Q1 2021

Hapag-Lloyd AG

Quarterly financial report

1 January to
31 March 2021

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES QUARTERLY FINANCIAL REPORT Q1 2021

		1.1.–31.3.2021	1.1.–31.3.2020	Change absolute
Key operating figures[1]				
Total vessels		241	248	–7
Aggregate capacity of vessels	TTEU	1,734	1,745	–11
Aggregate container capacity	TTEU	2,758	2,587	171
Freight rate (average for the period)	USD/TEU	1,509	1,094	415
Transport volume	TTEU	2,975	3,053	–79
Revenue	million EUR	4,067	3,343	724
EBITDA	million EUR	1,584	469	1,115
EBIT	million EUR	1,277	160	1,117
Group profit/loss	million EUR	1,203	25	1,179
Earnings per share	EUR	6.83	0.12	6.71
Cash flow from operating activities	million EUR	1,366	381	986
Key return figures[1]				
EBITDA margin (EBITDA/revenue)	%	38.9	14.0	24.9 ppt
EBIT margin (EBIT/revenue)	%	31.4	4.8	26.6 ppt
ROIC (Return on Invested Capital)[2]	%	43.3	4.5	38.8 ppt
Key balance sheet figures as at 31 March[1]				
Balance sheet total	million EUR	17,298	15,184	2,113
Equity	million EUR	8,291	6,723	1,568
Equity ratio (equity/balance sheet total)	%	47.9	44.3	3.7 ppt
Borrowed capital	million EUR	9,007	8,462	545
Key financial figures as at 31 March[1]				
Financial debt and lease liabilities	million EUR	5,332	5,136	196
Cash and cash equivalents	million EUR	1,615	681	933

1 The key operating figures and key return figures refer to the respective reporting period. The comparison of key balance sheet figures and key financial figures refers to the reporting date 31 December 2020.

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

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

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

This quarterly financial report was published on 12 May 2021.

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 21.7% to EUR 4,067.4 million (prior year period: EUR 3,343.3 million).
- Transport expenses fell by 14.2% in the first 3 months of the 2021 financial year to EUR 2,270.4 million (prior year period: EUR 2,644.9 million) due to lower bunker consumption prices and currency effects.
- EBITDA tripled to EUR 1,584.0 million (prior year period: EUR 469.4 million). The EBITDA margin was 38.9% (prior year period: 14.0%).
- EBIT was also significantly up on the previous year, at EUR 1,277.0 million, (prior year period: EUR 159.8 million).
- Earnings per share jumped to EUR 6.83 from EUR 0.12 in the prior year period.
- Free cash flow of EUR 1,289.2 million was once again clearly positive (prior year period: EUR 273.8 million), with the result that net debt was further reduced.
- At the same time, the liquidity reserve rose to EUR 2.1 billion as at the end of the first quarter of 2021 (31 March 2020: EUR 1.1 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 two agencies now rate Hapag-Lloyd's creditworthiness as "BB" and "Ba2" respectively. This is the highest rating obtained by Hapag-Lloyd in the history of the company.
- Against the backdrop of unabated global demand for container transport and the resulting shortage of container and vessel capacity, the Executive Board of Hapag-Lloyd AG 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.

CONTENTS

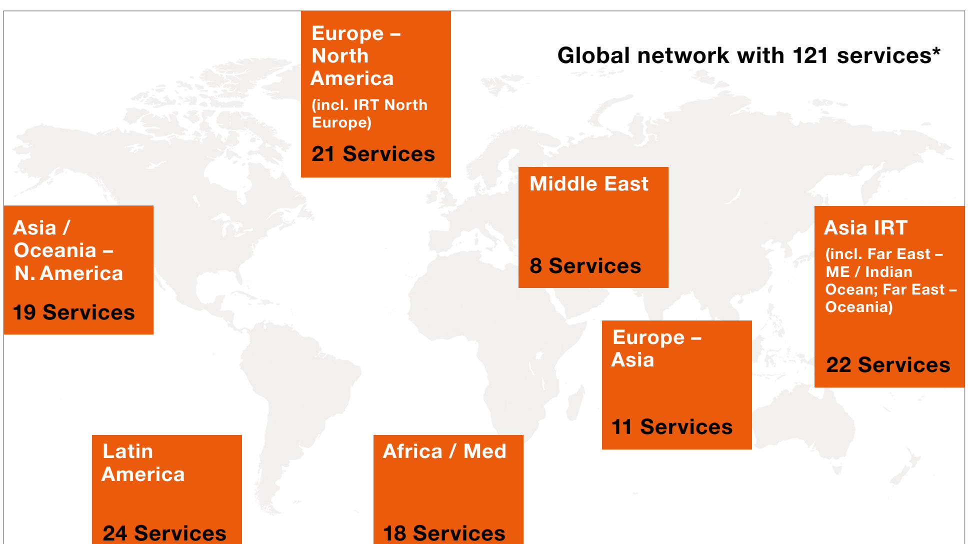
INTERIM GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES

