H1 2021

Hapag-Lloyd AG

Half-year financial report

1 January to
30 June 2021

SUMMARY OF HAPAG-LLOYD KEY FIGURES HALF-YEAR FINANCIAL REPORT H1 2021

		Q2 2021	Q2 2020	H1 2021	H1 2020	Change absolute
Key operating figures [1]						
Total vessels		250	239	250	239	11
Aggregate capacity of vessels	TTEU	1,761	1,736	1,761	1,736	24
Aggregate container capacity	TTEU	2,822	2,621	2,822	2,621	202
Freight rate (average for the period)	USD/TEU	1,714	1,114	1,612	1,104	509
Transport volume	TTEU	3,029	2,701	6,004	5,755	249
Revenue	million EUR	4,686	3,017	8,753	6,360	2,393
EBITDA	million EUR	1,933	699	3,517	1,169	2,349
EBIT	million EUR	1,616	352	2,893	511	2,382
Group profit/loss	million EUR	1,521	261	2,724	285	2,439
Earnings per share	EUR	8.64	1.46	15.47	1.59	13.88
Cash flow from operating activities	million EUR	1,881	826	3,248	1,207	2,041
Key return figures [1]						
EBITDA margin (EBITDA/revenue)	%	41.3	23.2	40.2	18.4	21.8 ppt
EBIT margin (EBIT/revenue)	%	34.5	11.7	33.1	8.0	25.0 ppt
ROIC (Return on Invested Capital) [2]	%	52.5	10.9	47.0	7.7	39.3 ppt
Key balance sheet figures as at 30 June [1]						
Balance sheet total	million EUR	18,416	15,184	18,416	15,184	3,232
Equity	million EUR	9,087	6,723	9,087	6,723	2,364
Equity ratio (equity/balance sheet total)	%	49.3	44.3	49.3	44.3	5.1 ppt
Borrowed capital	million EUR	9,329	8,462	9,329	8,462	867
Key financial figures as at 30. June [1]						
Financial debt and lease liabilities	million EUR	5,295	5,136	5,295	5,136	158
Cash and cash equivalents	million EUR	2,011	681	2,011	681	1,330

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 2020.

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 half-year 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 half-year financial report was published on 12 August 2021.

MAIN DEVELOPMENTS IN H1 2021

- The first 6 months of the 2021 financial year were dominated by continuing strong demand for transport from the Far East to the rest of the world and the resulting operational challenges. The sharp rise in transport volumes and the effects of the COVID-19 pandemic led to congestion of port and hinterland infrastructure in North America and, in some cases, in Asia and Europe as well.
- Hapag-Lloyd's transport volume increased in the first half of 2021 by 4.3% to 6,004 TTEU compared with the prior year period.
- The average freight rate rose by 46.1% to USD 1,612 / TEU compared with the prior year period (prior year period: USD 1,104 / TEU).
- Revenue increased in the first 6 months of 2021 by 37.6% to EUR 8,753.4 million (prior year period: EUR 6,360.3 million).
- Transport expenses rose slightly by 0.6% in the first 6 months of the 2021 financial year to EUR 4,758.9 million (prior year period: EUR 4,730.2 million). The strengthening of the euro against the US dollar partly offset the increase in transport expenses. Without this currency effect, transport expenses would have risen significantly.
- EBITDA tripled to EUR 3,517.3 million (prior year period: EUR 1,168.7 million). The EBITDA margin was 40.2% (prior year period: 18.4%).
- EBIT of EUR 2,893.2 million in the first half of 2021 was also much higher than in the previous year (prior year period: EUR 511.3 million).
- Earnings per share jumped to EUR 15.47 from EUR 1.59 in the prior year period.
- Free cash flow of EUR 2,796.4 million was once again clearly positive (prior year period: EUR 1,068.7 million).
- Despite payment of a dividend of EUR 615.2 million in the first half of 2021, net debt was further reduced by more than EUR 1 billion.
- At the same time, the liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) rose to EUR 2.5 billion as at the end of the first half of 2021 (31 December 2020: EUR 1.2 billion).
- As a result of the Company's strong operating performance, the rating agencies Standard & Poor's and Moody's each raised their credit ratings for Hapag-Lloyd once again by one notch in the first half of 2021. The two agencies now rate Hapag-Lloyd's creditworthiness as "BB" and "Ba2" respectively. This is the highest rating obtained by Hapag-Lloyd in the history of the company.
- Against the backdrop of unabated global demand for container transport and the resulting shortage of container and vessel capacity, the Executive Board of Hapag-Lloyd AG expects earnings momentum to remain very strong in the second half of the financial year. Previously, a gradual normalisation of the earnings trend had been expected for the second half-year. Given these circumstances, the Executive Board of Hapag-Lloyd raised its earnings outlook for the 2021 financial year on 30 July 2021.
- EBITDA is now expected to be in the range of EUR 7.6 to 9.3 billion (previously: clearly above previous year) and EBIT in the range of EUR 6.2 to 7.9 billion (previously: clearly above previous year), respectively.

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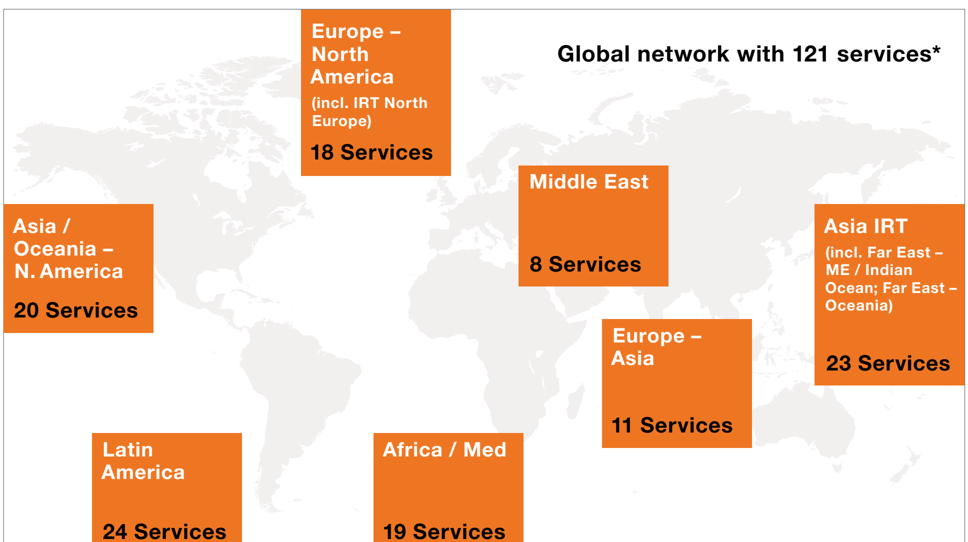
INTERIM GROUP MANAGEMENT REPORT

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 250 container ships as at 30 June 2021 (30 June 2020: 239). The Group currently has 394 sales offices in 130 countries (30 June 2020: 388 sales offices in 129 countries) and offers its customers worldwide access to a network of 121 liner services (previous year: 121 services). In the first 6 months of 2021, Hapag-Lloyd served approximately 26,500 customers around the world (previous year: approximately 23,700).

Network of Hapag-Lloyd services



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

On 1 April 2017 Hapag-Lloyd in partnership with Ocean Network Express Pte. Ltd., Singapore (ONE), and Yang Ming Marine Transport Corp. Ltd., Taiwan (Yang Ming) established THE Alliance. Hyundai Merchant Marine, Korea (HMM) joined THE Alliance on 1 April 2020. 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 June 2021, THE Alliance covered all East–West trades with 266 container ships and 29 services (30 June 2020: 251 container ships and 28 services).

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

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 of the Kingdom of Saudi Arabia (PIF). In addition, CSAV, Kühne Maritime GmbH and HGV have agreed under a shareholders' agreement to exercise their voting rights from the shares in Hapag-Lloyd AG by issuing a common voting proxy, thereby making important decisions together.

The shareholder structure of Hapag-Lloyd AG as at 30 June 2021 is as follows:

in %	30.6.2021
Kühne Holding AG and Kühne Maritime GmbH	30.0
CSAV Germany Container Holding GmbH	30.0
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9
Qatar Holding Germany GmbH	12.3
Public Investment Fund of the Kingdom of Saudi Arabia	10.2
Free float	3.6
Total	**100.0**

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). Transport volume and freight rates are important factors influencing the development of revenue and results. The development of the financial performance indicators in the first 6 months of the year 2021 is presented in the section “Group earnings position”.

Hapag-Lloyd is aiming to be profitable throughout the entire economic cycle, i.e. to achieve a return on invested capital that is at least equal to the Company’s weighted average cost of capital. For this reason, return on invested capital (ROIC) is used as an additional strategic performance indicator. ROIC compares net operating profit after tax (NOPAT), defined as EBIT less taxes, with invested capital as at the reporting date. Invested capital is defined as assets excluding cash and cash equivalents less liabilities excluding financial debt and lease liabilities. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

In the first 6 months of 2021, Hapag-Lloyd generated an annualised return on invested capital (ROIC) of 47.0% (prior year period: 7.7%). The weighted average cost of capital at the balance sheet date 31 December 2020 was 6.0%. Calculation of the return on invested capital is as follows:

	million EUR		million USD	
	H1 2021	H1 2020	**H1 2021**	H1 2020
Non-current assets	13,701.7	13,869.6	16,293.4	15,540.9
Inventory	279.3	177.7	332.1	199.1
Accounts receivables	2,024.0	1,158.7	2,406.9	1,298.4
Other assets	399.7	376.1	475.3	422.1
Assets	**16,404.7**	**15,582.1**	**19,507.8**	**17,460.5**
Provisions	873.2	742.4	1,038.4	831.9
Accounts payable	2,059.2	1,844.8	2,448.7	2,067.2
Other liabilities	1,101.8	620.0	1,310.2	694.8
Liabilities	**4,034.1**	**3,207.1**	**4,797.2**	**3,593.8**
Invested Capital	**12,370.6**	**12,375.0**	**14,710.5**	**13,866.8**
EBIT	2,893.2	511.3	3,487.3	563.2
Taxes	23.7	24.6	28.6	27.0
Net Operating Profit after Tax (NOPAT)	**2,869.4**	**486.8**	**3,458.7**	**536.2**
Return on Invested Capital (ROIC, annualised)			**47.0%**	**7.7%**

Figures are in USD, rounded, aggregated and calculated on an annualised basis (i.e. extrapolating NOPAT to the full financial year). 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. As part of Strategy 2023, further non-financial parameters, such as quantifiable quality targets in particular, are gradually being implemented.

