Q1 2023

Hapag-Lloyd AG

Investor Report

1 January to
31 March 2023

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q1 2023	Q1 2022	Change
Key operating figures				
Total vessels, of which		250	248	1%
Own vessels[1]		122	116	5%
Chartered vessels		128	132	–3%
Aggregate capacity of vessels	TTEU	1,818	1,750	4%
Aggregate container capacity	TTEU	2,892	3,033	–5%
Bunker price (average for the period)	USD/t	645	613	5%
Freight rate (average for the period)	USD/TEU	1,999	2,774	–28%
Transport volume	TTEU	2,842	2,987	–5%
Revenue	million USD	6,028	8,956	–33%
Transport expenses	million USD	–3,259	–3,313	–2%
EBITDA	million USD	2,379	5,307	–55%
EBIT	million USD	1,874	4,791	–61%
Group profit/loss	million USD	2,031	4,684	–57%
Cash flow from operating activities[2]	million USD	2,754	5,039	–45%
Investment in property, plant and equipment[3]	million USD	444	414	7%
Key return figures				
EBITDA margin (EBITDA/revenue)	%	39.5	59.3	–19.8 ppt
EBIT margin (EBIT/revenue)	%	31.1	53.5	–22.4 ppt
Key balance sheet figures[4]				
Balance sheet total	million USD	42,987	41,298	4%
Equity	million USD	31,821	29,795	7%
Equity ratio (equity/balance sheet total)	%	74.0	72.1	1.9 ppt
Borrowed capital	million USD	11,166	11,503	–3%
Key financial figures[4]				
Financial debt and lease liabilities	million USD	5,572	5,804	–4%
Cash and cash equivalents	million USD	19,231	16,265	18%
Money market transactions & funds	million USD	2,024	2,976	–32%
Net liquidity	million USD	15,683	13,437	17%
Liquidity reserve	million USD	21,980	19,966	10%
Number of employees				
Marine personnel		1,609	1,967	–18%
Shore-based personnel		12,499	12,056	4%
Hapag-Lloyd total		14,108	14,023	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 From the fourth quarter of the 2022 financial year, payments received for interest are not reported under cash inflow/outflow from operating activities, but under cash inflow/outflow from investing activities. The previous year's values were adjusted accordingly.
3 As of 2019, investments in property, plant and equipment include additions to the Rights of Use according to IFRS 16
4 The comparison refers to the balance sheet date 31 December 2022.

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

This investor report was published on 11 May 2023.

MAIN DEVELOPMENTS IN Q1 2023

- The first quarter of 2023 was characterised by weak demand and declining freight rates for container transports.
- Hapag-Lloyd's transport volume in the first quarter of financial year 2023 was 2,842 TTEU, 4.9% below the prior-year level of 2,987 TTEU.
- The average freight rate decreased by 27.9% to USD 1,999/TEU (prior year period: USD 2,774/TEU) due to weaker demand and normalisation of supply chains.
- Revenue decreased by 32.7% to USD 6.0 billion in the first quarter of 2023 (prior year period: USD 9.0 billion) in light of lower transport volumes and freight rates.
- Transport expenses decreased by 1.6% to USD 3.3 billion (prior year period: USD 3.3 billion) mainly as a result of lower transport volumes.
- Accordingly, EBITDA fell by 55.2% to USD 2.4 billion in the first quarter of 2023 (prior year period: USD 5.3 billion). The EBITDA margin was 39.5% (prior year period: 59.3%).
- EBIT of USD 1.9 billion was also significantly below the previous year's figure of USD 4.8 billion.
- Earnings per share fell to USD 11.54, after USD 26.62 in the prior year period.
- Free cash flow was again clearly positive at USD 3.5 billion (prior year period: USD 4.6 billion).
- Net liquidity increased to USD 15.7 billion as at 31 March 2023 (31 December 2022: USD 13.4 billion).
- With the implementation of Strategy 2023, Hapag-Lloyd has further intensified its involvement in the terminal sector in the current financial year. In January 2023, the acquisition of a 49% minority interest in the Italian Spinelli Group and in April 2023, the acquisition of a 40% interest in the Indian company J M Baxi Ports & Logistics Limited were each successfully completed.
- For the current 2023 financial year, the Executive Board of Hapag-Lloyd AG expects a gradual normalisation of the earnings trend. Group EBITDA is still expected to be in the range of USD 4.3 to 6.5 billion (previous year: USD 20.5 billion) and EBIT in the range of USD 2.1 to 4.3 billion (previous year: USD 18.5 billion).
- The forecast is subject to considerable uncertainty given the ongoing war in Ukraine and other geopolitical conflicts, as well as the impact of high inflation.

CONTENTS

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' transport volumes.

On the one hand, the global economy saw a gradual recovery in the first quarter from the severe setbacks caused by the COVID-19 pandemic and Russia's war of aggression against Ukraine. Supply chain disruptions continued to ease, while war-related disruptions in the energy and food markets receded. However, core inflation remains at a very high level and the consequences of high interest rates are becoming more and more apparent, including in the financial sector with the insolvency of banks (IMF World Economic Outlook, April 2023).