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

Hapag-Lloyd's fleet comprised 241 container ships as at 31 March 2021 (31 March 2020: 248). The Group currently has 395 sales offices in 131 countries (31 March 2020: 394 sales offices in 129 countries) and offers its customers worldwide access to a network of 121 liner services (previous year: 122 services). One of these services is suspended at present due to operational adjustments (31 March 2020: no services). In the first 3 months of 2021, Hapag-Lloyd served approximately 20,800 customers around the world (previous year: approximately 19,800).

Network of Hapag-Lloyd services



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

Since 1 April 2017 Hapag-Lloyd operates THE Alliance in partnership with Ocean Network Express Pte. Ltd., Singapore (ONE), Hyundai Merchant Marine, Korea (HMM) and Yang Ming Marine Transport Corp. Ltd., Taiwan (Yang Ming). The partnership is scheduled to last for 10 years, after which point it will automatically be extended by one more year in each case.

Members must remain in the alliance for 36 months and then give 12 months' notice if they wish to leave. In the event of a change of control or insolvency, a member may be excluded from the alliance. The decision to exclude an alliance member must be taken unanimously by the other members.

As at 31 March 2021, THE Alliance covered all East–West trades with 268 container ships and 30 services (31 March 2020: 278 container ships and 31 services). One of the services of THE Alliance is temporarily suspended at present due to operational adjustments (31 March 2020: no services).

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

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

Shareholder structure of Hapag-Lloyd AG

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

The shareholder structure of Hapag-Lloyd AG as at 31 March 2021 is as follows:

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

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). Transport volume and freight rates are important factors influencing the development of revenue and results. The development of the financial performance indicators in the first 3 months of the year 2021 is presented in the section “Group earnings position”.

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

In the first 3 months of 2021, Hapag-Lloyd generated an annualised return on invested capital (ROIC) of 43.3% (prior year period: 4.5%). The weighted average cost of capital at the balance sheet date 31 December 2020 was 6.0%. Calculation of the return on invested capital is as follows:

	million EUR		million USD	
	Q1 2021	Q1 2020	**Q1 2021**	Q1 2020
Non-current assets	13,260.9	14,026.6	15,557.0	15,379.7
Inventory	237.4	210.0	278.5	230.2
Accounts receivables	1,728.4	1,423.0	2,027.7	1,560.3
Other assets	456.3	391.6	535.3	429.3
Assets	**15,683.0**	**16,051.1**	**18,398.6**	**17,599.5**
Provisions	888.1	759.7	1,041.9	833.0
Accounts payable	1,906.1	1,798.7	2,236.1	1,972.2
Other liabilities	880.5	702.9	1,033.0	770.9
Liabilities	**3,674.7**	**3,261.4**	**4,311.0**	**3,576.1**
Invested Capital	**12,008.3**	**12,789.8**	**14,087.5**	**14,023.4**
EBIT	1,277.0	159.8	1,539.5	176.1
Taxes	11.0	15.1	13.3	16.7
Net Operating Profit after Tax (NOPAT)	**1,266.0**	**144.7**	**1,526.2**	**159.4**
Return on Invested Capital (ROIC, annualised)			**43.3%**	**4.5%**

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

IMPORTANT NON-FINANCIAL PRINCIPLES

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

The following non-financial parameters are important for understanding Hapag-Lloyd as a container liner shipping company. However, they are not used by the Company as performance indicators. As part of Strategy 2023, further non-financial parameters, such as quantifiable quality targets in particular, are gradually being implemented.

Flexible fleet and capacity development

As at 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 TEU). 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

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 percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) fell slightly from 93% in Q1 2020 to 92% in the first quarter of 2021. 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.

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.

