Q1 I 2021

Hapag-Lloyd AG

Investor Report

1 January to
31 March 2021

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q1 2021	Q1 2020	Change
Key operating figures				
Total vessels, of which		241	248	–3%
Own vessels[1]		112	112	–
Chartered vessels		129	136	–5%
Aggregate capacity of vessels	TTEU	1,734	1,745	–1%
Aggregate container capacity	TTEU	2,758	2,587	7%
Bunker price (average for the period)	USD/t	384	523	–27%
Freight rate (average for the period)	USD/TEU	1,509	1,094	38%
Transport volume	TTEU	2,975	3,053	–3%
Revenue	million USD	4,903	3,684	33%
Transport expenses	million USD	–2,737	–2,914	–6%
EBITDA	million USD	1,909	517	269%
EBIT	million USD	1,539	176	774%
Group profit/loss	million USD	1,451	27	5,207%
Cash flow from operating activities	million USD	1,647	419	293%
Investment in property, plant and equipment[2]	million USD	511	264	94%
Key return figures				
EBITDA margin (EBITDA/revenue)	%	38.9	14.0	24.9 ppt
EBIT margin (EBIT/revenue)	%	31.4	4.8	26.6 ppt
Key balance sheet figures[3]				
Balance sheet total	million USD	20,293	18,640	9%
Equity	million USD	9,726	8,253	18%
Equity ratio (equity/balance sheet total)	%	47.9	44.3	3.7 ppt
Borrowed capital	million USD	10,566	10,387	2%
Key financial figures[3]				
Financial debt and lease liabilities	million USD	6,255	6,305	–1%
Cash and cash equivalents	million USD	1,894	836	126%
Net debt (financial debt – cash and cash equivalents)	million USD	4,361	5,469	–20%
Gearing (net debt/equity)	%	44.8	66.3	–21.4 ppt
Liquidity reserve	million USD	2,479	1,421	74%
Number of employees				
Marine personnel		2,126	2,119	0%
Shore-based personnel		11,214	10,987	2%
Hapag-Lloyd total		13,340	13,106	2%

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 2020

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 Q1 2021

- The first 3 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 led to congestion of port and hinterland infrastructure in North America and, in some cases, in Asia and Europe as well.
- Despite the strong demand, Hapag-Lloyd's transport volume in the first 3 months of 2021 fell by 2.6% to 2,975 TTEU compared with the prior year period. This was particularly due to delays at ports and a shortage of available vessels and boxes to cover the increased demand.
- The average freight rate rose by 37.9% to USD 1,509 /TEU compared with the prior year period (prior year period: USD 1,094 /TEU).
- Revenue increased in the first 3 months of 2021 by 33.1% to USD 4.9 billion (prior year period: USD 3.7 billion).
- Transport expenses fell by 6.1% in the first 3 months of the 2021 financial year to USD 2,737.0 million (prior year period: USD 2,914.4 million) due to lower bunker consumption prices.
- EBITDA almost quadrupled to USD 1,909.5 million (prior year period: USD 517.2 million). The EBITDA margin was 38.9% (prior year period: 14.0%).
- EBIT was also significantly up on the previous year, at USD 1,539.5 million (prior year period: USD 176.1 million).
- Earnings per share jumped to USD 8.24 from USD 0.14 in the prior year period.
- Free cash flow of USD 1,554.1 million was once again clearly positive (prior year period: USD 301.7 million), with the result that net debt was further reduced.
- At the same time, the liquidity reserve rose to USD 2.5 billion as at the end of the first quarter of 2021 (31 December 2020: USD 1.4 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. The 2 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 continues to expect the Group's operative performance indicators EBITDA and EBIT for the current 2021 financial year to be clearly above the prior-year levels. While the very positive earnings trend is likely to continue in the second quarter of 2021, the Executive Board currently expects a gradual normalisation of the development in the second half 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.

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1. MAIN VALUE DRIVERS OF THE CONTAINER SHIPPING SECTOR

1.1. 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' cargo volumes.

Despite the ongoing COVID-19 pandemic, the global economy was comparatively robust in the first quarter 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. In many countries in South East Asia in particular, where COVID-19 infections are very low compared with the rest of the world, economic output was already higher than pre-crisis levels.

The world's second-biggest economy, China, achieved strong year-on-year growth of 18.3% in the first quarter of 2021, due also to the coronavirus-related weakness of its economy in the prior year period. However, its growth of 10.3% compared with the first quarter of 2019 was also significantly higher than the pre-crisis level. 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 38.7% in the first quarter of 2021 compared with the prior year period. The main recipients of Chinese goods were the USA and Europe. The US economy grew by 1.6% in the first quarter of 2021 compared with the prior year period (annualised 6.4%) thanks to strong consumption which was driven by the stimulus cheques that were issued directly to many US citizens. While US exports were down slightly, imports of goods in the USA increased by 1.5% in the first 3 months of 2021 compared with the previous year (annualised 5.5%). In contrast to the USA and China, economic growth in Europe was slightly negative in the first quarter, at –0.4%. Ongoing high infection numbers led to tight restrictions in some cases, bringing the incipient economic recovery to a halt. While overall imports and exports in January and February 2021 were also down on the prior year period in Europe, imports from China to the EU rose by 9.3%. Exports from the EU to China improved by a significant 13.6%.

