Q4 I FY 2020

Hapag-Lloyd AG

Investor Report

1 January to
31 December 2020

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q4 2020	Q4 2019	FY 2020	FY 2019	Change
Key operating figures						
Total vessels, of which		237	239	237	239	–1%
Own vessels [1]		112	112	112	112	–
Chartered vessels		125	127	125	127	–2%
Aggregate capacity of vessels	TTEU	1,719	1,707	1,719	1,707	1%
Aggregate container capacity	TTEU	2,704	2,540	2,704	2,540	6%
Bunker price (average for the period)	USD/t	313	390	379	416	–9%
Freight rate (average for the period)	USD/TEU	1,163	1,062	1,115	1,072	4%
Transport volume	TTEU	3,142	3,026	11,838	12,037	–2%
Revenue	million USD	4,052	3,460	14,577	14,115	3%
Transport expenses	million USD	–2,736	–2,680	–10,432	–10,867	–4%
EBITDA	million USD	1,038	526	3,082	2,223	39%
EBIT	million USD	536	186	1,501	908	65%
Group profit/loss	million USD	463	85	1,068	418	155%
Cash flow from operating activities	million USD	1,141	544	3,307	2,270	46%
Investment in property, plant and equipment [2]	million USD	431	253	1,584	1,120	41%
Key return figures						
EBITDA margin (EBITDA/revenue)	%	25.6	15.2	21.1	15.8	5.4 ppt
EBIT margin (EBIT/revenue)	%	13.2	5.4	10.3	6.4	3.9 ppt
Key balance sheet figures [3]						
Balance sheet total	million USD	18,640	18,182	18,640	18,182	3%
Equity	million USD	8,253	7,430	8,253	7,430	11%
Equity ratio (equity/balance sheet total)	%	44.3	40.9	44.3	40.9	3.4 ppt
Borrowed capital	million USD	10,387	10,751	10,387	10,751	–3%
Key financial figures [3]						
Financial debt and lease liabilities	million USD	6,305	7,180	6,305	7,180	–12%
Cash and cash equivalents	million USD	836	574	836	574	46%
Net debt (financial debt – cash and cash equivalents)	million USD	5,469	6,605	5,469	6,605	–17%
Gearing (net debt/equity)	%	66.3	88.9	66.3	88.9	–22.6 ppt
Liquidity reserve	million USD	1,421	1,159	1,421	1,159	23%
Number of employees [3]						
Marine personnel		2,134	2,173	2,134	2,173	–2%
Shore-based personnel		10,983	10,823	10,983	10,823	1%
Hapag-Lloyd total		13,117	12,996	13,117	12,996	1%

In individual cases, rounding differences may occur in the tables and charts of this investor report for computational reasons.

1 Including lease agreements with purchase option/obligation at maturity.
2 As of 2019, investments in property, plant and equipment include additions to the Rights of Use according to IFRS 16.
3 The comparison refers to the balance sheet date 31 December 2019.

This report intends to focus on the presentation of the main financial highlights and calculated USD figures of the reporting period. It makes no claim to completeness and does not deal with all aspects and details regarding Hapag-Lloyd. For the full quarterly financial report, please visit our website: https://www.hapag-lloyd.com/en/ir/publications/financial-report.html

MAIN DEVELOPMENTS IN THE 2020 FINANCIAL YEAR

- The 2020 financial year was characterised by the outbreak of the COVID-19 pandemic and the associated volatile development of demand.
- Hapag-Lloyd responded to the challenging environment by launching the Performance Safeguarding Program (PSP) at an early stage in order to mitigate the economic impact of the pandemic.
- In the 2020 financial year, transport volumes declined by 1.6% to 11,838 TTEU. The decline was mainly due to a double-digit slump in demand in the second quarter of 2020, before a steady recovery in cargo volumes occurred in the second half of the year. In the fourth quarter, the transport volume was already 3.8% above the previous year's level.
- The unexpectedly strong recovery in demand led to a significant increase in spot rates for transports from Asia at the end of 2020. Accordingly, the average freight rate improved by 4.0% compared to the same period of the previous year to USD 1,115/TEU (previous year period: USD 1,072/TEU).
- Revenue increased by around 3.3% to USD 14,577.1 million in the 2020 financial year (previous year period: USD 14,114.5 million). The lower transport volume was more than compensated for by the higher freight rate.
- Compared to the decrease in transport volume, transport expenses in 2020 fell disproportionately by 4.0% to USD 10,431.7 million (previous year period: USD 10,867.0 million). This decline is primarily due to lower average bunker prices and active cost management as part of the PSP programme.
- Accordingly, EBITDA of USD 3,081.9 million was significantly above the previous year's figure of USD 2,223.0 million. The EBITDA margin improved by 5.4 percentage points to 21.1% (previous year period: 15.8%).
- EBIT also increased significantly to USD 1,501.0 million (previous year period: USD 908.3 million). This includes USD 154.8 million in expenses which, in addition to the complete write-off of brands, were incurred primarily for impairments as part of the vessel portfolio optimisation in the fourth quarter.
- The improved operating result and lower interest expenses led to a jump in earnings per share to USD 6.02 (previous year period: USD 2.31).
- Free cash flow was again clearly positive at USD 2,762.2 million (previous year period: USD 1,856.9 million). As a result, debt could be further reduced.
- The liquidity reserve at the end of the year was around USD 1.4 billion (31 December 2019: USD 1.2 billion).
- Hapag-Lloyd has got 2021 off to a very positive start due to the exceptionally strong demand, which resulted in a significant increase in freight rate levels. Building on this, the Executive Board of Hapag-Lloyd AG expects that the operative performance indicators EBITDA and EBIT for the current 2021 financial year will both be clearly above the prior-year levels and that, unlike in previous years, a large proportion of the 2021 earnings will already be generated in the first one or two quarters of the year.
- In view of the current above-average high volatility of freight rates, operational challenges due to existing infrastructural bottlenecks, among other things, as well as the unforeseeable further course of the COVID-19 pandemic and its economic effects, the forecast is subject to considerable uncertainty.

This report was published on 18 March 2021.

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1. IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS DEVELOPMENT

Business development in 2020 was significantly influenced by the outbreak of the COVID-19 pandemic. An abrupt and significant reduction in demand in the second quarter of the year was followed by an equally strong recovery in demand during the second half of the year. The resulting economical effects are described in detail in the earnings, financial and net asset position section.

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

This enabled the Company to maintain business operations to a very large extent, despite comprehensive protective measures and extensive office closures. At the peak of restrictions, more than 90% of shore-based employees were working from home. This was achieved by the creation of additional IT capacity worldwide. The safety of crews on board ships is also a top priority for the executive management. Hapag-Lloyd has therefore also put in place additional safety measures on board its ships to ensure the safety of its crews as best it can. Shipping operations have largely continued without any significant disruptions. Worldwide travel restrictions and local restrictions are continuing to prevent crew changes, or to make them much more difficult. Hapag-Lloyd is working closely with local authorities and other market participants to improve the situation.

In addition to securing the current operational business, the second focus was to minimise the negative effects of the decline in demand in connection with the COVID-19 pandemic and to ensure the financial solidity of the Company at all times. To safeguard profitability and liquidity, a comprehensive package of measures under the project name Performance Safeguarding Program (PSP) was developed and implemented. Among other initiatives, the PSP includes measures for cost savings, the review of all investments, and measures to increase the liquidity framework.