Customers

Hapag-Lloyd's aim is to maintain a diversified customer portfolio consisting of direct customers and freight forwarders, with the latter ensuring a permanent regular supply of cargo volumes. Contractual relationships of up to 12 months generally exist with direct customers. Direct customers allow Hapag-Lloyd to plan the required transport capacity better because of the framework agreements concluded with them. Hapag-Lloyd has a balanced customer base, as demonstrated by the fact that its 50 largest customers represent considerably less than 50% of its cargo volume. In the first 3 months of the 2021 financial year, Hapag-Lloyd completed transport contracts for approximately 20,800 customers (Q1 2020: approximately 19,800).

Employees

The Hapag-Lloyd Group employed 13,340 people as at 31 March 2021 (31 March 2020: 13,106). Of this total, 11,106 were shore-based employees (31 March 2020: 10,881), while 2,017 people were employed in the marine division (31 March 2020: 2,010). Hapag-Lloyd also employed 217 apprentices as at 31 March 2021 (31 March 2020: 215).

Number of employees

	31.3.2021	31.12.2020	31.3.2020
Marine personnel	2,017	2,023	2,010
Shore-based personnel	11,106	10,867	10,881
Apprentices	217	227	215
Total	**13,340**	**13,117**	**13,106**

ECONOMIC REPORT

General economic conditions

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

Despite the ongoing COVID-19 pandemic, the global economy was comparatively robust in the first 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 economy 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%.

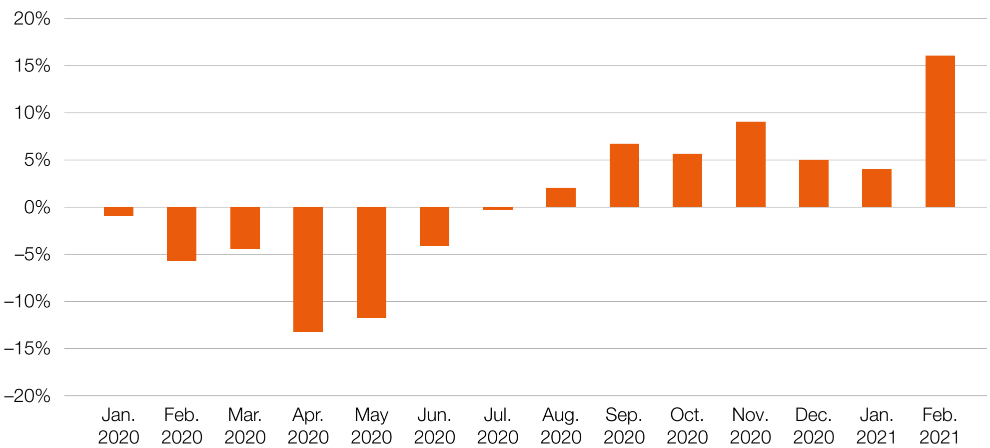
As a result of the global economic upturn, the increase in the oil price also continued in the first quarter of 2021. At the end of the first quarter of 2021, the price of Brent Crude was USD 63.54 per barrel, up from USD 51.80 per barrel at the end of 2020. The price of Brent Crude stood at just USD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

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 two 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 two 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 two 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 Q1 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).

Consolidation of the industry and alliances

In recent years, the container shipping industry has gone through a phase of significant consolidation. According to data from MDS Transmodal (April 2021), the 10 largest container liner shipping companies provide approximately 85% of the total capacity of the global fleet of container ships. This figure was just 61% in 2013.

Alliances are an essential part of the container shipping industry as they enable better utilisation of ships and provide the opportunity for shipping companies to offer a more extensive service. There are currently 3 global alliances. Measured in terms of transport capacity, the largest alliance is the “2M Alliance”, consisting of the two market leaders – Maersk Line (Denmark) (Maersk) and Mediterranean Shipping Company S. A. (Switzerland) (MSC). The “Ocean Alliance” consists of CMA CGM S. A. (France), including its subsidiary APL (Singapore), COSCO (China), including its subsidiary OOIL (Hong Kong), and Evergreen Marine Corp. Ltd. (Taiwan) (Evergreen) and is the second-biggest alliance. Hapag-Lloyd (Germany) operates “THE Alliance” in partnership with ONE (Singapore), Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming) and, since 1 April 2020, Hyundai Merchant Marine (South Korea) (HMM). As at 31 March 2021, THE Alliance covered all East–West trades with 268 container ships and 30 services (31 March 2020: 278 container ships and 31 services). One of these services is suspended at present due to operational adjustments (31 March 2020: no services).