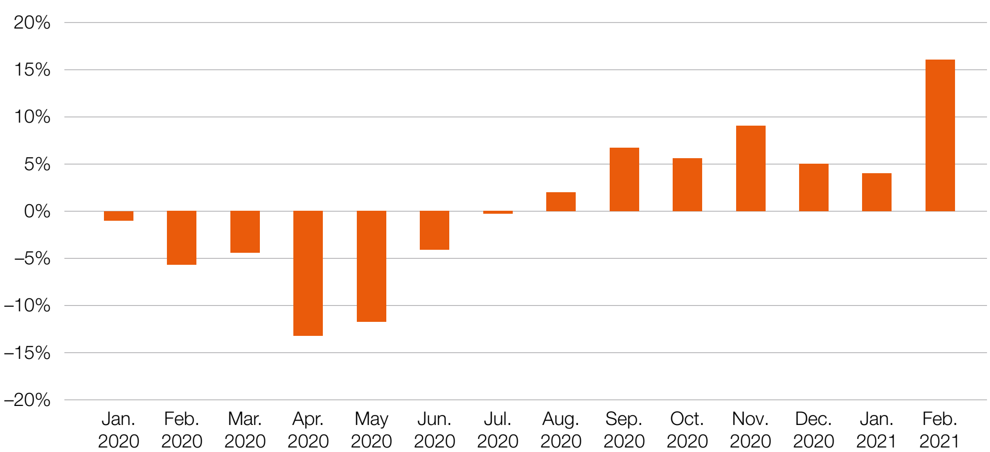
As a result of the global economic upturn, the increase in the oil price also continued in the first quarter of 2021. At the end of the first quarter of 2021, the price of Brent Crude was USD 63.54 per barrel, up from USD 51.80 per barrel at the end of 2020. The price of Brent Crude stood at just USD 22.74 per barrel at the end of March 2020.

1.2. SECTOR-SPECIFIC CONDITIONS

The sector-specific conditions improved significantly again in the first quarter of 2021 in line with the general economic recovery. Global container transport volumes increased by 9.2% in the first 2 months of the year compared with the prior year period. This significant rise was partly due to weak volumes in the prior year period as a result of the sharp drop in Chinese exports in February 2020 following the outbreak of the COVID-19 pandemic. However, the volumes were still up on the first 2 months of 2019 by 5.7% (CTS, March 2021).

The biggest increases in volumes were recorded by exports from the Far East to North America and Europe, which rose by 46% and 19% respectively compared with the prior year period, while volumes in the opposite direction to the Far East were significantly down. By contrast, the volume of container transport on the Atlantic was stable, as the notable rise in exports from Europe to North America was offset by lower transport volumes in the opposite direction. Most Latin American trades recorded growth in their volumes in the first 2 months of 2021 (CTS, March 2021).

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



Source: CTS, March 2021

The significant rise in container transport from the Far East to North America and Europe led to a sharp increase in spot freight rates in the fourth quarter of 2020, which continued into the first quarter of 2021. At the same time, the port and hinterland infrastructure was partially congested, 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. This has significantly increased the turnaround times for vessels and containers.

The strong demand in the first quarter 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. However, due to the rising demand for container transport 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 March 2021 (Alphaliner Weekly, April 2021), which equated to around 1.0% of the global fleet (March 2020: approximately 2.1 million TEU or around 9.2% 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 44 container ships with a transport capacity of approximately 243 TTEU were placed into service in the first quarter of 2021 (prior year period: 26 ships with a transport capacity of approximately 121 TTEU). 12 of these ships had a capacity of 11,000 TEU. Scrapping of obsolete ships was at a very low level of approximately 8 TTEU in the first quarter of 2021 compared with around 68 TTEU in the prior year period. Only very small container ships with capacities of between 300 TEU and 1,900 TEU were scrapped. The average age was 26.0 years (Q1 2020: 24.6 years, Clarksons, April 2021). Accordingly, the capacity of the container shipping fleet rose by approximately 235 TTEU to 23.8 million TEU. In the prior year period, this increase was 86 TTEU.

In the months of January to March 2021, orders were placed for the construction of 166 container ships with a transport capacity totalling approximately 1.8 million TEU. This was not just a very significant increase compared with the 13 ships ordered in the first quarter 2020 with a capacity of 0.2 million TEU but also around 80% more than was ordered in the whole of 2020 (100 ships, 1.0 million TEU, Clarksons Research, April 2021).

According to MDS Transmodal, the tonnage of the commissioned container ships rose to around 3.0 million TEU as at the end of the first quarter of 2021, up from 2.5 million TEU in the previous year. As a result, the order volume in proportion to the current global container fleet capacity of 12.7% at the end of the quarter was relatively close to the average for the last 5 years (around 11.9%). However, other information services such as Clarksons and Drewry reported a higher order volume of around 15% at the end of the quarter. Nevertheless, the order volume in proportion to the current global container fleet capacity is still significantly below the record high of around 61% recorded in 2007.