Flexible fleet and capacity development

As at 30 June 2021, Hapag-Lloyd's fleet comprised a total of 250 container ships (30 June 2020: 239 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 June 2021 was 1,760,783 TEU, thus 1.4% higher than as per 30 June 2020 (1,736,429 TEU). The share of ships chartered by Hapag-Lloyd was approximately 39% as at 30 June 2021 based on TEU capacity (30 June 2020: approximately 40%). At present, 3 ships with a capacity of 10,377 TEU are subchartered to other shipping companies.

As at 30 June 2021, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 10.0 years. The average ship size within the Hapag-Lloyd Group fleet is 7,043 TEU, which is approximately 12% above the comparable average figure for the 10 largest container liner shipping companies worldwide (30 June 2021: 6,270 TEU; Source: MDS Transmodal) and around 60% above the average ship size in the global fleet (30 June 2021: 4,397 TEU; Source: MDS Transmodal).

As at 30 June 2021, Hapag-Lloyd owned or rented 1,695,253 containers (30 June 2020: 1,592,758) with a capacity of 2,822,436 TEU for shipping cargo (30 June 2020: 2,620,584 TEU). The capacity-weighted share of leased containers was around 44% as at 30 June 2021 (30 June 2020: 44%). Having already ordered 83,000 TEU in containers at the end of last year (of which 9,000 TEU related to reefers and 8,000 TEU to special containers) to counteract the capacity shortages and further strengthen its position in the reefer market as per Strategy 2023, Hapag-Lloyd ordered a further 124,800 TEU in containers in the first half of 2021 (of which 24,800 TEU related to reefers).

Hapag-Lloyd's service network comprised 121 services as at 30 June 2021 (30 June 2020: 121 services).

Structure of Hapag-Lloyd's container ship fleet

	30.6.2021	31.12.2020	30.6.2020
Number of vessels	250	237	239
thereof			
Own vessels [1]	116	112	112
Chartered vessels	134	125	127
Aggregate capacity of vessels (TTEU)	1,761	1,719	1,736
Aggregate container capacity (TTEU)	2,822	2,704	2,621
Number of services	121	122	121

1 Including lease agreements with purchase option / obligation at maturity

Bunker consumption totalled approximately 2.11 million tonnes in the first 6 months of the year 2021 and was therefore around 2.9% higher than in the previous year (H1 2020: approximately 2.05 million tonnes). This increase was essentially caused by a rise in ship capacity and transport volume compared with the prior year period and longer waiting times at and outside of ports. For the first time 915 tonnes LNG was used as a fuel in the first half of 2021.

The percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) and LNG fell slightly from 94% in H1 2020 to 92% in the first half of 2021. Bunker consumption per slot (as measured by the average container storage capacity, annualised) increased slightly to 2.41 tonnes (H1 2020: 2.35 tonnes). In terms of transported TEU, bunker consumption decreased to 0.35 tonnes per TEU compared with the previous year (H1 2020: 0.36 tonnes per TEU).

In order to improve its competitiveness in the Europe-Far East trade, Hapag-Lloyd signed two newbuilding contracts, each for the construction of 6 large new container vessels, at the end of 2020 and in June 2021 with Korea's Daewoo Shipbuilding & Marine Engineering. The ships will be sized at 23,660 TEU and will be delivered to Hapag-Lloyd between April 2023 and December 2024. The total value of the investment will be approximately USD 2 billion. The relevant funding has already been agreed on. The purchase price will be paid in a number of instalments until final delivery, with the largest part of the payment due with delivery of the vessel. As part of the Hapag-Lloyd sustainability strategy, the ships will be fitted with modern, high-pressure, dual-fuel engines, which will be highly fuel-efficient. The engines will run on liquefied natural gas (LNG), but will have sufficient tank capacity to run using conventional fuel if required. LNG offers a number of environmental advantages over conventional oil-based fuels, in particular reducing CO_2 emissions by around 15% to 25%.

In addition to ordering the ships that run on LNG, Hapag-Lloyd completed the first conversion of a large container vessel (15,000 TEU "Brussels Express", formerly "Sajir") to run on liquefied natural gas (LNG). The vessel is equipped with a dual-fuel system, i.e. it can use both LNG and/or low-sulphur fuel. The "Brussels Express" has been deployed on the Europe-Far East trade since 1 April.

Customers

Hapag-Lloyd's aim is to maintain a diversified customer portfolio consisting of direct customers and freight forwarders, with the latter ensuring a permanent regular supply of cargo volumes. Contractual relationships of up to 12 months generally exist with direct customers. Direct customers allow Hapag-Lloyd to plan the required transport capacity better because of the framework agreements concluded with them. Hapag-Lloyd has a balanced customer base, as demonstrated by the fact that its 50 largest customers represent considerably less than 50% of its cargo volume. In the first 6 months of the 2021 financial year, Hapag-Lloyd completed transport contracts for approximately 26,500 customers (H1 2020: approximately 23,700).

Employees

The Hapag-Lloyd Group employed 13,404 people as at 30 June 2021 (30 June 2020: 13,021). Of this total, 11,216 were shore-based employees (30 June 2020: 10,817), while 1,987 people were employed in the marine division (30 June 2020: 2,010). Hapag-Lloyd also employed 201 apprentices as at 30 June 2021 (30 June 2020: 194).

Number of employees

	30.6.2021	31.12.2020	30.6.2020
Marine personnel	1,987	2,023	2,010
Shore-based personnel	11,216	10,867	10,817
Apprentices	201	227	194
Total	**13,404**	**13,117**	**13,021**

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.

Despite the ongoing COVID-19 pandemic, the global economy was comparatively robust in the first half of 2021. According to the IMF, this was helped by companies adapting to the changes in operating conditions and by numerous governments and central banks implementing extensive fiscal and monetary policy measures.

The world's second-biggest economy, China, achieved strong year-on-year growth of 12.7% in the first half of 2021, due also to the coronavirus-related weakness of its economy in the prior year period. Rising industrial production combined with strong growth in the service sector contributed to the increase. The country's exports also benefited from the former, which rose by 28.1% in the first half of 2021 compared with the prior year period. The main recipients of Chinese goods are the USA and Europe. The US economy grew in the first and second quarter of 2021 by 0.5% and 12.2% respectively compared with the prior year period thanks to strong consumption which was driven by the stimulus cheques that were issued directly to many US citizens. Imports and exports rose by 18.7% and 11.4% respectively in the period January to May 2021 compared with the prior year period, due in part to the weak volumes in the prior year period. After economic growth in the EU was slightly negative in the first quarter at –0.4%, economic output recovered in the second quarter and recorded growth of 13.2% compared to the same quarter of the previous year. Imports and exports of goods increased by 11.0% and 12.0% respectively in the period January to May 2021 compared with the prior year period. In particular, the movement of goods with the EU's most important trade partner, China, rose sharply once again.

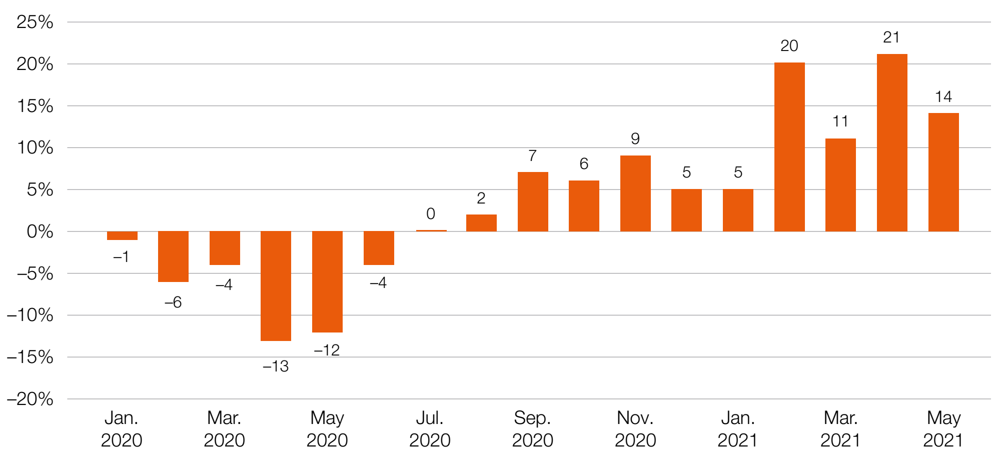
As a result of the global economic upturn, the increase in the oil price continued in the first half of 2021. At the end of June 2021, the price of Brent Crude was USD 75.13 per barrel, up from USD 51.80 per barrel at the end of 2020.

Sector-specific conditions

The sector-specific conditions improved again in the first half of 2021 in line with the general economic recovery. Global container transport volumes increased by 13.9% in the first 5 months of the year compared with the prior year period. This significant rise was mainly due to weak volumes in the prior year period. However, the volumes were still up on the first 5 months of 2019 by 5.6% (CTS, July 2021).

With the exception of the trades from North America to the Far East and Europe, all the main routes recorded increases, in some cases significant, in their transport volumes during the period January to May 2021. The most significant growth in transport volumes was from the Far East to North America, up 44% compared with the prior year period (CTS, July 2021).

Monthly growth in global container transport volumes compared to the previous year period in %



Source: CTS, July 2021

Since the fourth quarter 2020 the increasing container transport from the Far East to North America and Europe resulted in a disruption of global transport chains. Particularly in North America the sharp rise in transport volumes has led to congestion of port and hinterland infrastructure. The already challenging situation was further exacerbated by the blocking of the Suez Canal by a container ship for almost a week at the end of March and the temporary closure of the important seaport of Yantian in southern China in May 2021 due to an outbreak of COVID-19. As a result, there has been a continuous rise in spot freight rates since the fourth quarter of 2020. The Shanghai Containerized Freight Index (SCFI), which tracks spot freight rates on the major trade routes from Shanghai, climbed to a new all-time high of USD 3,785 / TEU at the end of the first half of 2021. In the previous year, the value was USD 1,001 / TEU at the end of the first half of of the year and at the end of 2020 it was USD 2,642 / TEU.