In cooperation with the other THE Alliance partners, the service network for the major East-West routes has been revised and individual services have been temporarily merged or cancelled. These measures enabled the alliance partners to ensure adequate utilisation of their ships and thus save costs – particularly in the second quarter – despite the double-digit percentage fall in demand. Due to the significant increase in demand in the second half of the year, capacity has progressively increased. At the same time, Hapag-Lloyd has also identified additional cost-cutting measures to save on container handling and transport, equipment (mainly containers), ship systems and overheads. The temporary low price of charter vessels was used to renegotiate charter contracts, adjusting durations and conditions at the same time. The implementation of the capacity-related and cost-cutting measures described above led to savings in the mid three-digit US dollar million range in comparison to the originally planned cost base.

Liquidity was significantly increased through the expanded use of the programme to securitise trade accounts, the drawing of credit lines and the refinancing of ships and containers. In addition, the investment budget was reviewed on an ongoing basis and planned investments prioritised. As the business development turned out to be better than had been predicted when the pandemic broke out, liquidity was slightly reduced from the second half of 2020 onwards in order to reduce liabilities further. Despite this, liquidity still stood at USD 1.4 billion at the end of 2020, which is above the previous year level of USD 1.2 billion.

2. MAIN VALUE DRIVERS OF THE CONTAINER SHIPPING SECTOR FOR 2020

2.1. 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' transport volumes.

In spring of 2020, the effects of the COVID-19 pandemic were initially largely restricted to China. Chinese economic output fell sharply by 6.8% in the first quarter of 2020. However, the Chinese office for national statistics reported strong growth in the following quarters. In the fourth quarter, growth was 6.5% higher than in the previous year. Over the year as a whole, the Chinese economy grew by 2.3% in 2020 compared to the previous year. For the rest of the world, the economic effects of the pandemic were significant, particularly in the second quarter of 2020. The stringent containment measures caused economic output in the EU to plummet by 11.4% compared with the first quarter 2020, the sharpest decline since records began in 1995. The USA also recorded a significant decrease in the same period, although it was not as sharp, at around 7.1% (annualised 31.4%). Following a noticeable economic recovery in the third quarter of 2020, rising numbers of infections in Europe and the USA led again to a tightening of restrictions designed to prevent the spread of the virus, with a resulting negative impact on the economy. The statistics agencies in the EU and the USA reported that their economies contracted by 6.4% and 3.5% respectively in 2020 compared with the previous year.

The international movement of goods was affected by the containment measures to an even greater extent. According to the national statistics agencies in the EU and the USA, the import and export of goods plummeted by more than 20% in April and May 2020, although they subsequently recovered slightly. For 2020 as a whole, the decline in the USA and the EU was around 9.2% and 10.8% respectively.

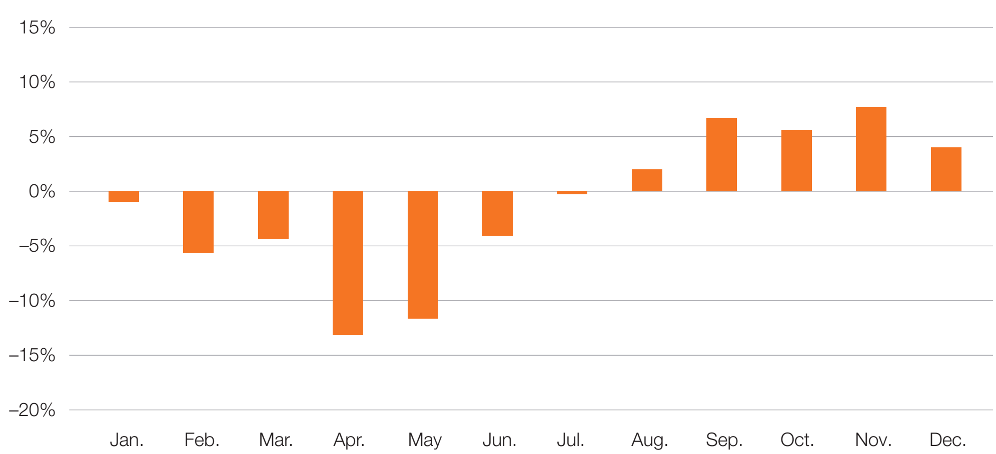
To reduce the economic impact of the COVID-19 pandemic, more than 190 countries as well as national and supranational central banks have adopted fiscal and monetary measures. The US Federal Reserve and the European Central Bank have cut their key interest rates and increased their bond purchasing. Fiscal measures include direct subventions, (interest-free) loans and tax relief for companies and private individuals.

The price of oil proved to be very volatile, particularly in the first half of 2020. While the price of Brent Crude was more than USD 60 per barrel at the start of the year, this plummeted by over 60% to around USD 20 by the end of April 2020, before stabilising at around USD 40. The oil price rose to USD 51.80 at the end of the year (previous year: USD 66.00), buoyed by the prospect of a swift end to the pandemic thanks to the development of vaccines, and a consequent increase in demand for oil.

2.2. SECTOR-SPECIFIC CONDITIONS

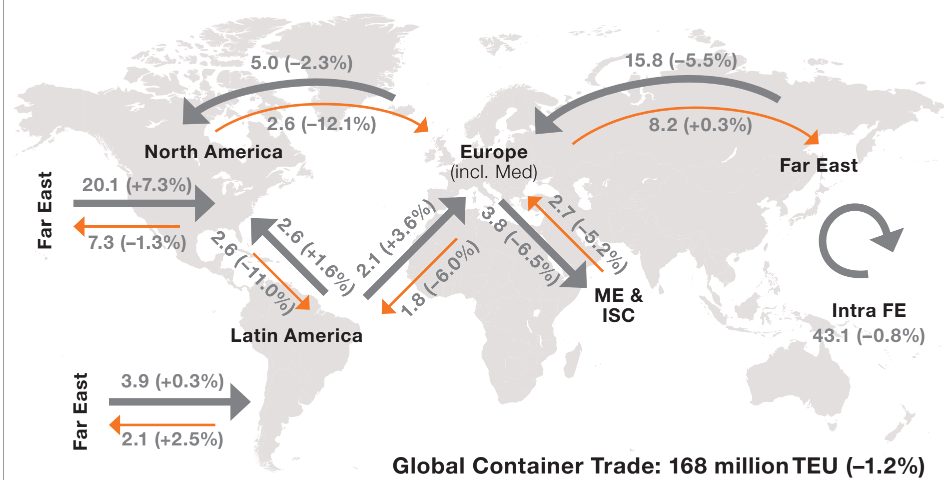
Global container transport volumes varied wildly over the course of the year. As a consequence of the measures introduced worldwide to combat the COVID-19 pandemic, global container shipments contracted sharply in April and May 2020, by 13% and 12% respectively, before demand began to recover gradually over the summer months. From September at the latest, a combination of recovery effects and increased demand for consumer goods began to produce strong growth in container transport volumes, particularly for routes from Asia to North America and Europe. This in turn led to a shortage of containers for export in China, which itself had a negative effect on transport volumes. For the year as a whole, the total volume of worldwide container shipments contracted by 1.2% in 2020 (CTS, February 2021). The sharpest falls in volumes during this period were recorded in the Atlantic, while volumes on the Transpacific trade actually increased compared to 2019.

Monthly growth in global container transport volumes in 2020 compared to the previous year in %



Source: CTS (February 2021)

Transport volume and growth rates for global container traffic per trade (volume 2020 in million TEU; in brackets: 2020 vs. 2019 in %)



Source: CTS (February 2021)

Volatile demand was also reflected in the number of idle ships. This capacity rose to around 2.7 million TEU at the end of May 2020 (Alphaliner Weekly, June 2020), which corresponded to approximately 12% of the global fleet. Due to the subsequent rise in demand for container transport, suspended services have been progressively reinstated since the summer, with idle ships entering service once again. At the end of the year 2020, the capacity of idle ships was approximately 0.6 million TEU (Alphaliner Weekly, January 2021). This amounted to approximately 2.7% of the global fleet.