The bunker price (0.5% sulphur content) rose from USD 369 / t at the start of the year to USD 496 / t by the middle of March before falling again slightly to USD 452 / t as at 31 March 2021 (MFO 0.5%, FOB Rotterdam).

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

As at 31 March 2021, Hapag-Lloyd's fleet comprised a total of 241 container ships (31 March 2020: 248 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 31 March 2021 was 1,733,605 TEU, a slight drop of 0.6% compared with 31 March 2020 (1,744,920). The share of ships chartered by Hapag-Lloyd was approximately 39% as at 31 March 2021 based on TEU capacity (31 March 2020: approximately 40%).

As at 31 March 2021, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 9.7 years. The average ship size within the Hapag-Lloyd Group fleet is 7,193 TEU, which is approximately 14% above the comparable average figure for the 10 largest container liner shipping companies worldwide (31 March 2021: 6,325 TEU; Source: MDS Transmodal) and around 65% above the average ship size in the global fleet (31 March 2021: 4,349 TEU; Source: MDS Transmodal).

As at 31 March 2021, Hapag-Lloyd owned or rented 1,660,699 containers (31 March 2020: 1,573,701) with a capacity of 2,757,831 TEU for shipping cargo (31 March 2020: 2,587,294 TEU). The capacity-weighted share of leased containers was around 45% as at 31 March 2021 (31 March 2020: 46%). 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 64,800 TEU in containers in the first quarter of 2021, of which 24,800 TEU related to reefers.

Hapag-Lloyd's service network comprised 121 services as at 31 March 2021 (31 March 2020: 122 services). One of these services is suspended at present due to operational adjustments (31 March 2020: no services).

Structure of Hapag-Lloyd's container ship fleet

	31.3.2021	31.12.2020	31.3.2020
Number of vessels	**241**	**237**	**248**
thereof			
Own vessels[1]	112	112	112
Chartered vessels	129	125	136
Aggregate capacity of vessels (TTEU)	**1,734**	**1,719**	**1,745**
Aggregate container capacity (TTEU)	**2,758**	**2,704**	**2,587**
Number of services	**121**	**122**	**122**

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

In order to improve its competitiveness in Europe-Far East trade, Hapag-Lloyd signed a contract at the end of 2020 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 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 conversion of the "Brussels Express" saw Hapag-Lloyd become the first container shipping company in the world to convert a container ship of this size to run on LNG. The "Brussels Express" has been deployed on the Europe-Far East trade since 1 April.

3. GROUP EARNINGS POSITION

3.1. CONSOLIDATED INCOME STATEMENT

In the first 3 months of the 2021 financial year, the shipping industry continued to recover from the effects of the COVID-19 pandemic, primarily as a result of 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, both due to increased transport volumes and lower productivity due to COVID-19 infections of the workforce and the associated higher health and safety regulations. As a result, turnaround times for ships and containers have increased.

Compared with the first 3 months of 2020, the rise in the average freight rate of 37.9%, the increase in revenue of 33.1% essentially as a direct result, and the decrease in the average bunker consumption price (–26.6%) had a positive impact on the earnings position, while the decrease in the transport volume (–2.6%) had the opposite effect.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of USD 1,909.5 million in the reporting period (prior year period: USD 517.2 million) and earnings before interest and taxes (EBIT) of USD 1,539.5 million (prior year period: USD 176.1 million). The Group profit came to USD 1,450.7 million (prior year period: USD 27.3 million).

Consolidated income statement

million USD	Q1 2021	Q4 2020	Q1 2020	QoQ Change	YoY change
Revenue	**4,903.2**	**4,052.5**	**3,684.0**	**21.0%**	**33.1%**
Transport expenses	–2,737.0	–2,735.7	–2,914.4	0.0%	–6.1%
Personnel expenses	–198.1	–203.5	–190.5	–2.6%	4.0%
Depreciation, amortisation and impairment	–370.0	–502.3	–341.1	–26.3%	8.5%
Other operating result	–60.2	–82.4	–71.8	27.0%	16.2%
Operating result	**1,538.0**	**528.6**	**166.1**	**190.9%**	**825.7%**
Share of profit of equity-accounted investees	1.5	8.7	10.2	–82.6%	–85.2%
Result from investments	–	–1.2	–0.2	n.m.	–96.2%
Earnings before interest and tax (EBIT)	**1,539.5**	**536.1**	**176.1**	**187.2%**	**774.3%**
Interest result	–77.5	–58.6	–136.9	32.3%	–43.3%
Other financial items	2.1	–2.2	4.8	–197.9%	n.m.
Income taxes	–13.3	–12.5	–16.7	6.4%	–20.3%
Group profit/loss	**1,450.7**	**462.8**	**27.3**	**213.5%**	**5,207.4%**

3.2. TRANSPORT VOLUME PER TRADE

The transport volume decreased by 79 TTEU to 2,975 TTEU in the first 3 months of the 2021 financial year (prior year period: 3,053 TTEU). This equates to a fall of 2.6%.