The strong demand in the first half of 2021 was also reflected in the low share of idle ships. This totalled around 2.7 million TEU (Alphaliner Weekly, June 2020) at the end of May 2020, which corresponded to approximately 12% of the global fleet. Due to the rising demand for container transport already from the third quarter of 2020, suspended services were gradually reinstated, with idle ships entering service once again. This significantly reduced the capacity of idle ships again to just 0.2 million TEU at the end of June 2021 (Alphaliner Weekly, July 2021), which equated to around 0.7% of the global fleet (June 2020: approximately 2.3 million TEU or around 9.9% of the global fleet). The majority of idle vessels have a capacity of up to 5,100 TEU.

Based on figures from MDS Transmodal, a total of 87 container ships with a transport capacity of approximately 590 TTEU were placed into service in the first half of 2021 (prior year period: 53 ships with a transport capacity of approximately 352 TTEU). 29 of these ships had a capacity of 11,000 TEU. Scrapping of obsolete ships was at a very low level of approximately 10 TTEU in the first half of 2021 compared with around 99 TTEU in the prior year period. Only 13 very small container ships with capacities of between 320 TEU and 1,840 TEU were scrapped. The average age was 26 years (H1 2020: 24 years, Clarksons, July 2021). Accordingly, the capacity of the container shipping fleet rose by approximately 580 TTEU to 24.3 million TEU, which was a much sharper increase than the 255 TTEU recorded in the first half of 2020.

In the months of January to June 2021, orders were placed for the construction of 317 container ships with a transport capacity totalling approximately 2.9 million TEU. This was not just a very significant increase compared with the 20 ships ordered in H1 2020 with a capacity of 0.2 million TEU but also nearly 3 times more than was ordered in the whole of 2020 (100 ships, 1.0 million TEU, Clarksons Research, July 2021). 34 of the newbuilds ordered with a capacity of 0.5 million TEU will be able to use LNG as fuel.

According to MDS Transmodal, the tonnage of the commissioned container ships rose to around 4.0 million TEU as at the end of the first half of 2021, up from 2.2 million TEU in the previous year. As a result, the order volume in proportion to the current global container fleet capacity of 16.7% at the end of the first half of 2021 was at its highest level since 2016 and above the average for the last 5 years (around 11.9%). However, other information services such as Clarksons and Drewry (these include orders for which details are not fully known yet) reported a higher order volume of around 20% at the end of June. Nevertheless, the order volume in proportion to the current global container fleet capacity is still significantly below the peak of around 61% recorded in 2007.

The bunker price continued to increase in the first half of 2021. At the end of June, the low-sulphur bunker price was USD 514 / t, up from USD 367 / t at the end of 2020 and USD 283 / t as of 30 June 2020 (MFO 0.5%, FOB Rotterdam). However, the average bunker price increased from USD 311 / t in the first half of 2020 to USD 462 / t in the first half of 2021.

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 (July 2021), the 10 largest container liner shipping companies provide approximately 85% 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 (Den-mark) (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 June 2021, “THE Alliance” covered all East–West trades with 266 container ships and 29 services (30 June 2020: 251 container ships and 28 services).

Capacity share of alliances based on selected trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	36	25	49
Ocean Alliance	34	40	12
THE ALLIANCE	**25**	**26**	**31**
Other	6	9	8

Source: Alphaliner, June 2021

GROUP EARNINGS, FINANCIAL AND NET ASSET POSITION

Group earnings position

The shipping industry continued to recover from the effects of the COVID-19 pandemic in the first half of 2021 due to strong demand for exported goods from the Asia region. However, there were operational challenges in certain trades with regard to congestion of port and hinterland infrastructure as a result of both the increased transport volumes and lower productivity due to COVID-19 infections among the workforce and the associated higher occupational health and safety regulations. As a result, turnaround times for ships and containers have increased.

Compared with the first half of 2020, the rise in the average freight rate (in USD) of 46.1% and the transport volume of 4.3% resulted in revenue growth of 37.6%. The decrease in the average bunker consumption price (–6.0%) had a positive impact on the earnings positions. By contrast, higher container handling expenses (6.5%) compared with the prior year period reduced the operating result. The weaker US dollar had a dampening effect overall and had a negative total impact on earnings. The average USD / EUR exchange rate was USD 1.21 / EUR in the first half of 2021, compared with USD 1.10 / EUR in the corresponding prior year period.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 3,517.3 million in the reporting period (prior year period: EUR 1,168.7 million) and earnings before interest and taxes (EBIT) of EUR 2,893.2 million (prior year period: EUR 511.3 million). The Group profit came to EUR 2,724.5 million (prior year period: EUR 285.5 million).

Consolidated income statement

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Revenue	4,686.0	3,017.0	8,753.4	6,360.3
Transport expenses	2,488.5	2,085.3	4,758.9	4,730.2
Personnel expenses	193.0	167.4	357.3	340.3
Depreciation, amortisation and impairment	317.2	347.8	624.2	657.3
Other operating result	–81.8	–71.3	–131.7	–136.5
Operating result	**1,605.5**	**345.1**	**2,881.3**	**495.9**
Share of profit of equity-accounted investees	10.6	6.5	11.8	15.7
Result from investments and securities	0.1	–0.1	0.1	–0.3
Earnings before interest and tax (EBIT)	**1,616.1**	**351.5**	**2,893.2**	**511.3**
Interest result	–78.8	–79.8	–143.1	–204.0
Other financial items	–3.6	–1.7	–1.9	2.7
Income taxes	12.7	9.4	23.7	24.6
Group profit / loss	**1,521.0**	**260.6**	**2,724.5**	**285.5**
thereof profit / loss attributable to shareholders of Hapag-Lloyd AG	1,518.6	256.9	2,719.4	278.7
thereof profit / loss attributable to non-controlling interests	2.4	3.8	5.0	6.8
Basic / diluted earnings per share (in EUR)	8.64	1.46	15.47	1.59
EBITDA	**1,933.4**	**699.3**	**3,517.3**	**1,168.7**
EBITDA margin (%)	**41.3**	**23.2**	**40.2**	**18.4**
EBIT	**1,616.1**	**351.5**	**2,893.2**	**511.3**
EBIT margin (%)	**34.5**	**11.7**	**33.1**	**8.0**

Transport volume per trade

TTEU	Q2 2021	Q2 2020	H1 2021	H1 2020
Atlantic	467	442	920	923
Transpacific	462	418	899	890
Far East	596	495	1,181	1,062
Middle East	395	307	784	699
Intra-Asia	159	211	330	423
Latin America	766	667	1,535	1,411
EMA (Europe – Mediterranean – Africa)	185	161	355	347
Total	**3,029**	**2,701**	**6,004**	**5,755**

The transport volume increased by 249 TTEU to 6,004 TTEU in the first half of the 2021 financial year (prior year period: 5,755 TTEU). This equates to a rise of 4.3%.

The growth in transport volumes on the Middle East trade was largely due to the increase in the exportation of goods from India, which had come to a virtual standstill in the prior year period as a result of local COVID-19 restrictions. The strong demand for exported goods from Asia led to an increase in transport volumes on the Latin America and Far East trades in particular compared with the prior year period. The same applied to the EMA trade, although the congestion of local port infrastructure and the resulting delays in and suspension of container handling counteracted this rise.

The lower transport volume on the Intra-Asia trade was essentially due to the optimised repositioning of containers to other trades, aimed at meeting the strong demand for container transport from the Asia region as a result of the coronavirus.

Freight rates per trade

USD / TEU	Q2 2021	Q2 2020	H1 2021	H1 2020
Atlantic	1,669	1,405	1,523	1,405
Transpacific	2,256	1,378	2,101	1,351
Far East	2,117	982	2,043	971
Middle East	1,352	856	1,233	818
Intra-Asia	1,131	563	1,073	587
Latin America	1,473	1,164	1,416	1,163
EMA (Europe – Mediterranean – Africa)	1,444	1,046	1,358	1,038
Total (weighted average)	**1,714**	**1,114**	**1,612**	**1,104**

The average freight rate in the first half of the 2021 financial year was USD 1,612 / TEU, which was USD 509 / TEU, or 46.1%, up on the prior year period (USD 1,104 / TEU).

The continuing increase in the freight rate was primarily due to ongoing strong demand for consumer goods from Asia as a result of the coronavirus.

Revenue per trade

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Atlantic	645.8	563.8	1,162.2	1,177.1
Transpacific	865.1	523.7	1,566.6	1,092.1
Far East	1,046.9	441.3	2,002.0	936.8
Middle East	442.4	239.1	802.1	518.9
Intra-Asia	149.1	107.9	293.7	225.4
Latin America	936.2	705.3	1,804.1	1,489.5
EMA (Europe – Mediterranean – Africa)	221.9	152.8	399.9	326.6
Revenue not assigned to trades	378.6	283.1	722.8	593.9
Total	**4,686.0**	**3,017.0**	**8,753.4**	**6,360.3**

The Hapag-Lloyd Group's revenue rose by EUR 2,393.1 million to EUR 8,753.4 million in the first half of the 2021 financial year (prior year period: EUR 6,360.3 million), representing an increase of 37.6%.

The main reasons for this was the rise in the average freight rate of 46.1% and the growth in the transport volume of 4.3% compared with the prior year period. By contrast, the weakening of the US dollar against the euro counteracted the increase in revenue. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 2.9 billion, or about 51%.