Based on figures from MDS Transmodal, a total of 124 container ships, with a transport capacity of approximately 0.8 million TEU, were placed into service in 2020 (prior year period: 126 ships with a transport capacity of approximately 1.0 million TEU). Scrapping of obsolete ships over the same period was approximately 189,000 TEU, which is approximately 3.3% above the value for the previous year (prior-year period: approximately 183,000 TEU). Accordingly, the net growth of the container shipping fleet was approximately 641,000 TEU, taking the total to 23.6 million TEU. In the previous year, growth was 796,000 TEU (MDS Transmodal, January 2021).

Over the course of 2020, orders were placed for the construction of 100 container ships with a transport capacity totalling approximately 990,000 TEU, an increase of around 49% compared with the prior year period (Clarksons Research, January 2021). The capacity of the ships ordered was approximately 2.4 million TEU at the end of 2020 (MDS Transmodal, January 2021). The volume of orders in proportion to the capacity of the global container fleet stood at approximately 10%, and thus remains significantly below both the peak of approximately 61% reached in 2007 and the average over the last 5 years (approximately 14%).

The bunker price proved to be very volatile, particularly in the first half of 2020. Low-sulphur bunker, the fuel predominantly used since the start of 2020, cost around USD 560/t on the year's first day of trading (MFO 0.5%, FOB Rotterdam). The bunker price decreased significantly during the first half of the year, due to the global decline in demand and a simultaneous sharp fall in the price of oil caused by a dispute about production volumes among leading oil-producing countries. As a result, it briefly stood at around USD 135/t at the end of April 2020 (MFO 0.5%, FOB Rotterdam). However, halfway through the year, prices rose steeply again. During the second half of the year the bunker price was relatively stable, and generally remained around USD 300/t until prices rose again slightly at the end of the year. As at the end of December 2020, low-sulphur bunker was trading in Rotterdam at around USD 367/t (MFO 0.5%, FOB Rotterdam).

Due to the introduction of the new fuel type and differing supply situations at the various ports, there were clear price differences at the start of the year for MFO 0.5% bunker. In Singapore, for example, the price at the start of the year was around USD 700/t, which was more than USD 140/t higher than the price in Rotterdam. During the year, the price difference normalised again and was only around USD 20/t at the end of December 2020.

3. STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET

As at 31 December 2020, the Hapag-Lloyd fleet comprised a total of 237 container ships (previous year: 239). 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 31 December 2020 was 1,718,771 TEU, which amounts to a slight increase of 12,115 TEU (0.7%) on the figure for the previous year (1,706,656 TEU). Based on the TEU capacities, around 61% of the fleet was owned by the Group as at 31 December 2020 (previous year: approximately 62%).

As at the reporting date, the average age of the total Hapag-Lloyd fleet was 9.5 years (capacity weighted, previous year: 8.9). This is slightly below the average of the 10 biggest container liner shipping companies, which is 9.6 years (previous year: 9.0 years; source: MDS Transmodal). The average size of ships in the Hapag-Lloyd Group fleet as at 31 December 2020 was approximately 7,252 TEU (previous year: 7,141 TEU). This figure was approximately 15% above the comparable average of the 10 biggest container liner shipping companies worldwide as at 31 December 2020, which was 6,317 TEU (previous year: 6,133 TEU; source: MDS Transmodal).

In order to improve its competitiveness in Europe-Far East trade, on 23 December 2020, Hapag-Lloyd signed a contract with Korea's Daewoo Shipbuilding & Marine Engineering for the construction of 6 large new container ships. The ships will be sized at 23,500 TEU, and will be delivered to Hapag-Lloyd between April and December 2023. The total value of the investment will be approximately USD 1 billion. The relevant funding has already been secured. 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 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 20%.

As at the reporting date, Hapag-Lloyd owned or rented 1,634,911 containers (previous year: 1,545,587) with a capacity of 2,703,943 TEU for shipping cargo (previous year: 2,540,199 TEU). Around 55% of containers (capacity-weighted) were owned by the Group as at 31 December 2020 (previous year: around 54%). With a fleet of around 121,000 reefer containers with a capacity of approximately 233,000 TEU (previous year: approximately 107,000 containers; 206,000 TEU), the Executive Board believes Hapag-Lloyd is in a solid competitive position in the attractive refrigerated shipping market segment. To facilitate further growth in the strategically important reefer segment, Hapag-Lloyd ordered 12,875 new reefer containers in 2020. These new containers were all delivered in the same year. Work to install the latest IOT (Internet of Things) monitoring technology across the reefer fleet continued. The resulting customer products are marketed under the name Hapag-Lloyd LIVE and include a real-time GPS location, information on the temperature inside the container and the download of the data for further use.

Structure of Hapag-Lloyd's ship and container fleets

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Number of vessels	**237**	**239**	**227**	**219**
thereof				
Own vessels[1]	112	112	112	116
Chartered vessels	125	127	115	103
Aggregate capacity of vessels (TTEU)	**1,719**	**1,707**	**1,643**	**1,573**
Aggregate container capacity (TTEU)	**2,704**	**2,540**	**2,559**	**2,349**
Number of services	**122**	**121**	**119**	**120**

[1] Including lease agreements with a purchase option / obligation at the end of the term

As at 31 December 2020, Hapag-Lloyd had chartered no ships for repositioning empty containers (previous year: 5 ships with a transport capacity of approximately 16,500 TEU). However, in the fourth quarter of 2020, 9 ships with a total capacity of around 30,000 TEU were deployed to transport empty containers in order to counter the tight container availability in Asia as far as possible. The ships are not deployed in a liner service and are therefore not included in the display of the fleet structure.

The efficiency of Hapag-Lloyd's container ship fleet is reflected in the bunker consumption data. While volumes transported fell by 1.6%, there was a disproportionately large reduction in absolute bunker consumption compared to 2019. It fell by 6.1% in the 2020 financial year, to 4,108,666 tonnes. Bunker consumption per volume transported therefore decreased again from 0.36 t / TEU in the previous year to 0.35 t / TEU. Compared with 2009, bunker consumption per TEU has been cut by approximately 42% (2019: approximately 40%). Bunker consumption per slot (as measured by the average annual container storage space) was also reduced again to 2.4 t / slot (prior year period: 2.6 t / slot).

Bunker consumption of the Hapag-Lloyd Group

Tons (t)	2020	2019
MFO (High Sulphur)	247,933	3,658,488
MDO, MFO (Low Sulphur)	3,860,733	718,066
Total bunker consumption	**4,108,666**	**4,376,554**

4. HAPAG-LLOYD: GROUP EARNINGS POSITION

4.1. GROUP EARNINGS POSITION

The 2020 financial year was dominated by the outbreak and global spread of the COVID-19 pandemic, the corresponding cost management implemented under the PSP programme, and a comparatively low average bunker price alongside an increase in freight rates during the year.

After falling sharply in the second quarter, transport volumes recovered as the year continued – especially in the fourth quarter – to a greater extent than had been expected initially. However, at –1.6%, transport volumes were still down slightly on the previous year. By contrast, revenue was 3.3% higher than in previous year. A slight rise in freight rates, a moderate decrease in bunker prices and active cost reduction under the PSP programme all had a positive impact on earnings in the financial year.

As a result of the factors mentioned above, Hapag-Lloyd's earnings before interest, taxes, depreciation and amortisation (EBITDA) of USD 3,081.9 million in the 2020 financial year were significantly up on the previous year (prior year period: USD 2,223.0 million). Its earnings before interest and taxes (EBIT) came to USD 1,501.0 million (prior year period: USD 908.3 million) following the optimisation of the vessel portfolio in December with a valuation effect of USD 112.8 million. The Group profit for 2020 improved significantly from USD 417.9 million in the prior year period to USD 1,067.6 million.