The decline in transport volumes on the Transpacific and Atlantic trades was largely attributable to congestion of port infrastructure and the resulting delay and absence of container handling. 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.

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.

Transport volume per trade

TTEU	Q1 2021	Q4 2020	Q1 2020	QoQ change	YoY change
Atlantic	453	468	481	–3.2%	–5.8%
Transpacific	437	483	472	–9.6%	–7.5%
Far East	585	643	567	–8.9%	3.2%
Middle East	389	395	391	–1.4%	–0.5%
Intra-Asia	171	192	212	–10.8%	–19.4%
Latin America	769	789	744	–2.5%	3.4%
EMA (Europe – Mediterranean – Africa)	170	173	186	–1.7%	–8.6%
Total	**2,975**	**3,142**	**3,053**	**–5.3%**	**–2.6%**

3.3. FREIGHT RATE PER TRADE

The average freight rate in the first 3 months of the 2021 financial year was USD 1,509/TEU, which was USD 415/TEU, or 37.9%, up on the prior year period (USD 1,094/TEU).

The increase in the freight rate was primarily due to continuing strong demand for consumer goods from Asia as a result of the coronavirus. Due to this strong demand for container transport, the spot rates for exported goods from Asia have been at a high level since the end of 2020.

Freight rate per trade

USD/TEU	Q1 2021	Q4 2020	Q1 2020	QoQ change	YoY change
Atlantic	1,374	1,348	1,405	1.9%	–2.2%
Transpacific	1,936	1,673	1,326	15.7%	46.0%
Far East	1,967	1,006	962	95.5%	104.5%
Middle East	1,114	883	788	26.2%	41.4%
Intra-Asia	1,020	725	611	40.7%	66.9%
Latin America	1,360	1,130	1,162	20.4%	17.0%
EMA (Europe – Mediterranean – Africa)	1,265	1,101	1,031	14.9%	22.7%
Total	**1,509**	**1,163**	**1,094**	**29.8%**	**37.9%**

3.4. REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 1,219.2 million to USD 4,903.2 million in the first 3 months of the 2021 financial year (prior year period: USD 3,684.0 million), representing an increase of 33.1%.

The main reason for this was the rise in average freight rates of 37.9% compared with the previous year. By contrast, the year-on-year fall in the transport volume of –2.6% counteracted the increase in revenue.

Revenue per trade

million USD	Q1 2021	Q4 2020	Q1 2020	QoQ Change	YoY change
Atlantic	622.4	630.9	675.7	–1.3%	–7.9%
Transpacific	845.6	808.4	626.3	4.6%	35.0%
Far East	1,151.4	646.9	546.1	78.0%	110.9%
Middle East	433.7	348.7	308.4	24.4%	40.6%
Intra-Asia	174.3	138.9	129.5	25.4%	34.6%
Latin America	1,046.3	891.8	864.2	17.3%	21.1%
EMA (Europe – Mediterranean – Africa)	214.6	190.0	191.5	13.0%	12.1%
Revenue not assigned to trades	415.0	396.8	342.4	4.6%	21.2%
Total	**4,903.2**	**4,052.5**	**3,684.0**	**21.0%**	**33.1%**

3.5. OPERATING EXPENSES

Transport expenses

Transport expenses fell by USD 177.5 million in the first 3 months of the 2021 financial year to USD 2,737.0 million (prior year period: USD 2,914.4 million). This represents a drop of 6.1%. This decline was primarily due to the lower average bunker consumption price compared with the previous year and, in part, to the volume-related decrease in expenses.

In the first 3 months of the 2021 financial year, the average bunker consumption price for Hapag-Lloyd was USD 384 / t, down USD 139 / t (–26.6%) on the figure of USD 523 / t for the prior year period.

Container handling expenses increased by USD 76.6 million in the first 3 months of the reporting year to USD 1,462.1 million. This was essentially attributable to increased storage costs for containers due to congestion of port and hinterland infrastructure related to the high volumes at ports in the USA and Europe and local COVID-19 restrictions.

The rise in container and repositioning expenses of USD 25.9 million to USD 334.6 million was largely resulting from higher expenses for storage costs for empty containers at port terminals, particularly in North America.

The increase in expenses for vessels and voyages (excluding bunker) of USD 10.2 million to USD 539.0 million resulted primarily from higher expenses for container slotcharter costs on third-party ships.

Personnel expenses

Personnel expenses increased by USD 7.6 million in the first 3 months of 2021 to USD 198.1 million (prior year period: USD 190.5 million). The increase in expenses was essentially due to staff expansion in service centers of Hapag-Lloyd, among others.

Depreciation and amortisation

In the first 3 months of the 2021 financial year, depreciation and amortisation increased by USD 28.9 million to USD 370.0 million. The year-on-year increase in depreciation and amortisation resulted primarily from 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 USD 165.5 million (prior year period: USD 135.9 million).