Operating expenses

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Transport expenses	2,488.5	2,085.3	4,758.9	4,730.2
thereof				
Transport expenses for completed voyages	2,490.9	2,132.6	4,750.2	4,744.2
Bunker	403.5	268.6	725.3	862.9
Handling and haulage	1,339.6	1,139.0	2,552.5	2,396.3
Equipment and repositioning [1]	287.2	281.9	564.8	562.0
Vessels and voyages (excluding bunker) [1]	460.5	443.1	907.6	923.0
Transport expenses for pending voyages [2]	–2.4	–47.3	8.7	–14.0
Personnel expenses	193.0	167.4	357.3	340.3
Depreciation, amortisation and impairments	317.2	347.8	624.2	657.3
Other operating result	–81.8	–71.3	–131.7	–136.5
Total operating expenses	**2,916.9**	**2,529.2**	**5,872.1**	**5,864.4**

[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 rose by EUR 28.7 million in the first half of the 2021 financial year to EUR 4,758.9 million (prior year period: EUR 4,730.2 million). This represents an increase of 0.6%, which was primarily due to the rise in container handling expenses compared with the previous year. By contrast, the weaker US dollar compared with the euro and the lower bunker consumption price led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have risen by approximately EUR 0.4 billion, or around 10%.

In the first half of the 2021 financial year, the average bunker consumption price for Hapag-Lloyd was USD 421 / t, down USD 27 / t (–6.0%) on the figure of USD 448 / t for the prior year period. To some extent, the year-on-year weakening of the US dollar compared with the euro also reduced Hapag-Lloyd's fuel expenses.

Container handling expenses increased by EUR 156.2 million in the first half of the reporting year to EUR 2,552.5 million. This mainly resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure and local COVID-19 restrictions. However, the increase in expenses was offset to some extent by the weaker US dollar compared with the euro.

The expenses for container and repositioning expenses was essentially unchanged. Higher expenses for demurrage and detention for empty containers at port terminals, particularly in North America were compensated by the weaker US dollar compared with the euro.

The decrease in expenses for vessels and voyages (excluding bunker) of EUR 15.3 million to EUR 907.6 million resulted primarily from the weaker US dollar compared with the euro. This was counteracted by increased expenses for container slotcharter costs on third-party ships.

Personnel expenses rose by EUR 17.0 million to EUR 357.3 million in the first half of the 2021 financial year (prior year period: EUR 340.3 million). The increase was mainly attributable to a special bonus paid to employees in relation to COVID-19. The decline in expenses was essentially due to the weakening of the US dollar against the euro.

In the first half of the 2021 financial year, there was a year-on-year decline in depreciation and amortisation of EUR 33.2 million to EUR 624.2 million. The weaker US dollar compared with the euro was the main reason for the decrease. This development was counteracted primarily by the rise in the percentage of ships chartered in on a medium-term basis and the resulting increase in rights of use. The amortisation of rights of use relating to leased assets (essentially vessels, containers, buildings) led to amortisation of EUR 295.2 million (prior year period: EUR 261.9 million).

The other operating result of EUR –131.7 million (prior year period: EUR –136.5 million) comprised the net balance of other operating income and expenses. Other operating expenses totalled EUR 159.3 million for the first half of the 2021 financial year (prior year period: expenses of EUR 166.9 million).

This mainly included IT expenses (EUR 91.9 million; prior year period: EUR 83.9 million), consultancy fees (EUR 12.8 million; prior year period: EUR 15.5 million), office and administrative costs (EUR 12.5 million; prior year period: EUR 19.2 million) and expenses for allowances for doubtful accounts (EUR 7.6 million; prior year period: EUR 9.8 million). Other operating income totalled EUR 27.6 million for the first half of the 2021 financial year (prior year period: EUR 30.4 million).

Key earnings figures

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Revenue	4,686.0	3,017.0	8,753.4	6,360.3
EBIT	1,616.1	351.5	2,893.2	511.3
EBITDA	1,933.4	699.3	3,517.3	1,168.7
EBIT margin (%)	34.5	11.7	33.1	8.0
EBITDA margin (%)	41.3	23.2	40.2	18.4
Basic earnings per share (in EUR)	8.64	1.46	15.47	1.59
Return on invested capital (ROIC) annualised (%) [1]	52.5	10.9	47.0	7.7

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

Interest result

The interest result for the first half of the 2021 financial year was EUR –143.1 million (prior year period: EUR –204.0 million). The decrease in interest expenses compared with the prior year period resulted primarily from savings on interest expenses in the amount of EUR 59.3 million which was mainly due to the reduction of bank debt (including the EUR bond) through early unscheduled repayments and the lower capital market interest rates as a result of the COVID-19 pandemic. The valuation and realisation of the interest rate swaps (EUR –4.4 million; prior year period: EUR –12.6 million) improved the interest result by a further EUR 8.2 million. In addition, the valuation of the embedded derivative (EUR 1.2 million) contributed to a positive change in interest expenses in the amount of EUR 15.7 million. In the prior year period, the valuation effect of the embedded derivative due to the uncertainty of the COVID-19 pandemic that began on the financial markets had still made a clearly negative contribution to the interest result (EUR –14.5 million). By contrast, the derecognition of the embedded derivative in relation to the exercising of the early repurchase option of the EUR bond as at 7 April 2021, which was originally due in 2024, caused interest expenses to increase by EUR 23.9 million. The adjustment to the carrying amount of the bond liability through profit or loss associated with the early repayment also had a negative effect on the interest result, reducing it by EUR 8.5 million.

Income taxes

The income tax expense was essentially unchanged compared to the prior year period.

Group profit

A Group profit of EUR 2,724.5 million was achieved in the first half of 2021 (prior year period: EUR 285.5 million).

Group financial position

Condensed statement of cash flows

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Cash flow from operating activities	1,881.3	826.3	3,247.7	1,206.9
Cash flow from investing activities	–374.1	–31.4	–451.3	–138.2
Free cash flow	**1,507.3**	**795.0**	**2,796.4**	**1,068.7**
Cash flow from financing activities	–1,089.4	–189.1	–1,501.1	–49.0
Changes in cash and cash equivalents	**417.8**	**605.8**	**1,295.3**	**1,019.7**

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 3,247.7 million in the first half of the 2021 financial year (prior year period: EUR 1,206.9 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the current financial year.

Cash flow from investing activities

In the first half of the 2021 financial year, the cash outflow from investing activities totalled EUR 451.3 million (prior year period: EUR 138.2 million). This primarily included payments for investments of EUR 474.7 million (prior year period: EUR 148.8 million) in ships, ship equipment and new containers. The payments for containers acquired in the previous year included in the investment amount were EUR 21.6 million.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 1,501.1 million in the first half of the financial year (prior year period: cash outflow of EUR 49.0 million). The cash outflow essentially resulted from interest and redemption payments relating to financial liabilities for vessel and container financing in the amount of EUR 622.8 million (prior year period: EUR 662.0 million). In addition, the corporate bond maturing in 2024 in the amount of EUR 295.8 million and the loan from the ABS programme in the amount of EUR 83.0 million were repaid in full. The payment of a dividend to the shareholders of Hapag-Lloyd AG for the 2020 financial year led to an additional cash outflow of EUR 615.2 million (prior year period: EUR 193.3 million). The interest and redemption payment from lease liabilities in accordance with IFRS 16 totalled EUR 316.8 million in the first half of the financial year (prior year period: EUR 295.9 million).

The cash outflows contrasted with cash inflows from the placement of a new corporate bond of EUR 293.8 million. Cash inflows of EUR 175.5 million resulted from the financing of containers and ship equipment (prior year period: EUR 635.5 million).

Developments in cash and cash equivalents

million EUR	H1 2021	H1 2020
Cash and cash equivalents at beginning of period	**681.3**	**511.6**
Changes due to exchange rate fluctuations	34.5	–22.0
Net changes	1,295.3	1,019.7
Cash and cash equivalents at end of period	**2,011.1**	**1,509.2**

Overall, cash inflow totalled EUR 1,295.3 million in the first half of the 2021 financial year. After accounting for exchange rate-related effects in the amount of EUR 34.5 million, cash and cash equivalents of EUR 2,011.1 million were reported at the end of the reporting period on 30 June 2021 (30 June 2020: EUR 1,509.2 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 491.9 million (30 June 2020: EUR 165.1 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit lines) therefore totalled EUR 2,503.0 million (30 June 2020: EUR 1,674.3 million).

Financial solidity

million EUR	30.6.2021	31.12.2020
Financial debt and lease liabilities	5,294.6	5,136.2
Cash and cash equivalents	2,011.1	681.3
Net debt	**3,283.5**	**4,454.9**
Gearing (%)[1]	**36.1**	**66.3**
Unused credit lines	**491.9**	**476.5**
Equity ratio (%)	**49.3**	**44.3**

[1] Ratio net debt to equity

The Group’s net debt amounted to EUR 3,283.5 million as at 30 June 2021. This was a fall of EUR 1,171.4 million (–26.3%) compared to net debt of EUR 4,454.9 million as at 31 December 2020. The improvement in net debt was primarily due to a positive operating cash flow.

The equity ratio increased by 5.1 percentage points, from 44.3% as at 31 December 2020 to 49.3%. Due to the increased earnings in the reporting period, equity was up by EUR 2,364.4 million compared with 31 December 2020 and came to EUR 9,087.1 million as at 30 June 2021. 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	30.6.2021	31.12.2020
Assets		
Non-current assets	13,701.7	12,633.0
of which fixed assets	13,630.1	12,555.6
Current assets	4,714.2	2,551.2
of which cash and cash equivalents	2,011.1	681.3
Total assets	**18,415.9**	**15,184.3**
Equity and liabilities		
Equity	9,087.1	6,722.7
Borrowed capital	9,328.8	8,461.6
of which non-current liabilities	4,598.6	4,668.7
of which current liabilities	4,730.2	3,792.9
of which financial debt and lease liabilities	5,294.6	5,136.2
of which non-current financial debt and lease liabilities	4,144.4	4,170.4
of which current financial debt and lease liabilities	1,150.2	965.7
Total equity and liabilities	**18,415.9**	**15,184.3**
Net debt	3,283.5	4,454.9
Equity ratio (%)	49.3	44.3

As at 30 June 2021, the Group's statement of financial position total was EUR 18,415.9 million, which is EUR 3,231.6 million higher than the figure at year-end 2020. The reasons for this change included the rise in cash and cash equivalents, price-related increases in receivables and liabilities and exchange rate effects as at the reporting date due to the stronger US dollar against the euro. The USD / EUR exchange rate was quoted at 1.19 on 30 June 2021 (31 December 2020: 1.23).