4.2. CONSOLIDATED INCOME STATEMENT

million USD	Q4 2020	Q3 2020	Q4 2019	QoQ Change	YoY change	FY 2020	FY 2019	Change
Revenue	**4,052.5**	**3,519.4**	**3,460.4**	**15.1%**	**17.1%**	**14,577.1**	**14,114.5**	**3.3%**
Transport expenses	–2,735.7	–2,486.1	–2,679.6	10.0%	2.1%	–10,431.7	–10,867.0	–4.0%
Personnel expenses	–203.5	–201.1	–197.4	1.2%	3.1%	–779.5	–764.0	2.0%
Depreciation, amortisation and impairment	–502.3	–354.6	–339.7	41.7%	47.8%	–1,580.9	–1,314.7	20.2%
Other operating result	–82.4	–86.5	–65.5	4.8%	–25.8%	–319.2	–300.9	–6.1%
Operating result	**528.6**	**391.1**	**178.1**	**35.2%**	**196.7%**	**1,465.9**	**867.8**	**68.9%**
Share of profit of equity-accounted investees	8.7	10.6	8.6	–17.8%	1.0%	36.6	39.7	–7.9%
Result from investments	–1.2	0.1	–0.7	n.m.	74.7%	–1.4	0.7	n.m.
Earnings before interest and tax (EBIT)	**536.1**	**401.7**	**186.1**	**33.4%**	**188.1%**	**1,501.0**	**908.3**	**65.3%**
Interest result	–58.6	–93.9	–86.9	–37.6%	–32.5%	–377.2	–444.1	–15.1%
Other financial items	–2.2	–4.8	–0.5	–54.2%	n.m.	–4.0	1.8	n.m.
Income taxes	–12.5	–12.8	–14.0	–2.1%	–10.9%	–52.3	–48.1	8.8%
Group profit/loss	**462.8**	**290.3**	**84.6**	**59.4%**	**446.9%**	**1,067.6**	**417.9**	**155.4%**

4.3. FREIGHT RATE PER TRADE

The average freight rate in the 2020 financial year was USD 1,115 / TEU, which was USD 43 / TEU, or 4.0%, up on the prior year period (USD 1,072 / TEU).

The freight rate increase was primarily due to strong demand as a result of the coronavirus for consumer goods from Asia in the second half of the year and in particular at the end of the year. This unexpectedly strong demand for container transport led to a sharp rise in spot rates for exported goods from Asia and in particular from China.

Freight rate per trade

USD / TEU	Q4 2020	Q3 2020	Q4 2019	QoQ change	YoY change	FY 2020	FY 2019	Change
Atlantic	1,348	1,374	1,432	–1.9%	–5.9%	1,383	1,389	–0.4%
Transpacific	1,673	1,476	1,290	13.3%	29.7%	1,467	1,318	11.3%
Far East	1,006	963	873	4.5%	15.2%	979	910	7.6%
Middle East	883	823	735	7.3%	20.1%	837	744	12.4%
Intra-Asia	725	533	537	36.0%	35.0%	605	541	11.7%
Latin America	1,130	1,068	1,143	5.8%	–1.1%	1,131	1,153	–1.9%
EMA (Europe, Mediterranean, Africa)	1,101	1,028	1,043	7.1%	5.6%	1,051	1,046	0.5%
Total	**1,163**	**1,084**	**1,062**	**7.3%**	**9.5%**	**1,115**	**1,072**	**4.0%**

4.4. TRANSPORT VOLUME PER TRADE

The transport volume in the 2020 financial year decreased by 199 TTEU to 11,838 TTEU compared with the prior year period (prior year period: 12,037 TTEU). This equates to a fall of 1.6%. The decline was primarily attributable to the second quarter, when the global effects of the political measures to combat the COVID-19 pandemic were reflected in transport volumes on all trades. The transport volume then continuously improved as 2020 progressed and, at 3.8% in the fourth quarter, was up slightly on the prior year period, as was the case in the first quarter of 2020.

The Far East, Latin America and Middle East trades in particular contributed to the rise in transport volumes in the fourth quarter of 2020. This was due to increased demand for sea freight and container transport, primarily driven by a recovery effect from the previous drop in volumes related to the COVID-19 pandemic.

By contrast, transport volumes on the Intra-Asia trade were significantly down on the previous year's level due to cancelled voyages and network optimisations in the fourth quarter.

The decline in transport volumes on the Atlantic and Transpacific trade were also attributable to the effects of the COVID-19 pandemic, although there were signs of a slow recovery on these trades too in the fourth quarter of 2020. On the EMA (Europe – Mediterranean – Africa) trade, there were no significant changes compared with the previous year.

Transport volume per trade

TTEU	Q4 2020	Q3 2020	Q4 2019	QoQ change	YoY change	FY 2020	FY 2019	Change
Atlantic	468	426	489	9.8%	–4.3%	1,817	1,960	–7.3%
Transpacific	483	478	489	1.1%	–1.2%	1,851	1,945	–4.8%
Far East	643	581	557	10.5%	15.5%	2,286	2,327	–1.8%
Middle East	395	382	361	3.5%	9.5%	1,476	1,391	6.1%
Intra-Asia	192	216	235	–11.2%	–18.3%	831	900	–7.7%
Latin America	789	689	725	14.6%	8.8%	2,889	2,837	1.8%
EMA (Europe, Mediterranean, Africa)	173	170	171	1.5%	1.1%	689	676	2.0%
Total	**3,142**	**2,942**	**3,026**	**6.8%**	**3.8%**	**11,838**	**12,037**	**–1.6%**

4.5. REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 462.5 million to USD 14,577.1 million in the 2020 financial year (prior year period: USD 14,114.5 million), representing an increase of 3.3%.

The main reason for this was the rise in average freight rates of 4.0% compared with the previous year. By contrast, the year-on-year fall in the transport volume of –1.6% counteracted the increase in revenue.

Revenue per trade

million USD	Q4 2020	Q3 2020	Q4 2019	QoQ Change	YoY change	FY 2020	FY 2019	Change
Atlantic	630.9	585.3	700.3	7.8%	–9.9%	2,512.7	2,722.6	–7.7%
Transpacific	808.4	704.9	630.6	14.7%	28.2%	2,716.2	2,564.5	5.9%
Far East	646.9	560.2	485.9	15.5%	33.1%	2,238.9	2,117.7	5.7%
Middle East	348.7	314.2	265.0	11.0%	31.6%	1,234.5	1,035.4	19.2%
Intra-Asia	138.9	115.0	126.0	20.9%	10.3%	502.1	487.4	3.0%
Latin America	891.8	735.3	828.9	21.3%	7.6%	3,267.7	3,270.7	–0.1%
EMA (Europe, Mediterranean, Africa)	190.0	174.9	178.0	8.6%	6.7%	724.5	707.1	2.5%
Revenue not assigned to trades	396.8	329.6	245.8	20.4%	61.5%	1,380.5	1,209.1	14.2%
Total	**4,052.5**	**3,519.4**	**3,460.4**	**15.1%**	**17.1%**	**14,577.1**	**14,114.5**	**3.3%**

4.6. OPERATING EXPENSES

Transport expenses

In the 2020 financial year, transport expenses fell by USD 435.4 million to USD 10,431.7 million (prior year period: USD 10,867.0 million). This represents a drop of 4.0%. This decline was primarily due to the volume-related decrease in expenses, the lower average bunker consumption price compared with the previous year and active cost management under the PSP programme.