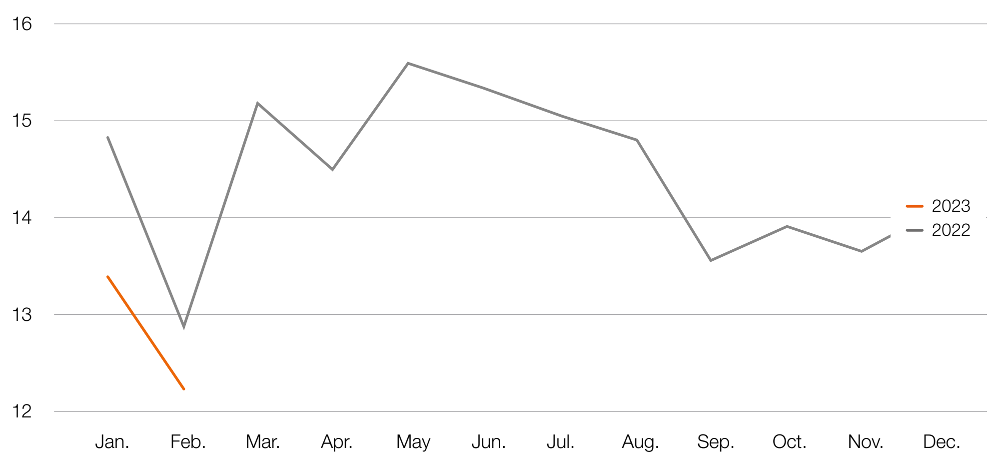
The economy of the People's Republic of China recorded a growth of 4.5% in the first three months of 2023 compared to Q1 2022 (prior year period: 4.8%). Economic growth was driven by the services sector after strict COVID-19 restrictions were lifted at the end of 2022. Industrial production, on the other hand, rose only moderately by 2.8%. While exports of goods increased by 8.4%, imports remained at the previous year's level (+0.2%) (General Administration of Customs People's Republic of China, April 2023). The main recipients of Chinese goods are the USA and Europe. The US economy grew by 1.6% in the first quarter of 2023 compared to Q1 2022. Growth was driven by private consumption, higher exports and rising government spending. The decline in private investment in particular had a dampening effect on economic growth. Exports in the first three months of 2023 increased significantly by 9.6% compared to Q1 2022, primarily due to the sharp rise in energy and commodity prices as well as high demand for industrial goods. Imports, on the other hand, remained at the previous year's level (–0.1%) due to high retail inventories (U.S. Department of Commerce, April 2023). The EU recorded economic growth of 1.3% in the first quarter of 2023 compared to the same quarter of the previous year and 0.3% compared to the fourth quarter of 2022. Exports of goods from the EU increased by 9.2% in the first two months of 2023 compared to the same period last year. Imports of goods grew moderately by 2.4%. Export growth was driven by higher energy exports and the increase in exports of machinery and automobiles. Import volumes were relatively constant or slightly down in most categories except for machinery and automobiles and food. Imports from the US and the UK grew by 20.1% and 18.3% respectively, with imports from China falling by 5.5% (Eurostat, April 2023).

Due to the cooled economic performance in the first quarter of 2023, the price of Brent crude was USD 79.77 per barrel on 31 March 2023, down 7.1% from USD 85.91 per barrel at the end of December 2022 (S&P Global Commodity Insights, Bloomberg).

1.2. SECTOR-SPECIFIC CONDITIONS

After the abrupt decline in transport volumes in the second half of 2022, demand was also down at the beginning of 2023. Global container transport volumes in January–February 2023 were 7.5% lower than the prior year period (CTS, April 2023). After Intra-Asia traffic, the largest trade in terms of volume from the Far East to North America recorded the sharpest decline with –26.3%. Other major trades, such as from the Far East to Europe or Europe to North America, also showed significantly lower transport volumes compared to the prior year period. In contrast, the connections to and from India in particular recorded growth.

Monthly global container transport volumes (in million TEU)



Source: CTS, April 2023

The Shanghai Containerized Freight Index (SCFI), which tracks spot freight rate rates on Shanghai's major trade routes, continued its downward trend gradually in the first three months of 2023. After trading at USD 1,108/TEU at the end of 2022, the index lost more than 16% by the end of March and stood at USD 924/TEU.

The proportion of idle vessels as at the end of March 2023 was significantly higher than a year ago (31 March 2022: 0.2 million TEU; 0.8%), at 0.6 million TEU or 2.3% of the world fleet, due to weaker demand.

Based on figures from MDS Transmodal, a total of 60 container vessels with a transport capacity of approximately 411 TTEU were placed into service in the first three months of 2023 (prior year period: 27 vessels with a transport capacity of approximately 177 TTEU). According to Clarksons, only 19 small container ships with a total of 31 TTEU were scrapped in the same period (prior year period: no scrappings).

In the first quarter of 2023, orders were placed for the construction of 37 container ships with a total transport capacity of 0.4 million TEU, significantly less than the 1.0 million TEU in the prior year period (Clarksons Research, April 2023). According to MDS Transmodal, the tonnage of container ships on order rose to around 7.1 million TEU at the end of March 2023, compared with around 6.3 million TEU at the end of March 2022. Accordingly, the ratio of order backlog to current world container fleet capacity remained at a high level of 27.6%, but well below the peak of around 61% reached in 2007.

Low-sulphur bunker was quoted at USD 525/t as of 31 March 2023, almost unchanged from the 2022 year-end price of USD 514/t (MFO 0.5%, FOB Rotterdam).

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

As at 31 March 2023, Hapag-Lloyd's fleet comprised a total of 250 container vessels (31 March 2022: 248 vessels). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the vessels are also 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 2023 was 1,817.6 TTEU and is thus 3.9% higher than as per 31 March 2022 (1,750.1 TTEU). Based on the TEU capacities, 62% of the fleet was owned by the Group as at 31 March 2023 (31 March 2022: 61%). At present, two vessels with a capacity of 10.7 TTEU are subchartered to other shipping companies. In the first quarter, two newbuilds (one owned and one under long-term charter) with a capacity of 13,312 TEU each were put into service.