Within non-current assets, the carrying amounts of fixed assets increased by a total of EUR 1,074.4 million to EUR 13,630.1 million (31 December 2020: EUR 12,555.6 million). This rise was essentially due to newly received and extended rights of use for lease assets in the amount of EUR 755.9 million (prior year period: EUR 511.9 million), investments in vessels, equipment and container in the amount of EUR 581,3 and exchange rate effects as at the reporting date in the amount of EUR 400.9 million (prior year period: EUR 20.0 million). Depreciation and amortisation of EUR 635.4 million had an opposite effect (prior year period: EUR 657.3 million) on fixed assets. This includes an amount of EUR 295.2 million (prior year period: EUR 261.9 million) for the amortisation of capitalised rights of use relating to lease assets.

Cash and cash equivalents increased by EUR 1,329.8 million to EUR 2,011.1 million compared to the end of 2020 (EUR 681.3 million) primarily as a result of the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by EUR 2,364.4 million to a total of EUR 9,087.1 million. This increase was mainly due to the Group profit of EUR 2,724.5 million (prior year period: EUR 285.5 million) recognised in retained earnings and the unrealised gains from currency translation of EUR 235.6 million (prior year period: EUR 2.4 million) recognised in other comprehensive income. The equity ratio was 49.3% as at 30 June of the current year (31 December 2020: 44.3%).

The Group's borrowed capital has risen by EUR 867.2 million to EUR 9,328.8 million since the 2020 consolidated financial statements were prepared. The increase in financial debt and lease liabilities due to exchange rate effects as at the reporting date in the amount of EUR 154.2 million (prior year period: EUR –6.3 million), the placement of a sustainability-linked euro bond totalling EUR 300.0 million and new lease liabilities relating to newly acquired rights of use for lease assets in the amount of EUR 749.8 million (prior year period: EUR 459.3 million) contrasted with redemption payments for financial debt and lease liabilities totalling EUR 1,202.3 million (prior year period: EUR 802.3 million). The redemption payments included EUR 295.8 million for the early redemption of Hapag-Lloyd's existing 5.125% euro bond (original maturity in 2024).

A further increase of EUR 658.4 million resulted from higher trade accounts payable and contract liabilities (30 June 2021: EUR 2,952.3 million; 31 December 2020: EUR 2,293.8 million).

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 30 June 2021 was EUR 3,283.5 million (31 December 2020: EUR 4,454.9 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 interim consolidated financial statements.

Executive Board's statement on overall expected developments

The global economy performed comparatively well in the first half of 2021 despite the ongoing COVID-19 pandemic. This development was helped by the comprehensive fiscal policy and monetary measures of numerous states and central banks as well as the adjustment of many companies to the changed framework conditions.

Compared with the prior year period, the rise in the average freight rate and the decrease in the average bunker consumption price in particular had a positive impact on Hapag-Lloyd's earnings in the first half of the 2021 financial year. Ongoing operational challenges in connection with congestion of port and hinterland infrastructures as well as local COVID-19 restrictions led to capacity bottlenecks and had a negative impact on the half-year result. Overall, the result for the first half of the 2021 financial year was slightly above the expectations of the Executive Board.

According to the International Monetary Fund (IMF), the macroeconomic conditions that are important for container shipping are likely to brighten further in the current year. Active vaccination campaigns in the major industrialised countries as well as additional economic stimulus programmes, particularly in the USA, should lead to a noticeable economic upturn in 2021. This development can also be expected to have a positive impact on the transport and logistics industry. Based on this, the Executive Board expects an increase in transport volumes and a continuation of the high freight rate level in the 2021 financial year, which also forms the basis of the forecast report described in the following section. At the same time, the development of bunker prices will have a significant impact on Hapag-Lloyd's earnings for the 2021 financial year. Despite the positive outlook, the further course of the financial year is subject to uncertainties due to existing infrastructural bottlenecks and the unforeseeable further course of the COVID-19 pandemic and its economic effects. Existing risks are referred to in the risk and opportunity report.

OUTLOOK, RISK AND OPPORTUNITY REPORT

Outlook

General economic outlook

According to the International Monetary Fund (IMF), the macroeconomic conditions that are important for container shipping are likely to brighten further in the current year. Increasing vaccination rates in the major industrialised countries and additional economic programmes, in particular in the USA, should result in a clear economic upturn in 2021. According to the IMF's July forecast, the global economy is expected to grow by 6.0% in 2021, after contracting by 3.2% in the previous year. The higher growth expectations for the global economy compared with the January forecast (up from 5.5%) are attributable to stronger growth in the advanced economies, particularly in the USA. International trade in goods and services is expected to grow by 9.7% in 2021, even more than the IMF expected in January (January forecast: 8.1%).

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

in %	2022e	**2021e**	2020	2019	2018
Global economic growth	4.9	6.0	–3.2	2.8	3.6
Industrialised countries	4.4	5.6	–4.6	1.6	2.3
Developing and newly industrialised countries	5.2	6.3	–2.1	3.7	4.5
World trade volume (goods and services)	7.0	9.7	–8.3	0.9	3.9

Source: IMF World Economic Outlook, July 2021

Sector-specific outlook

Global container transport volumes are also expected to increase again in 2021 as a result of the economic recovery. Seabury predicts growth of 6.3% for 2021. The container transport volume was slightly down in the previous year at –1.0%.

Development of container transport volume

	2022e	**2021e**	2020	2019	2018
million TEU	166	158	149	151	149
Growth rate in %	5.1	6.3	–1.0	1.0	4.0

Sources: Seabury (June 2021)

The significant rise in container transport from the Far East, particularly to North America, combined with lower productivity at ports due to COVID-19 infections among the workforce and the associated higher occupational health and safety regulations, resulted in clear disruption to global transport chains in the first half of 2021. The already challenging situation was further exacerbated by the blocking of the Suez Canal by a container ship for almost a week at the end of March and the temporary closure of the important seaport of Yantian in southern China in May due to an outbreak of COVID-19. As a result, turnaround times for vessels and containers have increased significantly, leading to a reduction in the transport capacity actually available.

With demand continuing uninterrupted, Drewry expects the situation to further intensify in the third quarter of 2021. It is not expected to ease before the first quarter of 2022 (Drewry Container Forecaster Q2 2021, June 2021).

The strong demand for transport combined with a shortage of available chartered ships resulted in a noticeable increase in ship orders at the end of 2020 and in the first half of 2021. According to MDS Transmodal, the tonnage of the commissioned container ships rose to around 4.0 million TEU as at the end of the first half of 2021, up from 2.2 million TEU in the previous year. As a result, the order volume in proportion to the current global container fleet capacity of 16.7% at the end of the first half of 2021 was at its highest level since 2016 and above the average for the last 5 years (around 11.9%). However, other information services such as Clarksons and Drewry (these include orders for which details are not fully known yet) reported a higher order volume of around 20% at the end of June. Nevertheless, the order volume in proportion to the current global container fleet capacity is still significantly below the peak of around 61% recorded in 2007.

For 2021, Drewry expects the globally available container ship fleet to grow by 1.0 million TEU, or 4.2%, which is slightly less than the growth in demand. The majority of the recently ordered ships are unlikely to be put into service before 2023.

Expected development of global container fleet capacity

million TEU	2022e	2021e	2020	2019	2018
Existing fleet (beginning of the year)	24.6	23.6	23.0	22.1	20.9
Planned deliveries	0.9	1.2	1.1	1.1	1.5
Expected scrappings	0.2	0.1	0.2	0.2	0.1
Postponed deliveries and other changes	0.1	0.1	0.3	0.1	0.2
Net capacity growth	**0.7**	**1.0**	**0.7**	**0.9**	**1.2**
Net capacity growth (in %)	2.8	4.2	3.0	4.0	5.6

Source: Drewry Container Forecaster Q2 2021, June 2021. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

Expected business development of Hapag-Lloyd

Hapag-Lloyd recorded an exceptionally positive performance in the first half of 2021 due to the strong demand, combined with capacity bottlenecks, which resulted in a significant increase in freight rate levels.

At the beginning of the second half-year, global demand for container transport remains at a high level. At the same time, operational disruptions along the entire supply chain continue to cause significant delays and thereby contribute to the shortage of available transport capacity. Hapag-Lloyd therefore expects earnings momentum to remain very strong in the second half of the financial year. Previously, a gradual normalisation of the earnings trend had been expected for the second half-year. Given these circumstances, the Executive Board of Hapag-Lloyd raised its earnings outlook for the 2021 financial year on 30 July 2021. EBITDA is now expected to be in the range of USD 9.2 to 11.2 billion or EUR 7.6 to 9.3 billion (previously: clearly above previous year) and EBIT in the range of USD 7.5 to 9.5 billion or EUR 6.2 to 7.9 billion (previously: clearly above previous year), respectively. The earnings expectation for the 2021 financial year is based in particular on the assumptions that the transport volume can be increased slightly and the average freight rate clearly compared to the previous year. At the same time, a clear increase in the average bunker consumption price is assumed, which should have a dampening effect on the development of earnings. Our earnings perspective is based on the assumption of an average exchange rate of USD 1.21 / EUR.

In view of the current above-average high volatility of freight rates, operational challenges due to existing infrastructural bottlenecks and the unpredictable further course of the COVID-19 pandemic and its economic effects, the forecast is subject to considerable uncertainty.

The earnings forecast does not take into account impairments on goodwill, other intangible assets and property, plant and equipment in the course of the 2021 financial year, which are currently not expected but cannot be ruled out.