The decline in expenses for fuel of USD 213.7 million resulted primarily from the decrease in the average bunker consumption price compared with the previous year as well as from the 1.6% fall in the transport volume.

Hapag-Lloyd's bunker consumption price of USD 379 / t in the 2020 financial year was down USD 37 / t (–8.9%) on the figure for the corresponding prior year period of USD 416 / t. While the price for low-sulphur fuel remained very high at the start of the reporting period (MFO 0.5%, FOB Rotterdam, around USD 560 / t), it decreased significantly during the first half of 2020 due to a global decline in demand and a simultaneous dispute about production volumes among leading oil-producing countries. As a result, it briefly stood at around USD 135 / t at the end of April (MFO 0.5%, FOB Rotterdam). However, bunker prices subsequently rose again and remained at a relatively stable level of around USD 300 / t from the third quarter of 2020. The price increased again towards the end of the year, with low-sulphur fuel costing approximately USD 367 / t at the end of December (MFO 0.5%, FOB Rotterdam). The decrease in the bunker consumption price was partly offset by the required use of the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020.

The decrease in container handling expenses of USD 127.8 million to USD 5,383.2 million resulted primarily from a volume-related decline, lower hinterland transport expenses and active cost management under the PSP programme.

The fall in container and repositioning expenses of USD 53.9 million to USD 1,295.1 million was essentially due to active cost management under the PSP programme, the resulting decline in expenses for loading and unloading empty containers at the terminals and the optimisation of container utilisation on voyages from Europe and to Asia in the fourth quarter of 2020.

The decrease in expenses for vessels and voyages (excluding bunker) of USD 113.4 million to USD 2,089.5 million resulted primarily from active cost management under the PSP programme. Suspended services, a reduced number of voyages, network optimisations and a higher percentage of vessels chartered in on a medium-term basis compared with the previous year were the main reasons for the decrease in expenses.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2020 financial year came to 28.4% (prior year period: 23.0%).

Personnel expenses
Personnel expenses rose by USD 15.4 million (2.0%) to USD 779.5 million in the 2020 financial year (prior year period: USD 764.0 million). This was primarily due to an increase in the number of employees compared with the previous year, higher bonuses for the 2020 financial year and special COVID-19 payments to employees.

The Group employed an annual average of 13,085 people (prior year period: 12,905 people). The personnel expenses ratio (measured in terms of revenue) decreased compared to the previous year from 5.4% to 5.3%.

Depreciation, amortisation and impairment
In the 2020 financial year, depreciation and amortisation came to USD 1,580.9 million (prior year period: USD 1,314.7 million). The year-on-year increase in depreciation and amortisation resulted essentially from scheduled depreciation associated with the recognition of retrofittings due to IMO 2020 as well as from a rise in the percentage of vessels 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 USD 602.7 million (prior year period: USD 514.1 million). There were also impairments due to the optimisation of the vessel portfolio in the amount of USD 112.8 million (prior year period: USD 0.0 million) and the additional depreciation from the abbreviated scheduled depreciation of the UASC and CSAV brands in the amount of USD 42.0 million (prior year period: USD 0.0 million).

Other operating result

The other operating result of USD –319.2 million (prior year period: USD –300.9 million) comprised the net balance of other operating income and expenses. Other operating expenses came to a total of USD 398.1 million in 2020 (prior year period: expenses of USD 391.8 million). This mainly included IT and communication costs (USD 200.7 million; prior year period: USD 174.3 million), administrative expenses (USD 38.5 million; prior year period USD 46.8 million) and consultancy fees (USD 37.3 million; prior year period: USD 40.1 million). The other operating income of USD 78.9 million (prior year period: USD 90.9 million) included in the figure resulted primarily from the release of provisions (USD 15.8 million; prior year period: USD 12.8 million) and the long term disposal of assets (USD 14.9 million; prior year period: USD 22.6 million).

Share of profit of equity-accounted investees

The share of the profit of equity-accounted investees fell by USD 3.1 million to USD 36.6 million in the 2020 financial year. The reason for the decrease was a lower pro rata result from the investment in HHLA Container Terminal Altenwerder GmbH compared with the prior year period.

Operating expenses

million USD	Q4 2020	Q3 2020	Q4 2019	QoQ Change	YoY change	FY 2020	FY 2019	Change
Transport expenses	**–2,735.7**	**–2,486.1**	**–2,679.6**	**10.0%**	**2.1%**	**–10,431.7**	**–10,867.0**	**–4.0%**
thereof								
Bunker	–340.1	–315.7	–433.6	7.7%	–21.6%	–1,606.2	–1,819.8	–11.7%
Handling and haulage	–1,454.2	–1,289.6	–1,362.4	12.8%	6.7%	–5,383.2	–5,511.0	–2.3%
Equipment and repositioning	–351.9	–324.1	–339.0	8.6%	3.8%	–1,295.1	–1,349.0	–4.0%
Vessels and voyages (excluding bunker)	–570.7	–502.2	–552.6	13.6%	3.3%	–2,089.5	–2,202.9	–5.1%
Pending transport expenses[1]	–18.7	–54.4	8.0	n.m.	n.m.	–57.7	15.7	n.m.
Personnel expenses	–203.5	–201.1	–197.4	1.2%	3.1%	–779.5	–764.0	2.0%
Depreciation, amortisation and impairments	–502.3	–354.6	–339.7	41.7%	47.8%	–1,580.9	–1,314.7	20.2%
Other operating result	–82.4	–86.5	–65.5	4.8%	25.8%	–319.2	–300.9	–6.1%
Total operating expenses	**–3,523.9**	**–3,128.3**	**–3,282.3**	**12.6%**	**7.4%**	**–13,111.2**	**–13,246.7**	**–1.0%**

[1] 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

4.7. UNIT COSTS

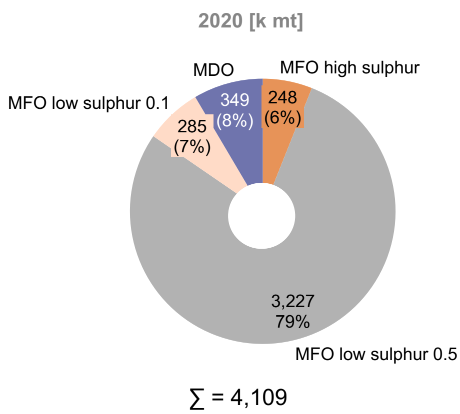
USD/TEU	Q4 2020	Q3 2020	Q4 2019	QoQ Change	YoY change	FY 2020	FY 2019	Change
Transport expenses	**–871**	**–845**	**–886**	**3.0%**	**–1.7%**	**–881**	**–903**	**–2.4%**
thereof								
Bunker	–108	–107	–143	0.9%	–24.5%	–136	–151	–10.3%
Handling and haulage	–463	–438	–450	5.6%	2.8%	–455	–458	–0.7%
Equipment and repositioning	–112	–110	–112	1.6%	–0.0%	–109	–112	–2.4%
Vessel and voyage (excl. bunker)	–182	–171	–183	6.4%	–0.6%	–177	–183	–3.6%
Pending trans-port expenses	–6	–18	3	n.m.	n.m.	–5	1	n.m.
Depreciation, amortisation and impairment (D&A)	**–160**	**–121**	**–112**	**32.6%**	**42.4%**	**–134**	**–109**	**22.3%**
Transport expenses incl. D&A	**–1,030**	**–966**	**–998**	**6.7%**	**3.3%**	**–1,015**	**–1,012**	**0.3%**