As at 31 March 2023, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 11.2 years (31 March 2022: 10.7 years) and thus slightly above the average of the world's ten largest container liner shipping companies of 10.9 years (31 March 2022: 10.3 years). The average ship size within the Hapag-Lloyd Group fleet is 7.3 TTEU (31 March 2022: 7.1 TTEU), which is approximately 12% above the comparable average figure for the ten largest container liner shipping companies worldwide of 6.5 TTEU (31 March 2022: 6.4 TTEU; source: MDS Transmodal) and around 64% above the average ship size in the global fleet of 4.4 TTEU (31 March 2022: 4.4 TTEU; source: MDS Transmodal).

For the transport of cargo, Hapag-Lloyd has 1.7 million (31 March 2022: 1.8 million) owned or leased containers with a capacity of 2,892.2 TTEU as at 31 March 2023 (31 March 2022: 3,033.0 TTEU). The capacity-weighted proportion of owned containers as at 31 March 2023 was approximately 58% (31 March 2022: approximately 58%). In Q1 2023, new container construction orders were placed for 18,200 reefers with a capacity of 36,400 TEU and 6,150 special purpose containers with a capacity of 11,250 TEU.

Hapag-Lloyd's service network comprised 119 services as at 31 March 2023 (31 March 2022: 123 services).

Structure of Hapag-Lloyd's container ship fleet

	31.3.2023	31.12.2022	31.3.2022
Number of vessels	250	251	248
thereof			
Own vessels[1]	122	121	116
Chartered vessels	128	130	132
Aggregate capacity of vessels (TTEU)	1,818	1,797	1,750
Aggregate container capacity (TTEU)	2,892	2,972	3,033
Number of services	119	119	123

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

As at 31 March 2023, Hapag-Lloyd's order book comprised twelve newbuilds of 23,660 TEU and two newbuilds of around 13,000 TEU each. The total capacity of the newbuilds is 302 TTEU. The delivery of the ships is planned for the years 2023 to 2025.

In addition to the newbuilds owned by the company, Hapag-Lloyd will add three new vessels of about 13,000 TEU to its fleet as long-term charters. Two of these newbuilds are to be taken over in the current financial year and the last vessel in 2024.

3. GROUP EARNINGS POSITION

3.1. CONSOLIDATED INCOME STATEMENT

In the first quarter of the 2023 financial year, the decline in demand for container transports, which had already begun in the second half of the 2022 financial year, continued. In contrast, the disruptions in global supply chains have continued to weaken and energy and raw material prices, which had initially risen as a result of the Russia-Ukraine war, are showing a downward trend.

Compared to the first quarter of 2022, the decrease in average freight rate (in USD/TEU) by 27.9% in particular led to a decrease in revenue by 32.7%. Transport volumes also fell by 4.9% compared to the same period last year. An increased average bunker consumption price (5.2%) additionally burdened the operating result.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of USD 2,378.7 million in the reporting period (prior year period: USD 5,306.8 million) and earnings before interest and taxes (EBIT) of USD 1,874.0 million (prior year period: USD 4,790.9 million). The Group profit came to USD 2,031.0 million (prior year period: USD 4,683.5 million).

Consolidated income statement

million USD	Q1 2023	Q4 2022	Q1 2022	QoQ Change	YoY change
Revenue	**6,028.1**	**7,961.7**	**8,956.1**	**–24.3%**	**–32.7%**
Transport expenses	–3,259.4	–3,664.7	–3,313.1	–11.1%	–1.6%
Personnel expenses	–259.0	–343.3	–235.7	–24.6%	9.9%
Depreciation, amortisation and impairment	–504.7	–500.4	–516.0	0.9%	–2.2%
Other operating result	–147.6	–137.5	–113.3	7.4%	30.2%
Operating result	**1,857.3**	**3,315.8**	**4,778.0**	**–44.0%**	**–61.1%**
Share of profit of equity-accounted investees	16.7	8.5	12.9	96.0%	29.6%
Result from investments	–	–0.1	–	n.m.	n.m.
Earnings before interest and tax (EBIT)	**1,874.0**	**3,324.1**	**4,790.9**	**–43.6%**	**–60.9%**
Interest result	162.8	105.3	–53.9	54.5%	n.m.
Other financial items	62.5	–5.4	–34.8	n.m.	n.m.
Income taxes	–68.3	–129.4	–18.7	–47.2%	265.7%
Group profit/loss	**2,031.0**	**3,294.7**	**4,683.5**	**–38.4%**	**–56.6%**

3.2. TRANSPORT VOLUME PER TRADE

The transport volume in the first quarter of the 2023 financial year was below the prior year period (–4.9%) at 2,842 TTEU (prior year period: 2,987 TTEU).

The increase in transport volumes in the Atlantic trade is mainly due to the gradual easing of local port congestion and the resulting higher container throughput. The increase in transport volumes in the Africa trade is mainly due to the acquisition of the container liner business of Deutsche Afrika-Linien GmbH & Co. KG (DAL) in the second quarter of the 2022 financial year.

In the Far East and Middle East trades in particular, a steady decline in demand for container transport, which was mainly due to inflation in Europe, led to a drop in transport volumes.