	Actual 2020	Previous Forecast 2021	Forecast 2021
Global economic growth (IMF, July 2021)	–3.2%	6.0%	6.0%
Increase in global trade (IMF, July 2021)	–8.3%	9.7%	9.7%
Increase in global container transport volume (Seabury, June 2021)	–1.0%	6.3%	6.3%
Transport volume, Hapag-Lloyd	11.8 million TEU	Increasing slightly	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	USD 379 / t	Increasing clearly	Increasing clearly
Average freight rate, Hapag-Lloyd	USD 1,115 / TEU	Increasing clearly	Increasing clearly
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 2.7 billion	Increasing clearly	EUR 7.6 – 9.3 billion
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 1.3 billion	Increasing clearly	EUR 6.2 – 7.9 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 2020 annual report. 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 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 2020 annual report for details of significant opportunities and risks and an assessment of these. The assessment of the risks and opportunities detailed for the 2021 financial year has changed as follows.

With regard to the industry and company-specific risks and opportunities, there continue to be capacity bottlenecks in regional logistics chains, due to the persistently strong demand for transport in the year to date. Against this background, and taking account of the positive market outlook regarding the demand for container transport for the rest of the year, the negative effects on the financial and earnings position as a result of a fluctuation in both the transport volume and the average freight rate are now classified as severe. In addition, the probability of occurrence for negative effects as a result of a fluctuation in transport volumes is currently estimated as low.

Taking account of the consumption volumes for the rest of the financial year and the risk responses adopted, the effects of a fluctuation in the bunker consumption price on the financial and earnings situation for this risk are classified as bearable.

Furthermore, the assessments adjusted in the first quarter of 2021, more precisely the classification of the probability of occurrence regarding the fluctuation of charter rates as low and the negative impact of the limited availability of information and communication technology on the financial and earnings situation as severe, remain unchanged.

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
Fluctuation in transport volume	Low	Severe
Fluctuation in average freight rate	Low	Severe
Bunker consumption price fluctuation	Medium	Bearable
Fluctuation in charter rates	Low	Bearable
Information technology & security – cyberattack	Medium	Severe

At the time of reporting on the first half of 2021, there were no risks which threatened the continued existence of the Hapag-Lloyd Group.

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 June 2021

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Revenue	4,686.0	3,017.0	8,753.4	6,360.3
Transport expenses	2,488.5	2,085.3	4,758.9	4,730.2
Personnel expenses	193.0	167.4	357.3	340.3
Depreciation, amortisation and impairment	317.2	347.8	624.2	657.3
Other operating result	–81.8	–71.3	–131.7	–136.5
Operating result	**1,605.5**	**345.1**	**2,881.3**	**495.9**
Share of profit of equity-accounted investees	10.6	6.5	11.8	15.7
Result from investments and securities	0.1	–0.1	0.1	–0.3
Earnings before interest and taxes (EBIT)	**1,616.1**	**351.5**	**2,893.2**	**511.3**
Interest income and similar income	2.1	1.7	5.9	3.0
Interest expenses and similar expenses	80.9	81.4	149.0	207.0
Other financial items	–3.6	–1.7	–1.9	2.7
Earnings before taxes	**1,533.7**	**270.1**	**2,748.2**	**310.0**
Income taxes	12.7	9.4	23.7	24.6
Group profit/loss	**1,521.0**	**260.6**	**2,724.5**	**285.5**
thereof attributable to shareholders of Hapag-Lloyd AG	1,518.6	256.9	2,719.4	278.7
thereof attributable to non-controlling interests	2.4	3.8	5.0	6.8
Basic/diluted earnings per share (in EUR)	**8.64**	**1.46**	**15.47**	**1.59**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 30 June 2021

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Group profit/loss	**1,521.0**	**260.6**	**2,724.5**	**285.5**
Items which will not be reclassified to profit and loss:				
Remeasurements from defined benefit plans after tax	–	–46.5	29.2	2.3
Remeasurements from defined benefit plans before tax	–	–46.4	29.0	2.6
Tax effect	–	–0.1	0.2	–0.3
Currency translation differences (no tax effect)	–102.7	–149.9	235.6	2.4
Items which may be reclassified to profit and loss:				
Cash flow hedges (no tax effect)	0.3	3.3	19.1	–12.0
Effective share of the changes in fair value	2.0	15.7	5.4	–17.9
Reclassification to profit or loss	–1.9	–13.1	14.0	5.7
Currency translation differences	0.2	0.6	–0.4	0.2
Cost of hedging (no tax effect) [1]	–0.8	1.1	–1.0	–22.7
Changes in fair value	–1.6	–3.7	–2.5	–31.7
Reclassification to profit or loss	0.8	4.4	1.6	8.9
Currency translation differences	–	0.4	–	0.1
Other comprehensive income after tax	**–103.2**	**–191.9**	**283.0**	**–30.0**
Total comprehensive income	**1,417.8**	**68.7**	**3,007.4**	**255.4**
thereof attributable to shareholders of Hapag-Lloyd AG	1,415.5	65.3	3,002.0	248.7
thereof attributable to non-controlling interests	2.3	3.4	5.4	6.7

[1] Since the fourth quarter of the 2020 financial year, the costs of hedging have been reclassified from the items that are not reclassified to profit or loss to the items that are reclassified to profit or loss. The previous year's figures were adjusted accordingly.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 30 June 2021

Assets

million EUR	30.6.2021	31.12.2020
Goodwill	1,514.1	1,466.8
Other intangible assets	1,469.5	1,459.1
Property, plant and equipment	10,305.5	9,300.6
Investments in equity-accounted investees	340.9	329.2
Other assets	29.7	22.4
Derivative financial instruments	8.0	21.6
Income tax receivables	4.9	4.7
Deferred tax assets	28.9	28.7
Non-current assets	**13,701.7**	**12,633.0**
Inventories	279.3	172.3
Trade accounts receivable	2,024.0	1,362.6
Other assets	348.5	296.0
Derivative financial instruments	0.2	14.4
Income tax receivables	18.2	24.6
Cash and cash equivalents	2,011.1	681.3
Assets classified held for sale	32.8	–
Current assets	**4,714.2**	**2,551.2**
Total assets	**18,415.9**	**15,184.3**

Equity and liabilities

million EUR	30.6.2021	31.12.2020
Subscribed capital	175.8	175.8
Capital reserves	2,637.4	2,637.4
Retained earnings	6,262.1	4,159.9
Cumulative other equity	1.4	–265.8
Equity attributable to shareholders of Hapag-Lloyd AG	**9,076.6**	**6,707.2**
Non-controlling interests	10.5	15.5
Equity	**9,087.1**	**6,722.7**
Provisions for pensions and similar obligations	351.6	374.7
Other provisions	59.8	73.1
Financial debt	2,865.3	3,229.9
Lease liabilities	1,279.2	940.5
Other liabilities	4.9	5.0
Derivative financial instruments	26.7	35.5
Deferred tax liabilities	11.1	10.1
Non-current liabilities	**4,598.6**	**4,668.7**
Provisions for pensions and similar obligations	9.1	10.5
Other provisions	452.6	369.2
Income tax liabilities	25.9	39.1
Financial debt	522.6	505.9
Lease liabilities	627.6	459.8
Trade accounts payable	2,059.2	1,748.1
Contract liabilities	893.1	545.7
Other liabilities	139.6	114.6
Derivative financial instruments	0.6	–
Current liabilities	**4,730.2**	**3,792.9**
Total equity and liabilities	**18,415.9**	**15,184.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 30 June 2021

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Group profit/loss	1,521.0	260.6	2,724.5	285.5
Income tax expenses (+)/income (–)	12.7	9.4	23.7	24.6
Other financial Items	3.6	1.7	1.9	–2.7
Interest result	78.8	79.8	143.1	204.0
Depreciation, amortisation and impairment (+)/write-backs (–)	317.2	347.8	624.2	657.3
Impairment (+)/write-backs (–) of financial assets	–	0.1	–	0.1
Profit (–)/loss (+) from disposals of non-current assets	–1.4	–4.9	–2.5	–7.4
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–10.7	–6.5	–11.9	–15.7
Other non-cash expenses (+)/income (–)	3.2	4.8	–21.4	13.2
Increase (–)/decrease (+) in inventories	–44.5	28.3	–100.1	72.4
Increase (–)/decrease (+) in receivables and other assets	–301.1	255.7	–637.5	82.5
Increase (+)/decrease (–) in provisions	–15.3	–67.1	41.9	–80.1
Increase (+)/decrease (–) in liabilities (excl. financial debt)	320.7	–84.0	469.6	–22.5
Payments received from (+) / made for (–) income taxes	–3.8	–0.4	–9.0	–6.0
Payments received for interest	0.8	1.0	1.3	1.7
Cash inflow (+)/outflow (–) from operating activities	**1,881.3**	**826.3**	**3,247.7**	**1,206.9**
Payments received from disposals of property, plant and equipment and intangible assets	3.1	9.1	5.8	18.3
Payments received from the disposal of other investments	1.3	–	1.3	–
Payments received from dividends	0.2	0.2	0.2	0.2
Payments received from the disposal of assets held for sale	6.4	–	6.4	–
Payments made for investments in property, plant and equipment and intangible assets	–395.5	–32.9	–474.5	–148.8
Payments made for investment in financial assets	–	–	–0.8	–
Payments received for the redemption of issued loans	10.4	–	10.4	–
Payments made for the issuing of loans	–	–7.9	–	–7.9
Cash inflow (+)/outflow (–) from investing activities	**–374.1**	**–31.4**	**–451.3**	**–138.2**

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Payments made for dividends	–621.9	–198.5	–627.9	–199.5
Payments received from raising financial debt	351.0	645.4	470.1	1,146.8
Payments made for the redemption of financial debt	–592.5	–406.2	–920.1	–541.9
Payments made for the redemption of lease liabilities	–153.9	–133.8	–282.2	–260.4
Payments made for leasehold improvements	–0.3	–9.8	–0.3	–24.1
Payments made for interest and fees	–68.2	–81.1	–125.3	–163.3
Payments received (+) and made (–) from hedges for financial debt	–3.4	–5.1	–15.2	–6.6
Cash inflow (+) / outflow (–) from financing activities	**–1,089.4**	**–189.1**	**–1,501.1**	**–49.0**
Net change in cash and cash equivalents	**417.8**	**605.8**	**1,295.3**	**1,019.7**
Cash and cash equivalents at beginning of period	**1,614.6**	**939.5**	**681.3**	**511.6**
Change in cash and cash equivalents due to exchange rate fluctuations	–21.3	–36.1	34.5	–22.0
Net change in cash and cash equivalents	417.8	605.8	1,295.3	1,019.7
Cash and cash equivalents at end of period	**2,011.1**	**1,509.2**	**2,011.1**	**1,509.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 30 June 2021