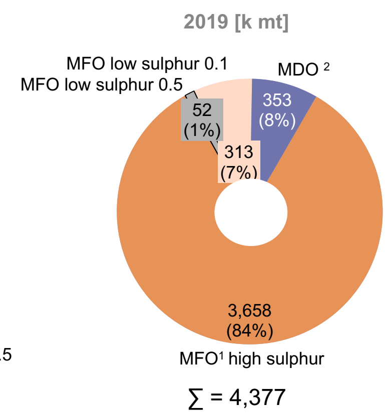
Transport expenses per unit (incl. D&A) in the financial year 2020 were similar to the same period last year. However, the quarterly development was very different mainly due to an uneven demand situation in the course of the year and the recognition of impairment charges in the second and fourth quarter. On an annual basis, “Bunker” costs decreased by 10.3% or USD 16/TEU on the back of lower average bunker prices and slightly improved efficiency. Costs for “Handling and Haulage” as well as “Equipment and Repositioning” were almost flat year-on-year. A lower share of inland business and active cost management (PSP) were offset by rising transshipment, storage and repositioning costs as a direct consequence of port congestions towards the year-end. “Vessel and voyage” costs decreased by –3.6% (USD 7/TEU) as a result of an improved vessel utilisation and a higher share of charter vessels considered as Right of Use assets (RoU) with a respective impact on depreciation. “Depreciation and amortisation”, in turn, increased by 22.3% (USD 24/TEU). This development was partly driven by the recognition of ship retrofittings due to IMO 2020 regulation as well as the aforementioned shift of vessel and voyage expenses to depreciation as some short-term vessel charter agreements were renewed at lower rates but for a longer duration. In addition, impairment losses in the context of the ship portfolio optimisation and the complete write-down of the brands „UASC“ and „CSAV“ had a negative impact of in total USD 14/TEU on D&A.

Bunker consumption development

Bunker consumption totalled approximately 4.1 million tonnes in the full year 2020 and was therefore around 6.1% lower than in the previous year (2019: approximately 4.4 million tonnes). This decline is essentially attributable to lower transport volumes and higher vessel utilisation. Due to the new requirement to reduce sulphur emissions from 1 January 2020, the percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) increased to 94.0% (2019: around 16.0%).

The efficiency of the container ship fleet is also reflected in the bunker consumption data per slot (as measured by the average annual container storage space) of 2.4 tonnes (2019: 2.6 tonnes). In terms of transported TEU, bunker consumption decreased to 0.35 tonnes per TEU compared with the previous year (2019: 0.36 tonnes per TEU).





1 MFO = Marine Fuel Oil;
2 MDO = Marine Diesel Oil

4.8. EARNINGS POSITION

EBIT and EBITDA margin

million USD	Q4 2020	Q3 2020	Q4 2019	QoQ change	YoY change	FY 2020	FY 2019	Change
Revenue	4,052.5	3,519.4	3,460.4	15.1%	17.1%	14,577.1	14,114.5	3.3%
EBIT	536.1	401.7	186.1	33.4%	188.1%	1,501.0	908.3	65.3%
EBITDA	1,038.4	756.3	525.8	37.3%	97.5%	3,081.9	2,223.0	38.6%
EBIT margin	13.2%	11.4%	5.4%	1.8 ppt	7.9 ppt	10.3%	6.4%	3.9 ppt
EBITDA margin	**25.6%**	**21.5%**	**15.2%**	**4.1 ppt**	**10.4 ppt**	**21.1%**	**15.8%**	**5.4 ppt**

Operating result

In the 2020 financial year, earnings before interest and taxes (EBIT) amounted to USD 1,501.0 million. They were therefore well above the corresponding figure in the prior year period (USD 908.3 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 3,081.9 million in the 2020 financial year (prior year period: USD 2,223.0 million).

Interest result

The interest result in the 2020 financial year was USD –377.2 million (prior year period: USD –444.1 million). The decrease in interest expenses compared with the previous year was primarily due to the reduction in interest expenses for the early repayment of the bond in February and June 2019 and the partial repayment of the bond in November 2020 in the amount of USD 25.3 million. In addition, further reductions in interest expenses in relation to bank financing in the amount of USD 69.6 million which were primarily due to the past repayment of debt helped to improve the other interest result.

By contrast, the profit or loss effect of the embedded derivative in the amount of USD –4.2 million (prior year period: USD 26.4 million), which comprises the derecognition of the fair value of USD –9.8 million associated with the partial repayment of the bond in November (prior year period: USD –11.2 million from the bond repayments in February and June 2019) and a valuation effect of USD 5.6 million (prior year period: USD 37.6 million), reduced the interest result.

Income taxes

The rise in income taxes of USD 4.2 million to USD 52.3 million was primarily due to exchange rate-related effects on deferred taxes and to income in 2019 from higher deferred tax assets of loss carry-forwards. The increase was offset by a fall in current income taxes of USD 7.3 million.

Group profit

Overall, Group profit was significantly up on the previous year at USD 1,067.6 million (prior year period: USD 417.9 million). Group profit consists of the earnings attributable to shareholders of the parent company of USD 1,057.7 million (prior year period: USD 405.2 million) and the earnings attributable to non-controlling interests of USD 9.8 million (prior year period: USD 12.7 million).

5. GROUP NET ASSET POSITION

Group net asset position

million USD	31.12.2020	31.12.2019
Assets		
Non-current assets	15,508.3	15,501.0
of which fixed assets	15,413.3	15,393.6
Current assets	3,131.9	2,680.7
of which cash and cash equivalents	836.4	574.1
Total assets	**18,640.2**	**18,181.7**
Equity and liabilities		
Equity	8,252.8	7,430.3
Borrowed capital	10,387.4	10,751.4
of which non-current liabilities	5,731.3	6,269.4
of which current liabilities	4,656.1	4,482.0
of which financial debt and lease liabilities	6,305.1	7,179.6
of which non-current financial debt and lease liabilities	5,119.6	5,786.6
of which current financial debt and lease liabilities	1,185.5	1,393.0
Total equity and liabilities	**18,640.2**	**18,181.7**

As at 31 December 2020, the Group’s statement of financial position total was USD 18,640.2 million, which is USD 458.5 million higher than the figure at year-end 2019. While the carrying amount of non-current assets was almost unchanged, current assets increased due to a higher cash balance as well as higher trade accounts receivables towards the year end as a result of rising transport volumes.

Within non-current assets, the carrying amounts of fixed assets increased by a total of USD 19.7 million to USD 15,413.3 million (31 December 2019: USD 15,393.6 million). Investments in fixed assets in the amount of USD 1,598.7 million (prior year period: USD 1,127.6 million), including newly received rights of use for lease assets in the amount of USD 1,018.8 million (prior year period: USD 681.4 million), were almost entirely offset by depreciation and amortisation expenses in the amount of USD 1,580.9 million (prior year period USD: 1,314.7 million), including impairments on vessels in the amount of USD 112.8 million (prior year period: USD 0.0 million). In addition, the depreciation and amortisation charge includes an amount of USD 602.7 million (prior year period: USD 514.0 million) for the amortisation of capitalised rights of use relating to lease assets.

Cash and cash equivalents increased by USD 262.2 million to USD 836.4 million compared to the end of 2019 (USD 574.1 million). In addition to the positive operating cash flow, the main reasons for this were the surplus proceeds from sale and leaseback transactions in the amount of USD 756.8 million to secure the liquidity under the PSP programme.

On the liabilities side, equity (including non-controlling interests) grew by USD 822.5 million to a total of USD 8,252.8 million. This increase was mainly due to the Group profit recognised in retained earnings in the amount of USD 1,067.6 million. The dividends paid to shareholders from retained earnings in the amount of USD 219.0 million (prior year period: USD 29.8 million) had the opposite effect. As at 31 December 2020, the equity ratio was 44.3% (31 December 2019: 40.9%).