Capacity share of alliances based on selected trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	37	24	45
Ocean Alliance	36	40	14
THE ALLIANCE	**26**	**28**	**32**
Other	1	9	10

Source: Alphaliner, March 2021

GROUP EARNINGS, FINANCIAL AND NET ASSET POSITION

Group earnings position

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 21.7% essentially as a direct result, and the decrease in the average bunker consumption price (–26.6%) had a positive impact on the earnings position. At USD 1.21 / EUR, the average USD / EUR exchange rate was weaker than in the prior year period (USD 1.10 / EUR) and reduced the operating result. The same applies to the decrease in the transport volume (–2.6%).

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 1,584.0 million in the reporting period (prior year period: EUR 469.4 million) and earnings before interest and taxes (EBIT) of EUR 1,277.0 million (prior year period: EUR 159.8 million). The Group profit came to EUR 1,203.4 million (prior year period: EUR 24.8 million).

Consolidated income statement

million EUR	Q1 2021	Q1 2020
Revenue	4,067.4	3,343.3
Transport expenses	2,270.4	2,644.9
Personnel expenses	164.3	172.9
Depreciation, amortisation and impairment	306.9	309.6
Other operating result	–49.9	–65.2
Operating result	**1,275.8**	**150.8**
Share of profit of equity-accounted investees	1.3	9.2
Result from investments and securities	–	–0.2
Earnings before interest and tax (EBIT)	**1,277.0**	**159.8**
Interest result	–64.3	–124.2
Other financial items	1.8	4.3
Income taxes	11.0	15.1
Group profit / loss	**1,203.4**	**24.8**
thereof profit / loss attributable to shareholders of Hapag-Lloyd AG	1,200.8	21.8
thereof profit / loss attributable to non-controlling interests	2.6	3.0
Basic / diluted earnings per share (in EUR)	6.83	0.12
EBITDA	**1,584.0**	**469.4**
EBITDA margin (%)	**38.9**	**14.0**
EBIT	**1,277.0**	**159.8**
EBIT margin (%)	**31.4**	**4.8**

Transport volume per trade

TTEU	Q1 2021	Q1 2020
Atlantic	453	481
Transpacific	437	472
Far East	585	567
Middle East	389	391
Intra-Asia	171	212
Latin America	769	744
EMA (Europe – Mediterranean – Africa)	170	186
Total	**2,975**	**3,053**

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.

Freight rates per trade

USD / TEU	Q1 2021	Q1 2020
Atlantic	1,374	1,405
Transpacific	1,936	1,326
Far East	1,967	962
Middle East	1,114	788
Intra-Asia	1,020	611
Latin America	1,360	1,162
EMA (Europe – Mediterranean – Africa)	1,265	1,031
Total (weighted average)	**1,509**	**1,094**

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.

Revenue per trade

million EUR	Q1 2021	Q1 2020
Atlantic	516.3	613.2
Transpacific	701.4	568.4
Far East	955.1	495.6
Middle East	359.7	279.8
Intra-Asia	144.6	117.5
Latin America	867.9	784.3
EMA (Europe – Mediterranean – Africa)	178.0	173.8
Revenue not assigned to trades	344.2	310.8
Total	**4,067.4**	**3,343.3**

The Hapag-Lloyd Group's revenue rose by EUR 724.1 million to EUR 4,067.4 million in the first 3 months of the 2021 financial year (prior year period: EUR 3,343.3 million), representing an increase of 21.7%.

The main reason for this was the rise in average freight rates of 37.9% compared with the previous year. By contrast, the weakening of the US dollar against the euro counteracted the increase in revenue. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 1.0 billion, or 33.1%. The year-on-year fall in the transport volume of –2.6% also counteracted the increase in revenue.

Operating expenses

million EUR	Q1 2021	Q1 2020
Transport expenses	2,270.4	2,644.9
thereof		
Transport expenses for completed voyages	2,259.4	2,611.6
Bunker	321.8	594.2
Handling and haulage	1,212.9	1,257.4
Equipment and repositioning [1]	277.5	280.1
Vessels and voyages (excluding bunker) [1]	447.1	479.9
Transport expenses for pending voyages [2]	11.1	33.3
Personnel expenses	164.3	172.9
Depreciation, amortisation and impairments	306.9	309.6
Other operating result	–49.9	–65.2
Total operating expenses	**2,791.6**	**3,192.6**

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

Transport expenses fell by EUR 374.5 million in the first 3 months of the 2021 financial year to EUR 2,270.4 million (prior year period: EUR 2,644.9 million). This represents a drop of 14.2%. 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 addition, the weaker US dollar compared with the euro led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have fallen by approximately EUR 0.1 billion, or around 6.1%.