Other operating result

The other operating result of USD –60.2 million (prior year period: USD –71.8 million) comprised the net balance of other operating income and expenses. Other operating expenses totalled USD 80.5 million for the first 3 months of the 2021 financial year (prior year period: expenses of USD 91.7 million). This mainly included IT expenses (USD 47.1 million; prior year period: USD 44.9 million) and expenses for allowances for doubtful accounts (USD 7.7 million; prior year period: USD 4.2 million). Other operating income totalled USD 20.3 million for the first 3 months of the 2021 financial year (prior year period: USD 19.9 million).

Operating expenses

million USD	Q1 2021	Q4 2020	Q1 2020	QoQ Change	YoY change
Transport expenses	**–2,737.0**	**–2,735.7**	**–2,914.4**	**0.0%**	**–6.1%**
thereof					
Bunker	–387.9	–340.1	–654.8	14.1%	–40.8%
Handling and haulage	–1,462.1	–1,454.2	–1,385.5	0.5%	5.5%
Equipment and repositioning	–334.6	–351.9	–308.7	–4.9%	8.4%
Vessels and voyages (excluding bunker)	–539.0	–570.7	–528.8	–5.6%	1.9%
Pending transport expenses[1]	–13.3	–18.7	–36.7	n.m.	n.m.
Personnel expenses	–198.1	–203.5	–190.5	–2.6%	4.0%
Depreciation, amortisation and impairments	–370.0	–502.3	–341.1	–26.3%	8.5%
Other operating result	–60.2	–82.4	–71.8	27.0%	–16.2%
Total operating expenses	**–3,365.3**	**–3,523.9**	**–3,517.9**	**–4.5%**	**–4.3%**

[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.

3.6. UNIT COSTS

Transport expenses per unit (incl. D&A) in the first 3 months of the financial year 2021 decreased by 2.0% to USD 1,044/TEU as compared to the prior year period. Clearly lower bunker expenses were almost entirely offset by the negative effects of port congestions and COVID-19 related restrictions. Q1 2021 “Bunker” expenses decreased by 39.2% or USD 84/TEU on the back of lower average bunker consumption prices. In contrast, “Handling and Haulage” as well as “Equipment and Repositioning” expenses increased by 8.3% and 11.3% (USD 38/TEU and USD 11/TEU) respectively due to operational disruptions leading to higher storage, labour cost at the ports and a tight equipment situation. “Vessel and voyage” expenses increased by 4.6% (USD 8/TEU) mainly as a result of higher slotcharter costs. “Depreciation and amortisation” expenses increased by 11.3% (USD 13/TEU). This development was partly driven by the shift of vessel and voyage expenses to depreciation due to higher timecharter rates and the increased proportion of ships chartered in on a medium-term basis resulting in higher Right of Use assets.

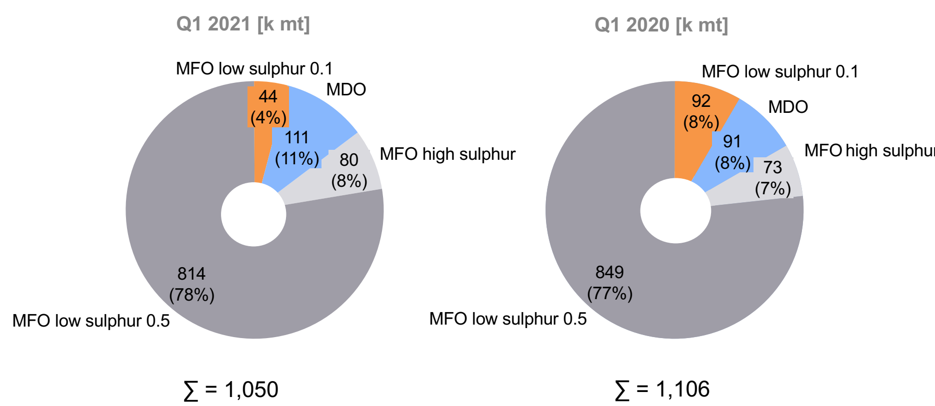
Unit cost

USD/TEU	Q1 2021	Q4 2020	Q1 2020	QoQ Change	YoY change
Transport expenses	**–920**	**–871**	**–954**	**5.7%**	**–3.6%**
thereof					
Bunker	–130	–108	–214	20.5%	–39.2%
Handling and haulage	–492	–463	–454	6.2%	8.3%
Equipment and repositioning	–112	–112	–101	0.4%	11.3%
Vessel and voyage (excl. bunker)	–181	–182	–173	–0.2%	4.6%
Pending transport expenses	–4	–6	–12	n.m.	n.m.
Depreciation, amortisation and impairment (D&A)	**–124**	**–160**	**–112**	**–22.2%**	**11.3%**
Transport expenses incl. D&A	**–1,044**	**–1,030**	**–1,066**	**1.4%**	**–2.0%**

Bunker consumption development

Bunker consumption totalled approximately 1.05 million tonnes in the first 3 months of the year 2021 and was therefore around 5.1% lower than in the previous year (Q1 2020: approximately 1.11 million tonnes). This decline was essentially caused by a slight decrease in ship capacity compared with the prior year period and longer waiting times at and before ports.

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 2.41 tonnes (Q1 2020: 2.55 tonnes). In terms of transported TEU, bunker consumption remained constant at 0.36 tonnes per TEU compared with the prior year period.