The Group’s borrowed capital has fallen by USD 364.0 million to USD 10,387.4 million since the 2019 consolidated financial statements were prepared, which was mainly due to redemption payments for financial debt for vessels in the amount of USD 1,869.5 million (prior year period: USD 721.5 million) and the early partial repayment of a EUR bond in the amount of USD 179.8 million (prior year period: USD 511.3 million). This contrasted with an increase in financial debt in connection with sale and leaseback transactions in the amount of USD 991.9 million (prior year period USD 417.4 million). Additional lease liabilities of USD 966.7 million (prior year period USD 662.1 milion) contrasted with debt repayments of USD 587.0 million (prior year period USD 511.3 million). The borrowings from revolving credit lines drawn down during the year to secure the liquidity under the PSP programme were repaid in full in the third quarter of 2020.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 31 December 2020 was USD 5,468.8 million (31 December 2019: USD 6,605.4 million).

6. GROUP FINANCIAL POSITION

6.1. DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Development of liquidity reserve

million USD	Q4 2020	Q4 2019	FY 2020	FY 2019
Cash and cash equivalents beginning of the period	961.1	635.0	574.1	752.4
Unused credit lines beginning of the period	585.0	565.0	585.0	545.0
Liquidity reserve beginning of the period	**1,546.1**	**1,200.0**	**1,159.1**	**1,297.4**
EBITDA	1,038.4	525.8	3,081.9	2,223.0
Working capital	92.5	45.7	236.3	135.5
Others	10.1	–27.9	–10.9	–88.1
Operating cash flow	**1,140.9**	**543.6**	**3,307.3**	**2,270.4**
Investments	–248.9	–164.0	–609.6	–477.0
thereof vessel	–66.0	–38.6	–172.1	–90.1
thereof container	–162.1	–121.3	–395.6	–364.8
thereof other	–20.7	–4.1	–41.8	–22.1
Disinvestments	6.1	11.2	35.3	46.6
Dividends received	1.2	0.3	40.9	34.0
Payments made for Investments in financial assets	–	–11.8	–	–11.8
Payments made for the issuing of loans	–3.2	–5.2	–11.9	–5.2
Investing cash flow	**–244.8**	**–169.5**	**–545.1**	**–413.5**
Debt intake	364.2	107.7	1,819.0	1,034.7
Debt repayment	–1,167.2	–291.0	–3,129.8	–1,940.3
Repayment of Lease liabilities	–148.0	–130.6	–587.0	–511.3
Dividends paid	–1.4	–5.4	–230.5	–44.6
Payments made for leasehold improvements	–0.9	–20.3	–30.0	–20.3
Interest	–83.7	–93.3	–360.2	–444.7
Payments made from hedges for financial debts	16.0	–2.0	18.4	–116.1
Change in restricted cash	–	–	–	7.4
Financing cash flow	**–1,021.0**	**–435.0**	**–2,500.1**	**–2,035.2**
Changes due to exchange rate fluctuations	0.1	–	0.2	–
Liquidity reserve end of the period	**1,421.4**	**1,159.1**	**1,421.4**	**1,159.1**
Cash and cash equivalents end of the period	836.4	574.1	836.4	574.1
Unused credit lines end of the period	585.0	585.0	585.0	585.0

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 3,307.3 million in the 2020 financial year (prior year period: USD 2,270.4 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the current financial year and the positive development of working capital compared with the previous year.

Cash flow from investing activities

In the 2020 financial year, the cash outflow from investing activities totalled USD 545.1 million (prior year period: USD 413.5 million). This included payments for investments of USD 609.6 million (prior year period: USD 477.0 million), primarily in new containers and vessel equipment associated with adherence to the IMO 2020 regulations. These payments included payments in the amount of USD 55.8 million for containers acquired in the previous year. This was compensated for by cash inflows of USD 35.3 million (prior year period: USD 46.6 million), which were primarily due to the sale of containers and dividends received in the amount of USD 40.9 million (prior year period: USD 34.0 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of USD 2,500.1 million in the current reporting period (prior year period: USD 2,035.2 million). The cash outflow essentially resulted from the repayment of financial liabilities for vessel financing in the amount of USD 1,869.5 million (prior year period: USD 721.5 million). There were also cash outflows from interest payments in the amount of USD 280.7 million (prior year period: USD 363.4 million) as well as interest and redemption payments from lease liabilities as per IFRS 16 in the amount of USD 666.5 million (prior year period: USD 592.6 million). In addition, part of the existing corporate bond in the amount of USD 179.8 million was repaid. The payment of a dividend to shareholders for the 2019 financial year led to an additional cash outflow of USD 219.0 million (prior year period: USD 29.8 million). The borrowings from revolving credit lines in the amount of USD 400.0 million drawn down to secure the liquidity under the PSP programme in the first half of 2020 were repaid in full in the third quarter.

The cash outflows were offset by cash inflows to secure the liquidity under the PSP programme. There was a cash inflow of USD 991.9 million from the financing of vessels and containers using sale and leaseback transactions.

Overall, cash inflow totalled USD 262.1 million in the 2020 financial year, with the result that cash and cash equivalents of USD 836.4 million were reported at the end of the reporting period on 31 December 2020 (31 December 2019: USD 574.1 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 facilities of USD 585.0 million (31 December 2019: USD 585.0 million). The liquidity reserve (cash, cash equivalents and unused credit facilities) therefore totalled USD 1,421.4 million (31 December 2019: USD 1,159.1 million).

6.2. FINANCIAL SOLIDITY

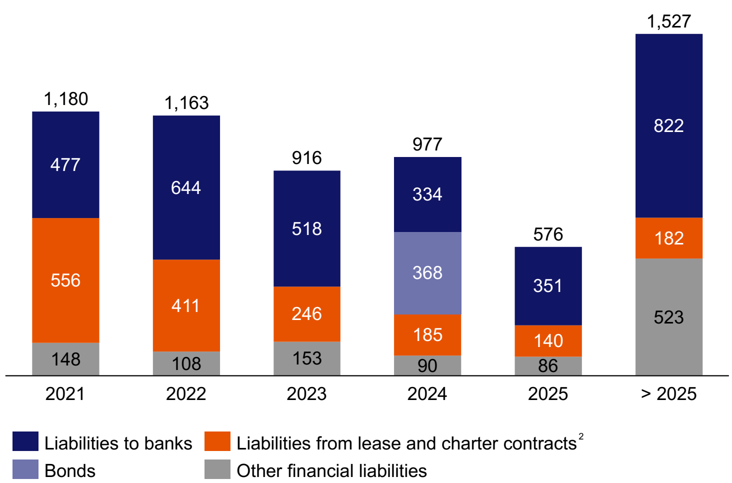
The Group’s net debt amounted to USD 5,468.8 million as at 31 December 2020. This was a fall of USD 1,136.6 million (–17.2%) compared to net debt of USD 6,605.4 million as at 31 December 2019. The improvement in net debt was primarily due to a positive operating cash flow.

The equity ratio increased by 3.4 percentage points, from 40.9% as at 31 December 2019 to 44.3%. The rise was primarily due to the decrease in financial liabilities for vessel financing. Equity was up by USD 822.5 million compared with 31 December 2019 and came to USD 8,252.8 million as at 31 December 2020.

