020 financial year, Hapag-Lloyd also conducted sale and leaseback transactions to refinance 7 owned container ships (Chinese leases). The previous financing was repaid early (outstanding loan amount on the repayment date: EUR 208.1 million). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the ships. As a result, the transactions are likewise recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 405.6 million. The liabilities are likewise assigned to the category “other financial debt”, as the liabilities are to special purpose entities which are established and financed by a leasing company without the involvement of banks.

The credit lines which were utilised at the beginning of the year in conjunction with the PSP programme were repaid in full at the end of the third quarter 2020. As a result, the Hapag-Lloyd Group had total unused credit lines of EUR 499.4 million as at 30 September 2020 (31 December 2019: EUR 521.3 million).

The increase in the ABS programme which was also carried out at the beginning of the year as part of the PSP programme was reversed and all financial debt from the ABS programme was repaid (carrying amount as at 31 December 2019: EUR 108.8 million).

OTHER NOTES

Legal disputes
There have been no significant changes regarding legal disputes in comparison with the 2019 consolidated financial statements.

As at the reporting date, there were contingent liabilities from legal disputes not classified as probable in the amount of USD 9.2 million or EUR 7.9 million (31 December 2019: USD 10.2 million or EUR 9.1 million), and there was also EUR 42.2 million (31 December 2019: EUR 48.5 million) in contingent liabilities from tax risks not classified as probable.

Other financial obligations
The Hapag-Lloyd Group's other financial obligations as at 30 September 2020 essentially comprised purchase obligations

- for investments in exhaust gas cleaning systems (EGCS) on container ships amounting to EUR 10.2 million (31 December 2019: EUR 33.3 million),
- for investments in containers amounting to EUR 81.1 million (31 December 2019: EUR 34.0 million),
- for investments in conversion to the use of liquid gas on container ships amounting to EUR 10.6 million (31 December 2019: EUR 13.2 million),
- for investments in equipment for ballast water treatment on container ships amounting to EUR 1.8 million (31 December 2019: EUR 5.2 million),
- for investments in the use of low-sulphur fuel on container ships amounting to EUR 0.1 million (31 December 2019: EUR 2.6 million),
- for further investments on container ships totalling EUR 7.9 million (31 December 2020: EUR 3.6 million).

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 are transacted at market prices. No significant changes in these supply and service relationships have arisen since 31 December 2019. With the exception of the modification to the long-term variable remuneration of the Executive Board members detailed below, the contractual relationships with related parties described in the remuneration report from page 127 onwards of the 2019 annual report remain essentially unchanged, but are not of material importance to the Group.

With effect from 1 January 2020, the long-term variable remuneration of the Executive Board members was modified such that it will no longer be linked to the Hapag-Lloyd share. Under the new model, the annual allocation amount granted is divided equally into a retention component and a performance component at an unchanged amount. As a rule, the vesting period will be 3 years (instead of the previous 4 years). The payment amount for the retention component after 3 years is calculated by multiplying half of the allocation amount by the respective target achievement. As a rule, the target achievement for the retention component is calculated using the 3-year average of the Group's EBITDA in the vesting period (for the 2020 tranche: 2020 to 2022) compared to the Group's EBITDA in the reference period (for the 2020 tranche: 2017 to 2019). The target achievement for the performance component is calculated in the same way as outlined above and adjusted upwards or downwards based on the 3-year average of the ROIC in the vesting period using a defined matrix. The payment amounts for both components are limited to 150% of the individual allocation amount.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 5 October 2020 and on 14 October 2020 the rating agencies Standard & Poor’s and Moody’s raised their credit rating for Hapag-Lloyd from “B+” to “BB-” and from “B1” to “Ba3” respectively as a result of the good operating performance and the debt reduction of the company. This is the highest credit rating Hapag-Lloyd has received since the ratings were first assigned in 2010.

Hamburg, 9 November 2020

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

PRELIMINARY FINANCIAL CALENDAR 2021

JANUARY 2021
Publication of preliminary financial KPIs 2020

MARCH 2021
Publication of financial statements and annual report 2020

MAY 2021
Publication of quarterly financial report Q1 2021

MAY 2021
Annual general meeting

AUGUST 2021
Publication of quarterly financial report H1 2021

NOVEMBER 2021
Publication of quarterly financial report 9M 2021

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