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. To some extent, the year-on-year weakening of the US dollar compared with the euro also reduced Hapag-Lloyd’s fuel expenses.

Container handling expenses decreased by EUR 44.5 million in the first 3 months of the reporting year to EUR 1,212.9 million. This was essentially attributable to the weaker US dollar compared with the euro. The decline was counteracted primarily by 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 fall in container and repositioning expenses of EUR 2.6 million to EUR 277.5 million was largely due to the weaker US dollar compared with the euro. This contrasted with an increase resulting from higher expenses for storage costs for empty containers at port terminals, particularly in North America.

The decrease in expenses for vessels and voyages (excluding bunker) of EUR 32.8 million to EUR 447.1 million resulted primarily from the weaker US dollar compared with the euro. This was counteracted by increased expenses for container slotcharter costs on third-party ships.

Personnel expenses decreased by EUR 8.6 million in the first 3 months of 2021 to EUR 164.3 million (prior year period: EUR 172.9 million). The decline in expenses was essentially due to the weakening of the US dollar against the euro. This contrasted with a rise in expenses as a result of staff expansion in service centers of Hapag-Lloyd, among others.

In the first 3 months of the 2021 financial year, there was a year-on-year decline in depreciation and amortisation of EUR 2.6 million to EUR 306.9 million. The weaker US dollar compared with the euro was the main reason for the decrease. This development was counteracted by the year-on-year increase in depreciation and amortisation that 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 EUR 137.3 million (prior year period: EUR 123.3 million).

The other operating result of EUR –49.9 million (prior year period: EUR –65.2 million) comprised the net balance of other operating income and expenses. Other operating expenses totalled EUR 66.8 million for the first 3 months of the 2021 financial year (prior year period: expenses of EUR 83.2 million). This mainly included IT expenses (EUR 39.1 million; prior year period: EUR 40.8 million) and expenses for allowances for doubtful accounts (EUR 6.3 million; prior year period: EUR 3.8 million). Other operating income totalled EUR 16.9 million for the first 3 months of the 2021 financial year (prior year period: EUR 18.0 million).

Key earnings figures

million EUR	Q1 2021	Q1 2020
Revenue	4,067.4	3,343.3
EBIT	1,277.0	159.8
EBITDA	1,584.0	469.4
EBIT margin (%)	31.4	4.8
EBITDA margin (%)	38.9	14.0
Basic earnings per share (in EUR)	6.83	0.12
Return on invested capital (ROIC) annualised (%)[1]	43.3	4.5

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

Interest result

The interest result for the first 3 months of the 2021 financial year was EUR –64.3 million (prior year period: EUR –124.2 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 EUR 28.6 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 (EUR 1.9 million) contributed to a positive change in interest expenses in the amount of EUR 27.5 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 (EUR –25.6 million). The valuation and realisation of the interest rate swaps (EUR –1.7 million, prior year period: EUR –9.7 million) improved the interest result by a further EUR 8.0 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 EUR 8.5 million.

Income taxes

The reduction in the income tax expense by EUR 4.1 million to EUR 11.0 million compared to the prior year period is mainly due to high negative re-measurement and exchange rate effects on deferred taxes from loss carry forwards in the first quarter of 2020.

Group profit

A Group profit of EUR 1,203.4 million was achieved in the first 3 months of 2021 (prior year period: EUR 24.8 million).

Group financial position

Condensed statement of cash flows

million EUR	Q1 2021	Q1 2020
Cash flow from operating activities	1,366.4	380.6
Cash flow from investing activities	–77.2	–106.8
Free cash flow	**1,289.2**	**273.8**
Cash flow from financing activities	–411.7	140.1
Changes in cash and cash equivalents	**877.5**	**413.9**

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 1,366.4 million in the first 3 months of the 2021 financial year (prior year period: EUR 380.6 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 EUR 77.2 million (prior year period: EUR 106.8 million). This included payments for investments of EUR 79.1 million (prior year period: EUR 116.0 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 EUR 21.6 million.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 411.7 million in the first 3 months of the financial year (prior year period: cash inflow of EUR 140.1 million). The cash outflow essentially resulted from interest and redemption payments relating to financial liabilities for vessel and container financing in the amount of EUR 281.3 million (prior year period: EUR 197.2 million). In addition, the loan from the ABS programme in the amount of EUR 83.0 million was repaid in full. The interest and redemption payment from lease liabilities in accordance with IFRS 16 totalled EUR 145.6 million in the first 3 months of the financial year (prior year period: EUR 144.4 million).