MFO = Marine Fuel Oil
MDO = Marine Diesel Oil

3.7. OPERATING PROFIT

EBITDA almost quadrupled to USD 1,909.5 million (prior year period: USD 517.2 million). The EBITDA margin was 38.9% (prior year period: 14.0%). EBIT was also significantly up on the previous year, at USD 1,539.5 million (prior year period: USD 176.1 million).

EBIT and EBITDA margin

million USD	Q1 2021	Q4 2020	Q1 2020	QoQ change	YoY change
Revenue	4,903.2	4,052.5	3,684.0	21.0%	33.1%
EBIT	1,539.5	536.1	176.1	187.2%	774.3%
EBITDA	1,909.5	1,038.4	517.2	83.9%	269.2%
EBIT margin	31.4%	13.2%	4.8%	18.2 ppt	26.6 ppt
EBITDA margin	**38.9%**	**25.6%**	**14.0%**	**13.3 ppt**	**24.9 ppt**

3.8. OTHER EXPENSES

Interest result

The interest result for the first 3 months of the 2021 financial year was USD –77.5 million (prior year period: USD –136.9 million). The decrease in interest expenses compared with the first 3 months of 2020 resulted primarily from savings on interest expenses in the amount of USD 28.8 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. In addition, the valuation of the embedded derivative (USD 2.3 million) contributed to a positive change in interest expenses in the amount of USD 30.5 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 (USD –28.2 million). The valuation and realisation of the interest rate swaps (USD –2.0 million, prior year period: USD –10.7 million) improved the interest result by a further USD 8.7 million. By contrast, the adjustment to the carrying amount of the bond liability through profit or loss in relation to the exercising of the early repurchase option as at 7 April 2021 reduced the interest result by USD 10.7 million.

Income taxes

The reduction in the income tax expense by USD 3.4 million to USD 13.3 million compared to the prior year period is mainly due to high negative re-measurement and exchange rate effects on deferred taxes from loss carryforwards in the first quarter of 2020.

4. GROUP NET ASSET POSITION

As at 31 March 2021, the Group's statement of financial position total was USD 20,292.7 million, which is USD 1,652.5 million higher than the figure at year-end 2020.

Within non-current assets, the carrying amounts of fixed assets increased by a total of USD 68.9 million to USD 15,482.2 million (31 December 2020: USD 15,413.3 million). This rise was essentially due to newly received rights of use for lease assets in the amount of USD 387.0 million (prior year period: USD 182.7 million). Depreciation and amortisation of USD 370.0 million had an opposite effect (prior year period: USD 341.1 million) on fixed assets. This includes an amount of USD 165.5 million (prior year period: USD 135.9 million) for the amortisation of capitalised rights of use relating to lease assets.

Cash and cash equivalents increased by USD 1,057.8 million to USD 1,894.1 million compared to the end of 2020 (USD 836.4 million) primarily as a result of the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by USD 1,473.7 million to a total of USD 9,726.5 million. This increase was mainly due to the Group profit of USD 1,450.7 million (prior year period: USD 27.3 million). The equity ratio was 47.9% as at 31 March of the current year (31 December 2020: 44.3%).

The Group's borrowed capital has risen by USD 178.8 million to USD 10,566.2 million since the 2020 consolidated financial statements were prepared. The increase in financial debt and lease liabilities due to new lease liabilities relating to newly acquired rights of use for lease assets in the amount of USD 384.0 million (prior year period: USD 165.3 million) contrasted with redemption payments for financial debt and lease liabilities totalling USD 549.6 million (prior year period: USD 289.2 million). A further increase of USD 211.8 million resulted from higher trade accounts payable and contract liabilities (31 March 2021: USD 3,027.7 million; 31 December 2020: USD 2,815.9 million).

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 31 March 2021 was USD 4,361.1 million (31 December 2020: USD 5,468.8 million).

Group net asset position

million USD	31.3.2021	31.12.2020
Assets		
Non-current assets	15,557.0	15,508.3
of which fixed assets	15,482.2	15,413.3
Current assets	4,735.7	3,131.9
of which cash and cash equivalents	1,894.1	836.4
Total assets	**20,292.7**	**18,640.2**
Equity and liabilities		
Equity	9,726.5	8,252.8
Borrowed capital	10,566.2	10,387.4
of which non-current liabilities	5,133.0	5,731.3
of which current liabilities	5,433.2	4,656.1
of which financial debt and lease liabilities	6,255.2	6,305.1
of which non-current financial debt and lease liabilities	4,595.4	5,119.6
of which current financial debt and lease liabilities	1,659.7	1,185.5
Total equity and liabilities	**20,292.7**	**18,640.2**

5. GROUP FINANCIAL POSITION

5.1. DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 1,647.2 million in the first 3 months of the 2021 financial year (prior year period: USD 419.4 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 3 months of the 2021 financial year, the cash outflow from investing activities totalled USD 93.1 million (prior year period: USD 117.7 million). This included payments for investments of USD 95.3 million (prior year period: USD 127.8 million), primarily in new containers and vessel equipment associated with adherence to the IMO 2020 regulations. The payments for containers acquired in the previous year included in the investment amount were USD 26.1 million.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of USD 496.3 million in the first 3 months of the financial year (prior year period: cash inflow of USD 154.3 million). The cash outflow essentially resulted from interest and redemption payments relating to financial liabilities for vessel and container financing in the amount of USD 339.1 million (prior year period: USD 217.3 million). In addition, the loan from the ABS programme in the amount of USD 100.0 million was repaid in full. The interest and redemption payment from lease liabilities in accordance with IFRS 16 totalled USD 175.5 million in the first 3 months of the financial year (prior year period: USD 159.1 million).