Transport volume per trade

TTEU	Q1 2023	Q4 2022	Q1 2022	QoQ change	YoY change
Atlantic	527	541	489	–2.7%	7.7%
Transpacific	420	412	432	2.1%	–2.7%
Far East	482	500	601	–3.6%	–19.7%
Middle East	369	342	414	8.0%	–10.7%
Intra-Asia	163	166	157	–2.1%	3.7%
Latin America	711	734	735	–3.2%	–3.4%
Africa	170	162	160	5.5%	6.6%
Total	**2,842**	**2,857**	**2,987**	**–0.5%**	**–4.9%**

3.3. FREIGHT RATE PER TRADE

In the first quarter of the 2023 financial year, the average freight rate was USD 1,999/TEU, down USD 775/TEU or 27.9% below the value of the same period of the previous year (USD 2,774/TEU).

The lower average freight rate is mainly due to a decline in demand for container transport and a simultaneous normalisation of existing transport capacities due to easing disruptions in global supply chains.

Freight rate per trade

USD/TEU	Q1 2023	Q4 2022	Q1 2022	QoQ change	YoY change
Atlantic	2,649	3,164	2,439	–16.3%	8.6%
Transpacific	2,176	3,190	3,788	–31.8%	–42.6%
Far East	1,861	2,650	3,265	–29.8%	–43.0%
Middle East	1,260	1,677	2,047	–24.9%	–38.4%
Intra-Asia	995	1,395	2,055	–28.7%	–51.6%
Latin America	2,130	2,653	2,616	–19.7%	–18.6%
Africa	1,955	2,454	2,530	–20.3%	–22.7%
Total	**1,999**	**2,625**	**2,774**	**–23.8%**	**–27.9%**

3.4. REVENUE PER TRADE

In the first quarter of the 2023 financial year, Hapag-Lloyd Group‘s revenue decreased by USD 2,928.0 million to USD 6,028.1 million (prior year period: USD 8,956.1 million), a decrease of 32.7%. This was mainly due to a decrease in the average freight rate by 27.9% as well as a decrease in the transport volume by 4.9% compared to the prior year period.

The item for revenue not assigned to trades mainly comprises income from demurrage and detention for containers, as well as compensation payments for shipping space. At the same time, revenue for pending voyages already generated is recognised under revenue not assigned to trades.

Revenue per trade

million USD	Q1 2023	Q4 2022	Q1 2022	QoQ Change	YoY change
Atlantic	1,394.9	1,713.0	1,192.6	–18.6%	17.0%
Transpacific	914.0	1,313.3	1,635.9	–30.4%	–44.1%
Far East	897.6	1,325.4	1,962.3	–32.3%	–54.3%
Middle East	465.6	574.0	846.5	–18.9%	–45.0%
Intra-Asia	161.9	231.7	322.2	–30.1%	–49.8%
Latin America	1,513.1	1,946.8	1,923.7	–22.3%	–21.3%
Africa	333.3	396.4	404.6	–15.9%	–17.6%
Revenue not assigned to trades	347.8	461.1	668.3	–24.6%	–48.0%
Total	**6,028.1**	**7,961.7**	**8,956.1**	**–24.3%**	**–32.7%**

3.5. OPERATING EXPENSES

Transport expenses

Transport expenses fell by USD 53.6 million to USD 3,259.4 million in the first quarter of the 2023 financial year (prior year period: USD 3,313.1 million). This corresponds to a decrease of 1.6%. Basically, the lower transport volume (4.9%) compared to the prior year period contributed to the decrease in transport expenses, which was, however, counteracted by higher container and repositioning expenses as well as the higher average bunker consumption price.

In the first quarter of the 2023 financial year, the average bunker consumption price for Hapag-Lloyd was USD 645/t which is USD 32/t (5.2%) above the figure of USD 613/t for the prior year period. This led to an increase in fuel expenses of USD 15.0 million to USD 667.8 million (prior year period: USD 652.8 million).

Container handling expenses fell in the first quarter of the reporting year by USD 71.5 million to USD 1,607.2 million (prior year period: USD 1,678.7 million). This decline is due in particular to lower demurrage and detention for containers as a result of the easing congestion in the port and hinterland infrastructure. Increased expenses for hinterland transport of containers, mainly by truck and rail, had a compensating effect on the decline.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals and for repositioning them.

The increase in expenses for ships and voyages (excluding fuel) mainly results from the increased port and canal costs. A decrease in expenses for container slot rentals on third-party vessels had a relieving effect.

Personnel expenses

Personnel expenses increased by USD 23.3 million to USD 259.0 million in the first quarter of the 2023 financial year (prior year period: USD 235.7 million). The increase was mainly attributable to an adjustment of the bonus system and the rise in the number of employees in the Hapag-Lloyd Group.

Depreciation, amortisation and impairment

In the first quarter of the 2023 financial year, depreciation and amortisation decreased by USD 11.2 million to USD 504.7 million compared to the prior year period (USD 516.0 million). The amortisation of right-of-use assets relating to leased assets (essentially vessels and containers) increased to USD 285.3 million (prior year period: USD 254.9 million). This increase was primarily due to the year-on-year rise in the percentage of vessels chartered in on a medium-term basis at simultaneously higher charter rates and the resulting increase in rights of use. In contrast, the extension of the remaining useful life of selected own vessels in the second half of the 2022 financial year led to a decrease of depreciation expenses.