The cash outflows contrasted with cash inflows for the financing of containers and ship equipment in the amount of EUR 119.1 million (prior year period: EUR 83.2 million).

Developments in cash and cash equivalents

million EUR	Q1 2021	Q1 2020
Cash and cash equivalents at beginning of period	**681.3**	**511.6**
Changes due to exchange rate fluctuations	55.7	14.1
Net changes	877.5	413.9
Cash and cash equivalents at end of period	**1,614.6**	**939.5**

Overall, cash inflow totalled EUR 877.5 million in the first 3 months of the 2021 financial year. After accounting for exchange rate-related effects in the amount of EUR 55.7 million, cash and cash equivalents of EUR 1,614.6 million were reported at the end of the reporting period on 31 March 2021 (31 March 2020: EUR 939.5 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item “cash and cash equivalents”. In addition, there are unused credit lines of EUR 498.7 million (31 March 2020: EUR 168.7 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit lines) therefore totalled EUR 2,133.3 million (31 March 2020: EUR 1,108,2 million).

Financial solidity

million EUR	31.3.2021	31.12.2020
Financial debt and lease liabilities	5,331.9	5,136.2
Cash and cash equivalents	1,614.6	681.3
Net debt	**3,717.4**	**4,454.9**
Gearing (%)[1]	**44.8**	**66.3**
Unused credit lines	**498.7**	**476.5**
Equity ratio (%)	**47.9**	**44.3**

[1] Ratio net debt to equity

The Group’s net debt amounted to EUR 3,717.4 million as at 31 March 2021. This was a fall of EUR 737.5 million (–16.6%) compared to net debt of EUR 4,454.9 million as at 31 December 2020. The improvement in net debt was primarily due to a positive operating cash flow.

The equity ratio increased by 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 EUR 1,569.8 million compared with 31 December 2020 and came to EUR 8,290.9 million as at 31 March 2021. A detailed overview of the change in equity can be found in the interim consolidated financial statements.

Group net asset position

Changes in the asset structure

million EUR	31.3.2021	31.12.2020
Assets		
Non-current assets	13,260.9	12,633.0
of which fixed assets	13,197.2	12,555.6
Current assets	4,036.7	2,551.2
of which cash and cash equivalents	1,614.6	681.3
Total assets	**17,297.6**	**15,184.3**
Equity and liabilities		
Equity	8,290.9	6,722.7
Borrowed capital	9,006.7	8,461.6
of which non-current liabilities	4,375.4	4,668.7
of which current liabilities	4,631.3	3,792.9
of which financial debt and lease liabilities	5,331.9	5,136.2
of which non-current financial debt and lease liabilities	3,917.2	4,170.4
of which current financial debt and lease liabilities	1,414.8	965.7
Total equity and liabilities	**17,297.6**	**15,184.3**
Net debt	3,717.4	4,454.9
Equity ratio (%)	47.9	44.3

As at 31 March 2021, the Group's statement of financial position total was EUR 17,297.6 million, which is EUR 2,113.3 million higher than the figure at year-end 2020. The reasons for this change included exchange rate effects as at the reporting date due to the stronger US dollar against the euro. The USD / EUR exchange rate was quoted at 1.17 on 31 March 2021 (31 December 2020: 1.23).

Within non-current assets, the carrying amounts of fixed assets increased by a total of EUR 641.5 million to EUR 13,197.2 million (31 December 2020: EUR 12,555.6 million). This rise was essentially due to exchange rate effects as at the reporting date in the amount of EUR 565.5 million (prior year period: EUR 313.5 million) and newly received rights of use for lease assets in the amount of EUR 321.0 million (prior year period: EUR 165.8 million). Depreciation and amortisation of EUR 306.9 million had an opposite effect (prior year period: EUR 309.6 million) on fixed assets. This includes an amount of EUR 137.3 million (prior year period: EUR 123.3 million) for the amortisation of capitalised rights of use relating to lease assets.