The cash outflows contrasted with cash inflows for the financing of containers and ship equipment in the amount of USD 143.6 million (prior year period: USD 91.7 million).

Development of liquidity reserve

million USD	Q1 2021	Q1 2020
Cash and cash equivalents beginning of the period	836.4	574.1
Unused credit lines beginning of the period	585.0	585.0
Liquidity reserve beginning of the period	**1,421.4**	**1,159.1**
EBITDA	1,909.5	517.2
Working capital	–224.1	–88.7
Others	–38.3	–9.1
Operating cash flow	**1,647.2**	**419.4**
Investments	–95.3	–127.8
thereof vessel	–23.6	–36.5
thereof container	–65.1	–80.7
thereof other	–6.6	–10.6
Disinvestments	3.2	10.1
Payments made for Investments in financial assets	–1.0	–
Investing cash flow	**–93.1**	**–117.7**
Debt intake	143.6	552.4
Debt repayment	–394.9	–149.6
Repayment of lease liabilities	–154.7	–139.6
Dividends paid	–7.2	–1.0
Payments made for leasehold improvements	–	–15.7
Interest	–68.8	–90.6
Payments made from hedges for financial debts	–14.3	–1.6
Financing cash flow	**–496.3**	**154.3**
Changes due to exchange rate fluctuations	–0.1	–
Liquidity reserve end of the period	**2,479.2**	**1,215.1**
Cash and cash equivalents end of the period	1,894.2	1,030.1
Unused credit lines end of the period	585.0	185.0

5.2. FINANCIAL SOLIDITY

The Group's net debt amounted to USD 4,361.1 million as at 31 March 2021. This was a fall of USD 1,107.7 million (–20.3%) compared to net debt of USD 5,468.8 million as at 31 December 2020. The improvement in net debt was primarily due to a positive operating cash flow.

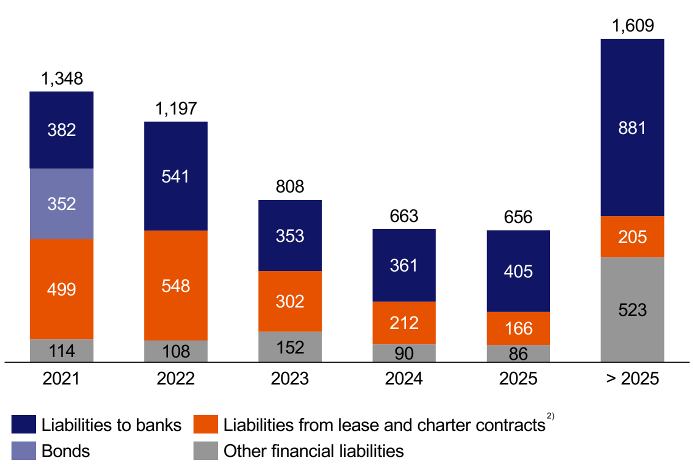
The equity ratio increased by 3.6 percentage points, from 44.3% as at 31 December 2020 to 47.9%. Due to the increased earnings in the reporting period, equity was up by USD 1.473.7 million compared with 31 December 2020 and came to USD 9,726.5 million as at 31 March 2021.

Financial solidity

million USD	31.3.2021	31.12.2020	31.3.2020
Financial debt and lease liabilities	6,255.2	6,305.1	7,584.2
Cash and cash equivalents	1,894.1	836.4	1,030.1
Net debt	**4,361.1**	**5,468.8**	**6,554.0**
Unused credit lines	585.0	585.0	185.0
Liquidity reserve	2,479.1	1,421.4	1,215.1
Equity	9,726.5	8,252.8	7,469.3
Gearing (net debt / equity) (%)	**44.8**	**66.3**	**87.7**
Net debt to EBITDA[1]	**1.0x**	**1.8x**	**3.0x**
Equity ratio (%)	**47.9**	**44.3**	**40.1**

1 Based on last 12 months

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



1 Deviation from the total financial debt as shown in the balance sheet as per 31 March 2021 consists of transaction costs and accrued interest

2 Liabilities from lease and charter contracts consist of USD 44 million liabilities from former finance lease contracts and USD 1,888 USD million from lease contracts presented as on-balance financial liability due to first-time application of IFRS 16

The total repayment amount of USD 6,281 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from lease and on-balance charter contracts and (4) other financial liabilities.

6. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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 would 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 on 7 April 2021, which had an original maturity in 2024.