Financial solidity

million USD	31.12.2020	31.12.2019
Financial debt and lease liabilities	6,305.1	7,179.6
Cash and cash equivalents	836.4	574.1
Restricted Cash	–	–
Net debt	**5,468.8**	**6,605.4**
Unused credit lines	585.0	585.0
Liquidity reserve	1,421.4	1,159.1
Equity	8,252.8	7,430.3
Gearing (net debt / equity) (%)	**66.3**	**88.9**
Net debt to EBITDA	**1.8x**	**3.0x**
Equity ratio (%)	**44.3**	**40.9**

Contractual maturity profile of financial debt (USD million)[1]



[1] As of January 2018 financial debt profile has been changed to the statement of repayment amounts. Deviation from the total financial debt as shown in the balance sheet as per 31 December 2020 consists of transaction costs and accrued interest

[2] Liabilities from lease and charter contracts consist of USD 49 million liabilities from former finance lease contracts and USD 1,670 million from lease contracts presented as on-balance financial liability due to first-time application of IFRS 16

The total repayment amount of USD 6,339 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from lease and on-balance charter contracts and (4) other financial liabilities.

Hapag-Lloyd had one bond outstanding as per 31 December 2020: EUR 300 million 5.125% Senior Notes due July 2024.

7. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

There were no transactions after the reporting date which had a material effect on the net asset, financial and earnings position of the Hapag-Lloyd Group.

8. OUTLOOK

General economic outlook

The general economic conditions which are of importance to container shipping will significantly improve in the course of 2021, according to the International Monetary Fund (IMF). However, rising infection numbers at the start of 2021 and the resulting tightening of restrictions in many countries around the world are likely to cause economic activity to weaken again first before any substantial recovery. This assessment is based in particular on the assumption that effective COVID-19 vaccines can be provided to a large section of the population in industrialised countries and some emerging markets in the summer and that measures to control the pandemic can be gradually eased from the second half of 2021 at the latest. Along with the continuing loose monetary policies of many central banks, additional fiscal policy measures in the world's major economies such as the EU, the USA and Japan are likely to boost the global economy. As a result, the IMF expects the global economy to grow by 5.5% in its base forecast for 2021 (IMF, January 2021), following a contraction in the global economy of 3.5% last year due to the pandemic. The volume of global trade is also likely to increase by 8.1%, having fallen by 9.6% in 2020. The IMF also points out that its forecasts are subject to an unusually high degree of uncertainty.

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

in %	2022e	2021e	2020	2019	2018
Global economic growth	4.2	5.5	–3.5	2.8	3.5
Industrialised countries	3.1	4.3	–4.9	1.6	2.2
Developing and newly industrialised countries	5.0	6.3	–2.4	3.6	4.5
World trade volume (goods and services)	6.3	8.1	–9.6	1.0	3.9

Source: IMF (January 2021)

Sector-specific outlook

Following the first decrease in global container shipments since the start of the 2009 financial crisis, Seabury expects there to be a slight rise in the transport volume of 4.8% to 154.8 million TEU in 2021. This would put the transport volume above the 2019 level again.

Development of container transport volume

	2022e	2021e	2020	2019	2018
million TEU	160.7	154.8	147.8	152.5	150.0
Growth rate (in %)	3.8	4.8	−3.1	1.7	4.1

Source: Seabury (November 2020)

According to Seabury, recovery in demand will be driven by the renewed growth of the global economy and felt on all the major trades.

On the supply side, growth is likely to be somewhat weaker. The tonnage of the commissioned container ships of approximately 2.4 million TEU (MDS Transmodal, January 2021) is equivalent to around 10% of the present global container fleet's capacity (approximately 23.7 million TEU as at December 2020). It therefore remains well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 14%). According to Drewry, this low order volume is likely to be reflected in a low increase in net capacity in the next few years. For 2021, Drewry predicts a net increase in capacity of 4.5%, or 1.1 million TEU, to 24.6 million TEU. In the following year, growth of 1.8% is forecasted.

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	0.8	1.5	1.1	1.1	1.5
Expected scrappings	0.3	0.2	0.2	0.2	0.1
Postponed deliveries and other changes	0.1	0.2	0.3	0.1	0.2
Net capacity growth	0.4	1.1	0.6	0.9	1.2
Net capacity growth (in %)	1.8	4.5	2.6	4.0	5.6

Source: Drewry Container Forecaster (Q4 2020, December 2020)

Expected business development of Hapag-Lloyd

Hapag-Lloyd has got 2021 off to a very positive start due to the exceptionally strong demand, which resulted in a significant increase in freight rate levels.

Based on the course of business to date and the expectation that the exceptional situation experienced at this time will normalise over the rest of the year, the Executive Board of Hapag-Lloyd AG expects that the operative performance indicators EBITDA and EBIT for the current 2021 financial year will both be clearly above the prior-year levels and that, unlike in previous years, a large proportion of the 2021 earnings will already be generated in the first one or two quarters of the year. This assessment 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. Accordingly, a more detailed earnings outlook cannot be presented at this time.

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.

Key benchmark figures for the 2021 Outlook

	Actual 2020	Forecast 2021
Global economic growth (IMF, January 2021)	–3.5%	5.5%
Increase in global trade (IMF, January 2021)	–9.6%	8.1%
Increase in global container transport volume (Seabury, November 2020)	–3.1%	4.8%
Transport volume, Hapag-Lloyd	11.8 million TEU	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	USD 379/t	Increasing clearly
Average freight rate, Hapag-Lloyd	USD 1,115/TEU	Increasing clearly
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 2.7 billion	Increasing clearly
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 1.3 billion	Increasing clearly

The main risks for the development of the Group's turnover and earnings are, in particular, a slowdown in the growth of the world economy and world trade volume, also due to international crises and geopolitical disputes, a significant and sustained increase in bunker prices and charter rates above the expected development, a significant and sustained increase in the value of the euro against the US dollar and a sustained decline in the average freight rate.

The occurrence of one or more of these risks could have a significant negative impact on the industry and thus also on the business performance of Hapag-Lloyd in financial year 2021, resulting in negative effects on liquidity and also impairments of goodwill and other intangible assets and property, plant and equipment.

IMPORTANT NOTICE

The information provided in this Investor Report is based on a calculation of US dollar figures, derived from the figures published in EUR within the respective Interim or Annual Report of Hapag-Lloyd AG (available via https://www.hapag-lloyd.com/en/ir/publications/financial-report.html).

The US dollar figures presented herein have not been reviewed by auditors and are supplemental information to the respective Interim or Annual Report of Hapag-Lloyd AG for capital market participants. The respective Interim and Annual Reports of Hapag-Lloyd AG remain the prevailing and legally binding documents.

Hapag-Lloyd AG conducts its container shipping business in an international business environment in which transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities, an example being the purchase, chartering and rental of vessels and containers, as well as the corresponding financing of investments. Therefore, the functional currency of Hapag-Lloyd AG is the US dollar. However, the reporting currency of Hapag-Lloyd AG is the euro.

For reconciliation to the Financial Report FY 2020 please find below the respective exchange rates:

- Values for Q4 2020 have been calculated by subtracting the 9M 2020 figures from the FY 2020 figures
- Figures for 9M 2020 have been converted at the respective 9M 2020 exchange rates
- Values for FY 2020 have been converted at the respective FY 2020 exchange rates
- Values for Q3 2020 have been calculated by subtracting the H1 2020 figures from the 9M 2020 figures
- Values for Q4 2019 have been calculated by subtracting the 9M 2019 figures from the FY 2019 figures
- Values for 9M 2019 have been converted at the respective 9M 2019 exchange rates
- Values for FY 2019 have been converted at the respective FY 2019 exchange rates
  Exchange rates per EUR Closing Rate

Exchange rates

	Closing Rate			Average rate		
per EUR	**31.12.2020**	30.9.2020	31.12.2019	**FY 2020**	9M 2020	FY 2019
US dollars	1.2276	1.1714	1.1223	1.1413	1.1242	1.1195

DISCLAIMER

This report provides general information about Hapag-Lloyd AG. It consists of summary information based on a calculation of USD figures. It does not purport to be complete and it is not intended to be relied upon as advice to investors.

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