Other operating result

The other operating result of USD –147.6 million (prior year period: USD –113.3 million) comprised the net balance of other operating income and expenses. Other operating expenses in the first quarter of the 2023 financial year came to a total of USD 170.2 million (prior year period: expenses of USD 135.7 million). The main expenses were IT costs (USD 71.2 million; prior year period: USD 61.5 million), consulting costs (USD 24.6 million; prior year period: USD 11.6 million), expenses for bad debt allowances (USD 11.9 million; prior year period: USD 13.6 million) and office and administrative costs (USD 11.5 million; prior year period: USD 9.5 million).

Operating expenses

million USD	Q1 2023	Q4 2022	Q1 2022	QoQ Change	YoY change
Transport expenses	**–3,259.4**	**–3,664.7**	**–3,313.1**	**–11.1%**	**–1.6%**
thereof					
Bunker	–667.8	–726.1	–652.8	–8.0%	2.3%
Handling and haulage	–1,607.2	–1,694.0	–1,678.7	–5.1%	–4.3%
Equipment and repositioning	–419.2	–437.1	–383.8	–4.1%	9.2%
Vessels and voyages (excluding bunker)	–603.6	–761.6	–602.2	–20.8%	0.2%
Pending transport expenses[1]	38.4	–45.9	4.4	n.m.	n.m.
Personnel expenses	–259.0	–343.3	–235.7	–24.6%	9.9%
Depreciation, amortisation and impairments	–504.7	–500.4	–516.0	0.9%	–2.2%
Other operating result	–147.6	–137.5	–113.3	7.4%	30.2%
Total operating expenses	**–4,170.8**	**–4,645.9**	**–4,178.1**	**–10.2%**	**–0.2%**

[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

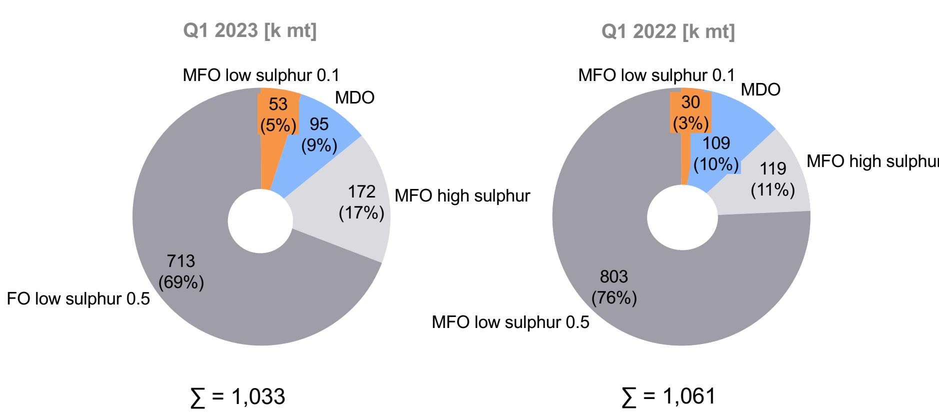
In total, transport expenses per unit (incl. D&A) in the first quarter 2023 increased by 3.3% to USD 1,324/TEU as compared to the prior year period. “Bunker” expenses increased by 7.5% or USD 16/TEU because of higher bunker prices. “Handling and Haulage” expenses remained almost stable. Continuous easing of port congestions led to lower storage costs offset by increased expenses for hinterland transport of containers, mainly by truck and rail, as well as higher feeder costs. “Equipment and Repositioning” expenses increased by 14.8% or USD 19/TEU due to higher expenses for repositioning of empty containers. “Vessel and voyage” expenses increased by 5.4% or USD 11/TEU. This was primarily related to the increased port and canal costs while expenses for container slot rentals on third-party vessels were lower as compared to the prior year period. “Depreciation and amortisation” unit cost increased by 2.8% (USD 5/TEU) due to the rise in the percentage of ships chartered in on a medium-term basis at simultaneously higher charter rates and the resulting increase in rights of use.

Unit cost

USD/TEU	Q1 2023	Q4 2022	Q1 2022	QoQ Change	YoY change
Transport expenses	**–1,147**	**–1,283**	**–1,109**	**–10.6%**	**3.4%**
thereof					
Bunker	–235	–254	–219	–7.6%	7.5%
Handling and haulage	–566	–593	–562	–4.6%	0.6%
Equipment and repositioning	–148	–153	–128	–3.6%	14.8%
Vessel and voyage (excl. bunker)	–212	–267	–202	–20.3%	5.4%
Pending transport expenses	14	–16	1	n.m.	n.m.
Depreciation, amortisation and impairment (D&A)	**–178**	**–175**	**–173**	**1.4%**	**2.8%**
Transport expenses incl. D&A	**–1,324**	**–1,458**	**–1,282**	**–9.2%**	**3.3%**

Bunker consumption development
In the first three months of 2023, bunker consumption totalled 1.03 million tonnes, down 2.7% year-on-year (prior year period: 1.06 million tonnes).

The percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) and liquefied natural gas (LNG) bunkers decreased from 89% in Q1 2022 to 83% in Q1 2023 due to the fitting of more vessels with scrubbers. Bunker consumption per slot (measured by average container slot capacity, annualised) in the first three months of 2023 was down year-on-year at 2.29 tonnes (prior year period: 2.43 tonnes). At 0.36 tonnes per TEU, bunker consumption per transported TEU remained at the previous year's level in Q1 2023.



MFO = Marine Fuel Oil
MDO = Marine Diesel Oil
MFO low sulphur 0.1 including LNG

3.7. OPERATING PROFIT

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of USD 2,378.7 million in the reporting period (prior year period: 5,306.8 million) and earnings before interest and taxes (EBIT) of USD 1,874.0 million (prior year period: USD 4,790.9 million).