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

7. OUTLOOK

General economic outlook

The general economic conditions which are of importance to container shipping are likely to improve further in the current year, according to the International Monetary Fund (IMF). 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 April forecast, the global economy is expected to grow by 6.0% in 2021, after contracting by 3.3% in the previous year. The strongest growth is forecast for the USA and Asia, especially China. In contrast to this, the IMF only anticipates moderate growth in Europe and Latin America, with economic output expected to still be below pre-crisis levels in 2021. However, international trade in goods and services is likely to come close to its pre-crisis level again.

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

in %	2022e	2021e	2020	2019	2018
Global economic growth	4.4	6.0	–3.3	2.8	3.6
Industrialised countries	3.6	5.1	–4.7	1.6	2.3
Developing and newly industrialised countries	5.0	6.7	–2.2	3.6	4.5
World trade volume (goods and services)	6.5	8.4	–8.5	0.9	3.9

Source: IMF World Economic Outlook, April 2021

Sector-specific outlook

Global container transport volumes are also expected to increase again in 2021 as a result of the economic recovery. Clarksons predicts growth of 5.7% for 2021. The container transport volume was slightly down in the previous year at –0.8%.

Development of container transport volume

	2022e	2021e	2020	2019	2018
Growth rate in %	3.7%	5.7%	–0.8%	1.7%	4.1%

Sources: Seabury (April 2021) for the actual data 2018–2020, Clarksons (March 2021) for 2021 and 2022

The significant rise in container transport from the Far East, particularly China, to North America and Europe has resulted in partial congestion of port and hinterland infrastructure at least since the fourth quarter of 2020. This development was exacerbated by lower productivity in the ports due to COVID-19 infections in the workforce and the associated higher occupational health and safety regulations. As a result, turnaround times for vessels and containers have increased significantly, leading to capacity bottlenecks.

With demand continuing uninterrupted, Drewry does not expect the situation at ports to ease before the fourth quarter of 2021. The blocking of the Suez Canal by a container ship for almost a week at the end of March is likely to put additional pressure on ports in Europe and Asia. The delays caused by this will lead to a temporary noticeable reduction in weekly container transport capacity in the second quarter of 2021 due to the further prolongation of round voyage times.

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 quarter of 2021. According to MDS Transmodal, the tonnage of the commissioned container ships rose to around 2.9 million TEU at the end of the first quarter of 2021, up from 2.5 million TEU in the previous year. As a result, the order volume in proportion to the current global container fleet capacity of 12.3% at the end of the quarter was close to the average for the last 5 years (around 11.9%). However, other information services such as Clarksons and Drewry reported a higher order volume of around 15% at the end of the quarter. Nevertheless, the order volume in proportion to the current global container fleet capacity is still significantly below the record high of around 61% recorded in 2007.

For 2021, Drewry expects the globally available container ship fleet to grow by 0.9 million TEU, or 3.7%, 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)	24.5	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	0.2	0.3	0.1	0.2
Net capacity growth	**0.6**	**0.9**	**0.7**	**0.9**	**1.2**
Net capacity growth (in %)	2.5%	3.7%	3.0%	4.0%	5.6%

Source: Drewry Container Forecaster Q1 2021, March 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 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.

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 continues to expect the Group‘s operative performance indicators EBITDA and EBIT for the current 2021 financial year to be clearly above the prior-year levels. While the very positive earnings trend is likely to continue in the second quarter of 2021, the Executive Board currently expects a gradual normalisation of the development in the second half of the year. 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 1.19/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.

	Actual 2020	Forecast 2021
Global economic growth (IMF, April 2021)	–3.3%	6.0%
Increase in global trade (IMF, April 2021)	–8.5%	8.4%
Increase in global container transport volume (Seabury/Clarksons)	–0.8%	5.7%
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

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 in the risk and opportunity report of the quarterly financial report Q1 2021. 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.

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 quarterly financial report Q1 2021 please find below the respective exchange rates:

Exchange rates

	Closing Rate			Average rate		
per EUR	**31.3.2021**	31.12.2020	31.3.2020	**Q1 2021**	FY 2020	Q1 2020
US dollars	1.17320	1.2276	1.0965	1.2055	1.1413	1.1019

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.

No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on the accuracy, fairness or completeness of the information presented or contained in this report.

This report contains forward looking statements within the meaning of the “safe harbor” provision of the US securities laws. These statements are based on management’s current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, market conditions affecting the container shipping industry, intense competition in the markets in which we operate, potential environmental liability and capital costs of compliance with applicable laws, regulations and standards in the markets in which we operate, diverse political, legal, economic and other conditions affecting the markets in which we operate, our ability to successfully integrate business acquisitions and our ability to service our debt requirements). Many of these factors are beyond our control.

This report is intended to provide a general overview of Hapag-Lloyd’s business and does not purport to deal with all aspects and details regarding Hapag-Lloyd. Accordingly, neither Hapag-Lloyd nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, expressed or implied, as to, and accordingly no reliance should be placed on, the fairness, accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Hapag-Lloyd nor any of its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

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Each investor must conduct and rely on its own evaluation in taking an investment decision.

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