Cash and cash equivalents increased by EUR 933.3 million to EUR 1,614.6 million compared to the end of 2020 (EUR 681.3 million) primarily as a result of the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by EUR 1,568.2 million to a total of EUR 8,290.9 million. This increase was mainly due to the Group profit of EUR 1,203.4 million (prior year period: EUR 24.8 million) recognised in retained earnings and the unrealised gains from currency translation of EUR 338.3 million (prior year period: EUR 152.2 million) recognised in other comprehensive income. 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 EUR 545.1 million to EUR 9,006.7 million since the 2020 consolidated financial statements were prepared. The increase in financial debt and lease liabilities due to exchange rate effects as at the reporting date in the amount of EUR 217.7 million (prior year period: EUR 133.0 million) and new lease liabilities relating to newly acquired rights of use for lease assets in the amount of EUR 318.5 million (prior year period: EUR 150.0 million) contrasted with redemption payments for financial debt and lease liabilities totalling EUR 455.9 million (prior year period: EUR 262.4 million). A further increase of EUR 287.0 million resulted from higher trade accounts payable and contract liabilities (31 March 2021: EUR 2,580.8 million; 31 December 2020: EUR 2,293.8 million).

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 31 March 2021 was EUR 3,717.4 million (31 December 2020: EUR 4,454.9 million).

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

Executive Board's statement on overall expected developments

The global economy was comparatively robust in the first first 3 months of 2021 despite the ongoing COVID-19 pandemic. This development is based in particular on the comprehensive fiscal policy and monetary measures of numerous states and central banks as well as on the adjustment of many companies to the changed framework conditions.

Compared with the prior year period, the rise in the average freight rate and the decrease in the average bunker consumption price in particular had a positive impact on earnings in the first 3 months of the 2021 financial year. However, operational challenges in connection with congestion of port and hinterland infrastructures as well as local COVID-19 restrictions led to capacity bottlenecks and had a negative impact on the quarterly result. Overall, the result for the first 3 months of the 2021 business year was within the expectations of the Executive Board.

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

OUTLOOK, RISK AND OPPORTUNITY REPORT

Outlook

General economic outlook

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 EUR 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 below in the risk and opportunity report of this financial report. The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd, which could also lead to impairments on goodwill, other intangible assets, and property, plant and equipment.

Risk and opportunity report

Please refer to the 2020 annual report for details of significant opportunities and risks and an assessment of these. The assessment of the risks and opportunities detailed for the 2021 financial year has changed as follows.

With regard to the industry and company-specific risks and opportunities, there are capacity bottlenecks in regional logistics chains. Exceptional events like the blocking of the Suez Canal at the end of March may also cause temporary disruptions to the operation of important transport infrastructure along our route network, resulting in an adverse effect on adherence to timetables and the availability of ship and container transport capacities and therefore negatively affecting earnings.

In the year to date, demand for transport has remained high, which is also reflected in the unchanged high charter rates. However, against the background of the current price level taken into account in the outlook, the risk regarding the fluctuation of charter rates is now classified with a low probability of occurrence.

Against the background of the current extraordinary market conditions in container shipping and their impact on global supply chains, regulatory measures could be taken to promote transparency and ensure fair conditions of competition.

The availability and secure operation of information and communication infrastructures are essential for efficient business processes. Through a more detailed consideration of possible loss scenarios for unplanned restrictions of information technologies and security, among other things to optimise coping measures, the negative effects on the financial and earnings situation for this risk are classified as severe.

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

Risk	Probability of occurrence	Potential impact
Fluctuation in transport volume	Medium	Critical
Fluctuation in average freight rate	Low	Critical
Bunker consumption price fluctuation	Medium	Severe
Fluctuation in charter rates	Low	Bearable
Information technology & security – cyberattack	Medium	Severe

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

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

of Hapag-Lloyd AG for the period 1 January to 31 March 2021

million EUR	Q1 2021	Q1 2020
Revenue	4,067.4	3,343.3
Transport expenses	2,270.4	2,644.9
Personnel expenses	164.3	172.9
Depreciation, amortisation and impairment	306.9	309.6
Other operating result	–49.9	–65.2
Operating result	**1,275.8**	**150.8**
Share of profit of equity-accounted investees	1.3	9.2
Result from investments and securities	–	–0.2
Earnings before interest and taxes (EBIT)	**1,277.0**	**159.8**
Interest income and similar income	3.8	1.4
Interest expenses and similar expenses	68.1	125.6
Other financial items	1.8	4.3
Earnings before taxes	**1,214.5**	**39.9**
Income taxes	11.0	15.1
Group profit/loss	**1,203.4**	**24.8**
thereof attributable to shareholders of Hapag-Lloyd AG	1,200.8	21.8
thereof attributable to non-controlling interests	2.6	3.0
Basic/diluted earnings per share (in EUR)	**6.83**	**0.12**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 31 March 2021