EBIT and EBITDA margin

million USD	Q1 2023	Q4 2022	Q1 2022	QoQ change	YoY change
Revenue	6,028.1	7,961.7	8,956.1	–24.3%	–32.7%
EBIT	1,874.0	3,324.1	4,790.9	–43.6%	–60.9%
EBITDA	2,378.7	3,824.5	5,306.8	–37.8%	–55.2%
EBIT margin	31.1%	41.8%	53.5%	–10.7 ppt	–22.4 ppt
EBITDA margin	39.5%	48.0%	59.3%	–8.6 ppt	–19.8 ppt

3.8. OTHER EXPENSES

Interest result and other financial result

In the first quarter of the 2023 financial year, the interest result and other financial result amounted to USD 162.8 million (prior year period: USD –53.9 million). The increase in interest income and other financial income of USD 226.5 million (prior year period: USD 6.3 million) was mainly due to the significant rise in interest rates and income from money market funds, which did not exist in the same quarter of the previous year.

Other financial items

In the first quarter of the 2023 financial year, the result for the other financial items was USD 62.5 million (prior year period: USD –34.8 million). The main reason for this development was the valuation effects from the derivatives in connection with the dividend distributions in euros for the financial years 2021 and 2022.

4. GROUP NET ASSET POSITION

As at 31 March 2023, the Group's total assets amounted to USD 42,986.6 million and were USD 1,688.1 million higher than at year-end 2022. The change was mainly due to the increase in cash and cash equivalents, which was partially offset by the decrease in current other financial assets and trade receivables, as well as the higher equity.

Within non-current assets, the carrying amounts of fixed assets increased by a total of USD 228.7 million to USD 18,105.2 million (31 December 2022: USD 17,876.5 million). The increase was mainly due the investment in equity-accounted investees in the amount of USD 285.8 million (prior year period: USD 0.0 million), investments in ships, ship equipment and containers in the amount of USD 268.5 million (prior year period: USD 230.2 million) as well as newly received and extended rights of use for lease assets in the amount of USD 166.5 million (prior year period: USD 181.2 million). This was partly offset by depreciation and amortisation of USD 504.7 million (prior year period: USD 516.0 million). This includes an amount of USD 285.3 million (prior year period: USD 254.9 million) for the amortisation of capitalised rights of use relating to lease assets.

The decrease in current other financial assets resulted mainly from the repayment of time deposits in the amount of USD 1,811.0 million and was partially compensated by the conclusion of two money market funds amounting to USD 585.0 million, that do not meet the criteria for cash and cash equivalents, and a reverse repo transaction with a maturity of more than three months amounting to USD 250.0 million.

Cash and cash equivalents increased by USD 2,966.5 million to USD 19,231.0 million compared to year-end 2022 (USD 16,264.5 million) essentially due to the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by USD 2,025.4 million to USD 31,820.5 million. The increase is due to the Group profit of USD 2,031.0 million (prior year period: USD 4,683.5 million).

The Group's borrowed capital fell by USD 337.3 million in comparison to the 2022 consolidated financial statements. This is mainly due to the decrease in financial debts and lease liabilities as result of repayments totalling USD 592.8 million (prior year period: USD 420.3 million). An increase in financial liabilities and lease liabilities associated with newly acquired or extended charter and leasing contracts in the amount of USD 153.4 million (prior year period: USD 176.4 million) counteracted this decline.

Furthermore, the significant reduction in contract liabilities by USD 364.9 million (prior year period increase: USD 19.8 million) to USD 652.2 million, particularly as a result of continued lower freight rates for transport orders on pending voyages as at the reporting date, contributed to the decline in debt capital.

As at 31 March 2023, net liquidity, including cash and cash equivalents, money market transactions and money market funds with a maturity of more than three months included in the items of other financial assets, as well as financial liabilities and lease liabilities, amounted to USD 15,683.3 million (31 December 2022: USD 13,436.7 million).

Group net asset position

million USD	31.3.2023	31.12.2022
Assets		
Non-current assets	18,256.2	18,034.8
of which fixed assets	18,105.2	17,876.5
Current assets	24,730.4	23,263.7
of which cash and cash equivalents	19,231.0	16,264.5
Total assets	**42,986.6**	**41,298.5**
Equity and liabilities		
Equity	31,820.5	29,795.1
Borrowed capital	11,166.1	11,503.4
of which non-current liabilities	4,427.9	4,674.6
of which current liabilities	6,738.2	6,828.7
of which financial debt and lease liabilities	5,571.7	5,803.8
of which non-current financial debt and lease liabilities	4,057.6	4,317.9
of which current financial debt and lease liabilities	1,514.1	1,485.9
Total equity and liabilities	**42,986.6**	**41,298.5**

5. GROUP FINANCIAL POSITION

5.1. DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Cash flow from operating activities

In the first quarter of the 2023 financial year, Hapag-Lloyd generated an operating cash flow of USD 2,754.2 million (prior year period: USD 5,038.7 million). The lower cash flow from operating activities compared to the prior year period is due to the lower result in the current financial year.