	Equity attributable to shareholders		
million EUR	Subscribed capital	Capital reserves	Retained earnings
As at 1.1.2020	**175.8**	**2,637.4**	**3,430.8**
Total comprehensive income	**–**	**–**	**278.7**
thereof			
Group profit/loss	–	–	278.7
Other comprehensive income	–	–	–
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–195.4**
thereof			
Distribution to shareholders	–	–	–193.3
Distribution to non-controlling interests	–	–	–2.1
As at 30.6.2020	**175.8**	**2,637.4**	**3,514.1**
As at 1.1.2021	**175.8**	**2,637.4**	**4,159.9**
Total comprehensive income	**–**	**–**	**2,719.4**
thereof			
Group profit/loss	–	–	2,719.4
Other comprehensive income	–	–	–
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–617.5**
thereof			
Distribution to shareholders	–	–	–615.2
Distribution to non-controlling interests	–	–	–2.3
Addition of shares of non-controlling interests	–	–	–
Deconsolidation	**–**	**–**	**0.3**
As at 30.6.2021	**175.8**	**2,637.4**	**6,262.1**

of Hapag-Lloyd AG								
Remeasure-ments from defined benefit plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put-options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
–173.3	**–14.0**	**–10.2**	**560.5**	**–0.5**	**362.6**	**6,606.6**	**14.0**	**6,620.6**
2.3	**–12.0**	**–22.7**	**2.4**	**–**	**–30.0**	**248.7**	**6.7**	**255.4**
–	–	–	–	–	–	278.7	6.8	285.5
2.3	–12.0	–22.7	2.4	–	–30.0	–30.0	–	–30.0
–	**–**	**16.4**	**–**	**–**	**16.4**	**16.4**	**–**	**16.4**
–	**–**	**–**	**–**	**–**	**–**	**–195.4**	**–4.0**	**–199.5**
–	–	–	–	–	–	–193.3	–	–193.3
–	–	–	–	–	–	–2.1	–4.0	–6.1
–171.0	**–26.0**	**–16.5**	**562.9**	**–0.5**	**349.0**	**6,676.2**	**16.8**	**6,693.0**
–208.6	**–12.4**	**–1.9**	**–42.4**	**–0.4**	**–265.8**	**6,707.2**	**15.5**	**6,722.7**
29.2	**19.1**	**–1.0**	**235.6**	**–**	**282.9**	**3,002.3**	**5.4**	**3,007.7**
–	–	–	–	–	–	2,719.4	5.0	2,724.5
29.2	19.1	–1.0	235.6	–	282.9	282.9	0.3	283.2
–	**–17.5**	**2.1**	**–**	**–**	**–15.4**	**–15.4**	**–**	**–15.4**
–	**–**	**–**	**–**	**–**	**–**	**–617.5**	**–10.4**	**–627.9**
–	–	–	–	–	–	–615.2	–	–615.2
–	–	–	–	–	–	–2.3	–10.4	–12.8
–	–	–	–	–	–	–	0.1	0.1
–	**–**	**–**	**–0.3**	**–**	**–0.3**	**–**	**–**	**–**
–179.4	**–10.8**	**–0.8**	**192.8**	**–0.4**	**1.4**	**9,076.6**	**10.5**	**9,087.1**

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

The interim consolidated financial statements cover the period 1 January to 30 June 2021 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in millions of euros (EUR million) unless otherwise stated. In individual cases, rounding differences may occur in the tables and charts included in these interim consolidated financial statements. Such differences arise for computational reasons.

On 3 August 2021, the Executive Board approved the condensed interim consolidated financial statements for publication.

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 June 2021 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and the 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 2021 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 are not yet mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2020. The possible effects of standards and interpretations that were adopted in the first half of 2021 but are not yet mandatory are currently being examined. The interim consolidated financial statements as at 30 June 2021 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2020. 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 2020.

Estimates and discretionary decisions are used in the same way as in the previous year. The actual values may differ from the estimated values. Due to the currently unforeseeable worldwide consequences of the COVID-19 pandemic, estimates and discretionary decisions are subject to increased uncertainty.

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 June 2021, the closing US dollar/euro exchange rate was quoted as USD 1.18915/EUR (31 December 2020: USD 1.22760/EUR). For the first quarter of 2021, the average US dollar/euro exchange rate was USD 1.20540/EUR (prior year period: USD 1.10140/EUR).

New accounting standards

The standards to be applied for the first time in the 2021 financial year have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group. With regard to the disclosures arising from the “Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2”, we refer to the notes on “IBOR Reform” in the “Financial instruments” section.

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 125 fully consolidated companies (31 December 2020: 126) and 5 equity-accounted investees as at 30 June 2021 (31 December 2020: 5). 3 newly established companies were added to the group of consolidated companies in the first half of 2021, in addition to 3 acquired companies. Of the companies included in the consolidated financial statements as part of the integration of the UASC Group in 2017, 3 were liquidated, 3 were merged with other Group companies, and 1 was sold. This sale has not had any significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

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 key customers are done on the basis of the entire liner service network and deployment of all of the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. This revenue comprises income from transporting and handling containers and from related services and commissions, all of which is generated globally.

As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure by 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 container liner shipping segment. 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	Q2 2021	Q2 2020	H1 2021	H1 2020
Atlantic	467	442	920	923
Transpacific	462	418	899	890
Far East	596	495	1,181	1,062
Middle East	395	307	784	699
Intra-Asia	159	211	330	423
Latin America	766	667	1,535	1,411
EMA (Europe – Mediterranean – Africa)	185	161	355	347
Total	**3,029**	**2,701**	**6,004**	**5,755**

Freight rates per trade

USD/TEU	Q2 2021	Q2 2020	H1 2021	H1 2020
Atlantic	1,669	1,405	1,523	1,405
Transpacific	2,256	1,378	2,101	1,351
Far East	2,117	982	2,043	971
Middle East	1,352	856	1,233	818
Intra-Asia	1,131	563	1,073	587
Latin America	1,473	1,164	1,416	1,163
EMA (Europe – Mediterranean – Africa)	1,444	1,046	1,358	1,038
Total (weighted average)	**1,714**	**1,114**	**1,612**	**1,104**

Revenue per trade

million EUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Atlantic	645.8	563.8	1,162.2	1,177.1
Transpacific	865.1	523.7	1,566.6	1,092.1
Far East	1,046.9	441.3	2,002.0	936.8
Middle East	442.4	239.1	802.1	518.9
Intra-Asia	149.1	107.9	293.7	225.4
Latin America	936.2	705.3	1,804.1	1,489.5
EMA (Europe – Mediterranean – Africa)	221.9	152.8	399.9	326.6
Revenue not assigned to trades	378.6	283.1	722.8	593.9
Total	**4,686.0**	**3,017.0**	**8,753.4**	**6,360.3**

The item for revenue not assigned to trades mainly comprises income from demurrage and detention for containers, as well as from 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	Q2 2021	Q2 2020	H1 2021	H1 2020
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,933.4**	**699.3**	**3,517.3**	**1,168.7**
Depreciation, amortisation and impairment	317.2	347.8	624.2	657.3
Earnings before interest and taxes (EBIT)	**1,616.1**	**351.5**	**2,893.2**	**511.3**
Earnings before taxes (EBT)	**1,533.7**	**270.1**	**2,748.2**	**310.0**
Share of profit of equity-accounted investees	**10.6**	**6.5**	**11.8**	**15.7**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENTS

Detailed Notes to the income statement are contained in the interim Group management report in the chapter "Group earnings position".

Earnings per share

	Q2 2021	Q2 2020	H1 2021	H1 2020
Profit/loss attributable to shareholders of Hapag-Lloyd AG in million EUR	1,518.6	256.9	2,719.4	278.7
Weighted average number of shares in millions	175.8	175.8	175.8	175.8
Basic earnings per share in EUR	**8.64**	**1.46**	**15.47**	**1.59**

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 half of the 2021 financial year 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 rose compared to 31 December 2020. This increase stemmed largely from currency translation effects of EUR 94.0 million (prior year period: EUR 6.2 million). However, amortisation of EUR 39.1 million (prior year period: EUR 66.8 million) reduced the carrying amounts of other intangible assets.

Property, plant and equipment

million EUR	30.6.2021	31.12.2020
Vessels	7,347.0	6,724.2
Container	2,534.6	2,288.3
Other equipment	217.3	215.1
Prepayments on account and assets under construction	206.6	72.9
Total	**10,305.5**	**9,300.6**

In the first half of the 2021 financial year, investments in ships, ship equipment and containers, the conclusion of new charter agreements and the extension of existing agreements for longer terms, as well as the conclusion of new rights of use for long-term container contracts, all prompted a rise in property, plant and equipment of EUR 1,315.3 million. This includes prepayments on account of EUR 152.5 million, mainly for new ships ordered in the 2021 financial year. In addition, currency effects associated with the reporting date led to an additional rise of EUR 306.8 million. However, depreciation to property, plant and equipment and amortisation to rights of use in the amount of EUR 596.3 million reduced the carrying amounts of property, plant and equipment, meaning that property, plant and equipment rose by EUR 1,004.9 million overall.

Inventories

Inventories essentially comprise raw materials and supplies, which include fuel inventories in particular. Compared to 31 December 2020, fuel inventories increased from EUR 172.3 million to EUR 279.3 million, mainly due to the increase in volume as well as the market price.

Non-current assets held for sale

In the first quarter of 2021, 5 container ships were classified as non-current assets held for sale. The sale of the ships is part of the strategic optimisation of the ship portfolio. Binding agreements to sell the 5 ships were concluded in the second quarter, and one of the 5 ships was transferred to the buyer in the second quarter. The remaining 4 ships will be transferred on time and before the end of the current financial year. As a result of further network adjustments, the ships will be chartered back for up to 1.5 years at the same time that they are transferred to the new owners.