Cash flow from investing activities

Cash inflows from investing activities totalled USD 708.5 million in the first quarter of the 2023 financial year (prior year period: cash outflow of USD 410.6 million). The cash inflow is mainly due to the change in cash and cash equivalents for money market transactions and money market funds with a maturity of more than three months amounting to USD 976.0 million (prior year period: USD 0.0 million) and interest received amounting to USD 219.9 million (prior year period: USD 3.7 million). This was offset by cash outflows from share acquisitions of USD 280.1 million in net terms. Payments for investments in vessels and vessel equipment as well as for new container constructions amounted to USD 234.6 million (prior year period: USD 431.9 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of USD 494.3 million in the first quarter of the financial year (prior year period: USD 449.1 million). The cash outflow is mainly due to interest payments and repayments of vessel and container financing of USD 151.4 million (prior year period: USD 150.6 million) and leasing liabilities in accordance with IFRS 16 of USD 289.7 million (prior year period: USD 288.2 million). Furthermore, payments were made for hedging transactions of financial liabilities in the amount of USD 46.5 million (prior year period: USD 2.6 million).

Consolidated statement of cash flows

million USD	Q1 2023	Q1 2022
Cash and cash equivalents beginning of the period	**16,264.6**	**8,741.4**
EBITDA	2,378.7	5,306.8
Working capital	436.2	–230.1
Others	–60.7	–38.0
Operating cash flow	**2,754.2**	**5,038.7**
Investments	–234.6	–431.9
thereof vessel	–182.7	–222.5
thereof container	–38.1	–203.9
thereof other	–13.8	–5.5
Net Cash received (+)/made (–) from acquisitions	5.7	–
Disinvestments	26.6	17.6
Payments received (+) for the redemption of issued loans	0.7	–
Change of financial assets and financial assets held for sale	976.0	–
Payments made for the acquisition of shares in joint ventures	–285.8	–
Payments received for interests	219.9	3.7
Investing cash flow	**708.5**	**–410.6**
Debt intake	–	0.2
Debt repayment	–130.6	–126.5
Repayment of lease liabilities	–261.7	–268.5
Dividends paid	–	–1.2
Interest	–55.5	–50.6
Payments made from hedges for financial debts	–46.5	–2.6
Financing cash flow	**–494.3**	**–449.1**
Changes due to exchange rate fluctuations and impairments	–1.9	–
Cash and cash equivalents end of the period	**19,231.1**	**12,920.4**

5.2. FINANCIAL SOLIDITY

As at 31 March 2023, the Group's net liquidity amounted to USD 15,683.3 million. This represents a rise of USD 2,246.6 million compared to net liquidity as at 31 December 2022. The improvement was primarily due to a positive operating cash flow.

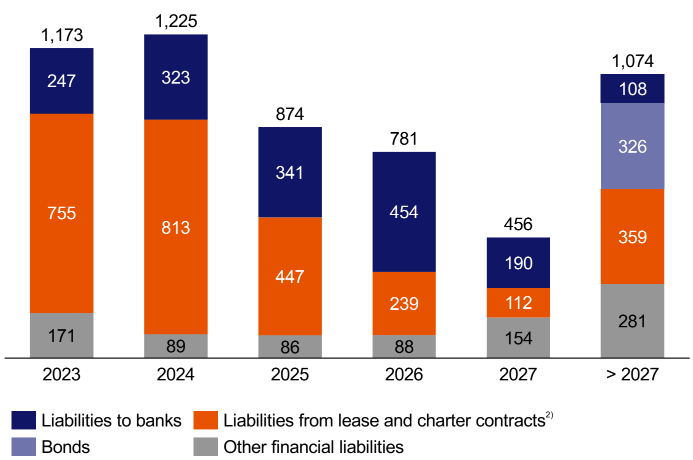
The equity ratio increased by 1.9 percentage points, from 72.1% as at 31 December 2022 to 74.0%. Equity increased by USD 2,025.4 million compared to 31 December 2022 and amounted to USD 31,820.5 million as at 31 March 2023.

Financial solidity

million USD	31.3.2023	31.12.2022	31.3.2022
Financial debt and lease liabilities	5,571.7	5,803.8	5,995.1
Cash and cash equivalents	19,231.0	16,264.5	12,920.4
Money market transactions & funds (other financial assets)	2,024.0	2,976.0	–
Net liquidity	**15,683.3**	**13,436.7**	**6,925.2**
Unused credit lines	725.0	725.0	725.0
Liquidity reserve [1]	21,980.0	19,965.5	13,645.4
Equity	31,820.5	29,795.1	23,039.5
Assets	42,986.6	41,298.5	34,789.9
Equity ratio (%)	**74.0**	**72.1**	**66.2**

1 From the first quarter 2023, the liquidity reserve includes money market transactions and funds which are recognised under other financial assets. Prior year figures adjusted accordingly.

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 2023 consists of transaction costs and accrued interest

2 Liabilities from lease and charter contracts consist of USD 12 million liabilities from former finance lease contracts and USD 2,712 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 5,583 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

Hapag-Lloyd successfully completed the acquisition of a 40%-stake in J M Baxi Ports & Logistics Limited (JMBPL) on 19 April 2023, which was previously approved by the relevant antitrust authority. The transaction was agreed in January 2023 with JMBPL's majority owner, the Kotak family, and with a Bain Capital Private Equity company, which had a 35% investment in JMBPL.

7. OUTLOOK

General economic outlook

According to the International Monetary Fund (IMF), the global economy is likely to continue its growth at a slower pace in the current 2023 financial year. According to the IMF's April forecast, a moderate increase of 2.8% is expected in 2023, down from 3.4% in the previous year. Economic growth would thus be below the historical average of 3.8% over the period from 2000 to 2019. The increase in key interest rates by many central banks to fight inflation as well as Russia's war in Ukraine are likely to dampen the pace of growth in many economies. Only China is expected to experience stronger economic growth due to the lifting of COVID-19 restrictions. Global trade is also likely to lose momentum, according to the IMF. World trade volume is expected to grow by only 2.4% in 2023, down from 5.1% in the prior year period.