The 4 container ships not yet handed over were still presented separately in the consolidated statement of financial position as at 30 June 2021. In light of rising market prices in the second quarter of 2021, the carrying amounts of the ships are recognised at their fair value less costs to sell totalling EUR 40.8 million. Overall, a reversal of impairment losses totalling EUR 11.2 million has been recognised for the vessels held for sale, which has been presented as income under the item “Depreciation, amortisation and impairment of intangible assets and property, plant and equipment”.

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 June 2021: EUR –179.4 million; 31 December 2020: EUR –208.6 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, including as a result of changing 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 half of 2021 resulted in a decrease of EUR 29.2 million in the negative reserve (prior year period: EUR 2.3 million).

The reserve for cash flow hedges contains changes in the intrinsic value of commodity options, changes in the cash component of currency forward contracts and changes in the market value of interest rate and commodity swaps that are recognised in other comprehensive income and amounted to EUR –10.8 million as at 30 June 2021 (31 December 2020: EUR –12.4 million). In the first half of 2021, the resulting gains and losses totalling EUR 5.4 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –17.9 million), while gains and losses of EUR 14.0 million (prior year period: EUR 5.7 million) were reclassified and recognised through profit or loss.

The reserve for costs of hedging contains changes in the fair value of commodity options and in the forward component of currency forward contracts that are recognised in other comprehensive income and amounted to EUR – 0.8 million as at 30 June 2021 (31 December 2020: EUR –1.9 million). In the first half of 2021, the resulting gains and losses totalling EUR –2.5 million were recognised in other comprehensive income (prior year period: EUR – 31.7 million), while gains and losses of EUR 1.6 million (prior year period: EUR 8.9 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 192.8 million (31 December 2020: EUR –42.4 million) includes differences from currency translation. The differences from currency translation of EUR 235.6 million recognised in other comprehensive income in the first half of 2021 (prior year period: EUR 2.4 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.

Financial instruments

Carrying amounts and fair values

The carrying amounts and fair values of the financial instruments as at 31 December 2020 are presented in the table below.

	Carrying amount		Fair value
million EUR	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,362.6	1,362.6	1,362.6
Other assets	318.4	217.5	217.5
Derivative financial instruments (FVTPL)	21.6	21.6	21.6
Embedded derivatives	21.6	21.6	21.6
Derivative financial instruments (Hedge accounting)[1]	14.5	14.5	14.5
Currency forward contracts	5.4	5.4	5.4
Commodity options	9.0	9.0	9.0
Cash and cash equivalents	681.3	681.3	681.3
Liabilities			
Financial debt	3,735.9	3,735.9	3,839.3
Liabilities from lease contracts	1,400.3	1,400.3	–
Trade accounts payable	1,748.1	1,748.1	1,748.1
Derivative financial instruments (FVTPL)	12.8	12.8	12.8
Interest rate swaps	12.8	12.8	12.8
Derivative financial liabilities (Hedge accounting)[1]	22.7	22.7	22.7
Interest rate swaps	22.7	22.7	22.7
Other liabilities	117.9	91.4	91.4
Liabilities from put options[2]	1.6	1.6	2.4
Contract liabilities	545.7	–	–

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 June 2021 are presented in the table below.

	Carrying amount		Fair value
million EUR	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	2,024.0	2,024.0	2,024.0
Other assets	378.2	248.3	248.3
Derivative financial instruments (FVTPL)	3.1	3.1	3.1
Embedded derivatives	3.1	3.1	3.1
Derivative financial instruments (Hedge accounting) [1]	5.1	5.1	5.1
Currency forward contracts	0.2	0.2	0.2
Interest rate swaps	4.9	4.9	4.9
Cash and cash equivalents	2,011.1	2,011.1	2,011.1
Liabilities			
Financial debt	3,387.9	3,387.9	3,470.5
Liabilities from lease contracts	1,906.8	1,906.8	–
Trade accounts payable	2,059.2	2,059.2	2,059.2
Derivative financial instruments (FVTPL)	10.1	10.1	10.1
Interest rate swaps	10.1	10.1	10.1
Derivative financial liabilities (Hedge accounting) [1]	17.1	17.1	17.1
Currency forward contracts	0.6	0.6	0.6
Interest rate swaps	16.6	16.6	16.6
Other liabilities	142.7	116.5	116.5
Liabilities from put options [2]	1.7	1.7	2.4
Contract liabilities	893.1	–	–

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging, are also 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 1.7 million (31 December 2020: EUR 1.7 million) that are allocated to level 1 of the fair value hierarchy, as their prices are quoted on an active market.

Other receivables also contain investments not listed on a stock exchange for which there are no market prices listed on an active market. As there is insufficient information available to determine the fair values of these investments which belong to level 3 of the fair value hierarchy, they are measured at cost of acquisition in the amount of EUR 7.0 million (31 December 2020: EUR 6.0 million) as the best possible estimate of their fair values.

The liabilities from the bond included within financial debt that, due to the quotation on an active market, are allocated to level 1 of the fair value hierarchy, have a fair value of EUR 306.8 million (31 December 2020: EUR 308.0 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 1.1 million (31 December 2020: EUR 1.0 million) was calculated.

The put options recognised under other liabilities, whose fair value was calculated at EUR 2.4 million (31 December 2020: EUR 2.4 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 6 months of 2021.

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. As at 30 June 2021, the Hapag-Lloyd Group held variable-interest loans and cash flow hedges for interest rate risks. These loans are affected by the IBOR reform. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd has adopted the resulting amendments to IFRS 9, IAS 39 and IFRS 7 since 1 January 2020. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The reference interest rate that the hedged variable cash flows are based on is the USD LIBOR, which is set to be replaced by the SOFR. To date, none of the variable loans and hedging instruments has been switched to the new reference interest rate. As at 30 June 2021, the nominal volume of the variable financing was USD 1,878.1 million. The nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 948.2 million.

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

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	30.6.2021	31.12.2020
Financial debt	3,387.9	3,735.9
Liabilities to banks[1]	2,220.2	2,533.5
Bonds	301.0	306.0
Other financial debt	866.6	896.4
Lease liabilities	1,906.8	1,400.3
Total	**5,294.6**	**5,136.2**

[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	30.6.2021	31.12.2020
Denoted in USD (excl. transaction costs)	4,866.0	4,698.1
Denoted in EUR (excl. transaction costs)	405.8	409.4
Denoted in other currencies (excl. transaction costs)	55.4	56.0
Interest liabilities	11.6	17.7
Transaction costs	–44.1	–45.1
Total	**5,294.6**	**5,136.2**

On 6 April 2021, Hapag-Lloyd issued a sustainability-linked euro bond with a total volume of EUR 300.0 million. The bond has a maturity of 7 years and a coupon of 2.5%, which will increase by 0.25% from 15 October 2025 if the sustainability performance targets are not met. The proceeds of the issue were used for the early redemption of Hapag-Lloyd's existing 5.125% euro bond, which had an original maturity in 2024.

Hapag-Lloyd fully prepaid the outstanding loans under 2 vessel financing facilities in an amount of EUR 148.1 million (USD 176.1 million) on 19 April 2021.

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

The Hapag-Lloyd Group had total unused credit lines of EUR 491.9 million as at 30 June 2021 (31 December 2020: EUR 476.5 million).

OTHER NOTES

Legal disputes

There have been no significant changes regarding legal disputes and tax risks in comparison with the 2020 consolidated financial statements.

As at the reporting date, there were EUR 7.7 million in contingent liabilities from legal disputes not classified as probable (31 December 2020: EUR 7.6 million). As at the reporting date, there were EUR 62.8 million in contingent liabilities from tax risks not classified as probable (31 December 2020: EUR 45.7 million). The increase is due to a claim from the tax authorities in India for past financial years.

Other financial obligations

The Hapag-Lloyd Group's other financial obligations as at 30 June 2021 essentially comprised purchase obligations (nominal values)

- for investments in 17 container ships, thereof 12 large container ships, amounting to EUR 2,018.2 million (31 December 2020: EUR 811.1 million),
- for investments in containers amounting to EUR 302.0 million (31 December 2020: EUR 165.9 million),
- for investments in exhaust gas cleaning systems (EGCS) on container ships amounting to EUR 15.7 million (31 December 2020: EUR 4.2 million),
- for investments in equipment for ballast water treatment on container ships amounting to EUR 5.8 million (31 December 2020: EUR 1.5 million),
- for investments in conversion to the use of liquid gas on container ships amounting to EUR 0.4 million (31 December 2020: EUR 3.5 million), and
- for further investments on container ships totalling EUR 9.5 million (31 December 2020: EUR 6.4 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 2020. The contractual relationships with related parties described in the remuneration report from page 121 onwards of the 2020 annual report remain essentially unchanged, but are not of material importance to the Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 8 July 2021, Hapag-Lloyd acquired 100% of the shares and voting rights of the container shipping company NileDutch Investments B.V. (NileDutch). The company, which is based in Rotterdam, is a leading provider of container services to and from West Africa, with an available transport capacity of around 35,000 TEU. The combination of Hapag-Lloyd and NileDutch will further expand Hapag-Lloyd's market position in Africa. The route network to and from Africa will be intensified, and the frequency of shipments will be increased. Africa is a key market for Hapag-Lloyd's strategic growth, and the acquisition of NileDutch is part of Strategy 2023.

The significant assets acquired as a result of the business combination include intangible assets, fixed assets (including right-of-use assets), trade accounts receivable as well as cash and cash equivalents. The liabilities assumed mainly include leasing liabilities, trade accounts payable and contract liabilities.

As the acquisition date was very close to the date on which the interim financial statements were prepared, the initial accounting for the business combination is incomplete and therefore no further disclosures are made.

Hamburg, 3 August 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese | Dr. Maximilian Rothkopf | Joachim Schlotfeldt

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 297 (2) AND SECTION 315 (1) OF THE GERMAN COMMERCIAL CODE (HGB)

We confirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the interim consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the Group and that the interim Group management report includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks that it faces in the remainder of the financial year.

Hamburg, 3 August 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

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