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

in %	2024e	2023e	2022	2021	2020
Global economic growth	3.0	2.8	3.4	6.3	–2.8
Industrialised countries	1.4	1.3	2.7	5.4	–4.2
Developing and newly industrialised countries	4.2	3.9	4.0	6.9	–1.8
World trade volume (goods and services)	3.5	2.4	5.1	10.6	–7.8

Source: IMF World Economic Outlook, April 2023

Sector-specific outlook

Global container transport volumes fell by 4.1% in 2022. There was an abrupt drop in demand in the second half of the year in particular. The maritime industry consultancy Accenture Cargo (formerly Seabury) expects transport volumes to continue to decline initially in the first half of 2023. Growth is not expected until the second half of 2023, mainly due to the low comparison base. For 2023 as a whole, Accenture Cargo expects global container transport volumes to increase slightly by 1.8%. In the December forecast, growth of 2.2% had been expected.

Development of container transport volume

	2024e	2023e	2022	2021	2020
Growth rate in %	3.3	1.8	–4.1	7.1	–1.3

Sources: CTS (from April 2023 for 2020–2022), Accenture Cargo (from April 2023 for 2023, from December 2022 for 2024)

The tonnage of container vessels on order stood at 7.1 million TEU as at the end of March 2023, down from 7.2 million TEU at the end of 2022, according to MDS Transmodal. Thus, the ratio of order backlog to current world container fleet capacity remained at a comparatively high level of 27.6%, but well below the peak of around 61% reached in 2007.

A significant increase in vessel deliveries is planned for 2023. However, Drewry expects that the postponement of deliveries as well as a greater number of scrappings should result in the global available container ship fleet growing at 1.1 million TEU or 4.3% respectively, only on par with previous years.

Expected development of global container fleet capacity

million TEU	2024e	2023e	2022	2021	2020
Existing fleet (beginning of the year)	26.9	25.8	24.7	23.6	23.0
Planned deliveries	3.9	2.5	1.0	1.2	1.1
Expected scrappings	0.6	0.4	0.0	0.0	0.2
Postponed deliveries and other changes	1.6	1.0	–0.1	0.1	0.3
Net capacity growth	**1.7**	**1.1**	**1.0**	**1.1**	**0.7**
Net capacity growth (in %)	6.5	4.3	4.2	4.5	3.0

Source: Drewry Container Forecaster Q1 2023. Expected nominal capacity based on planned deliveries.
Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded.

Expected business development of Hapag-Lloyd

As expected, Hapag-Lloyd saw a decline in earnings in the first quarter of 2023, primarily due to weaker demand for container transport and falling freight rates. At the same time, costs remained elevated, mainly as a result of inflation.

Against the background of the significant change in market conditions compared with the previous year, the Executive Board of Hapag-Lloyd AG expects a gradual normalisation of the earnings trend in the current 2023 financial year. Group EBITDA is still expected to be in the range of EUR 4.0 to 6.0 billion (previous year: EUR 19.4 billion) and EBIT in the range of EUR 2.0 to 4.0 billion (previous year: EUR 17.5 billion). In US dollars, this corresponds to an expected Group EBITDA in the range of USD 4.3 to 6.5 billion (previous year: USD 20.5 billion) and EBIT in the range of USD 2.1 to 4.3 billion (previous year: USD 18.5 billion).

The earnings expectation for the 2023 financial year is based in particular on the assumptions that transport volumes can be increased slightly, while the average freight rate is expected to fall significantly. The recovery of supply chains as well as the implementation of cost reduction measures should simultaneously lead to a decrease in transport expenses. The development in this direction should also be supported by a significantly lower bunker consumption price. However, higher expenses due to inflation are expected to weaken the cost recovery. The earnings forecast is based on the assumption of an average exchange rate of USD 1.08/EUR (2022 financial year: USD 1.05/EUR).

The earnings forecast does not take into account impairments on goodwill, other intangible assets and property, plant and equipment in the course of the 2023 financial year, which are currently not expected but cannot be ruled out.

	Actual 2022	Forecast 2023
Global economic growth (IMF, April 2023)	3.4%	2.8%
Global trade growth (IMF, April 2023)	5.1%	2.4%
Global container transport volume growth (CTS, April 2023; Accenture Cargo, April 2023)	−4.1%	1.8%
Transport volume, Hapag-Lloyd	11.8 million TEU	Increasing slightly
Average freight rate, Hapag-Lloyd	USD 2,863/TEU	Decreasing clearly
Average bunker consumption prices, Hapag-Lloyd	USD 753/t	Decreasing clearly
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 19.4 billion	EUR 4.0–6.0 billion
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 17.5 billion	EUR 2.0–4.0 billion

In an industry environment dominated by volatile freight rates and stiff competition, business developments at Hapag-Lloyd are subject to risks and opportunities that could cause them to differ from the forecast. These and other risks and opportunities are described in detail in the risk and opportunity report in the combined management report of the 2022 annual report. Significant changes compared to this description are presented in the risk and opportunity report of the quarterly financial report Q1 2023. 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 2023 please find below the respective exchange rates:

Exchange rates

	Closing rate			Average rate		
per EUR	**31.3.2023**	31.12.2022	31.3.2022	**Q1 2023**	FY 2022	Q1 2022
US dollars	1.0872	1.0675	1.1103	1.0728	1.0538	1.1228

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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