million EUR	Q1 2021	Q1 2020
Group profit/loss	**1,203.4**	**24.8**
Items which will not be reclassified to profit and loss:		
Remeasurements from defined benefit plans after tax	29.2	48.8
Remeasurements from defined benefit plans before tax	29.0	49.0
Tax effect	0.2	–0.3
Currency translation differences (no tax effect)	338.3	152.2
Items which may be reclassified to profit and loss:		
Cash flow hedges (no tax effect)	18.8	–15.3
Effective share of the changes in fair value	3.4	–33.7
Reclassification to profit or loss	15.9	18.8
Currency translation differences	–0.5	–0.4
Cost of hedging (no tax effect)[1]	–0.2	–23.8
Changes in fair value	–0.9	–28.0
Reclassification to profit or loss	0.8	4.5
Currency translation differences	–	–0.3
Other comprehensive income after tax	**386.2**	**161.9**
Total comprehensive income	**1,589.6**	**186.7**
thereof attributable to shareholders of Hapag-Lloyd AG	1,586.5	183.4
thereof attributable to non-controlling interests	3.1	3.3

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 31 March 2021

Assets

million EUR	31.3.2021	31.12.2020
Goodwill	1,534.7	1,466.8
Other intangible assets	1,508.1	1,459.1
Property, plant and equipment	9,823.8	9,300.6
Investments in equity-accounted investees	330.6	329.2
Other assets	24.0	22.4
Derivative financial instruments	6.7	21.6
Income tax receivables	5.0	4.7
Deferred tax assets	28.0	28.7
Non-current assets	**13,260.9**	**12,633.0**
Inventories	237.4	172.3
Trade accounts receivable	1,728.4	1,362.6
Other assets	377.9	296.0
Derivative financial instruments	24.8	14.4
Income tax receivables	23.8	24.6
Cash and cash equivalents	1,614.6	681.3
Assets classified held for sale	29.8	–
Current assets	**4,036.7**	**2,551.2**
Total assets	**17,297.6**	**15,184.3**

Equity and liabilities

million EUR	31.3.2021	31.12.2020
Subscribed capital	175.8	175.8
Capital reserves	2,637.4	2,637.4
Retained earnings	5,359.5	4,159.9
Cumulative other equity	104.4	–265.8
Equity attributable to shareholders of Hapag-Lloyd AG	**8,277.0**	**6,707.2**
Non-controlling interests	13.9	15.5
Equity	**8,290.9**	**6,722.7**
Provisions for pensions and similar obligations	349.5	374.7
Other provisions	62.6	73.1
Financial debt	2,833.0	3,229.9
Lease liabilities	1,084.2	940.5
Other liabilities	4.9	5.0
Derivative financial instruments	30.3	35.5
Deferred tax liabilities	10.9	10.1
Non-current liabilities	**4,375.4**	**4,668.7**
Provisions for pensions and similar obligations	9.1	10.5
Other provisions	466.9	369.2
Income tax liabilities	35.7	39.1
Financial debt	852.0	505.9
Lease liabilities	562.8	459.8
Trade accounts payable	1,906.1	1,748.1
Contract liabilities	674.7	545.7
Other liabilities	122.3	114.6
Derivative financial instruments	1.7	–
Current liabilities	**4,631.3**	**3,792.9**
Total equity and liabilities	**17,297.6**	**15,184.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 31 March 2021

million EUR	Q1 2021	Q1 2020
Group profit/loss	1,203.4	24.8
Income tax expenses (+)/income (–)	11.0	15.1
Other financial Items	–1.8	–4.3
Interest result	64.3	124.2
Depreciation, amortisation and impairment (+)/write-backs (–)	306.9	309.6
Profit (–)/loss (+) from disposals of non-current assets	–1.1	–2.4
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–1.3	–9.2
Other non-cash expenses (+)/income (-)	–24.6	8.4
Increase (–)/decrease (+) in inventories	–55.6	44.1
Increase (–)/decrease (+) in receivables and other assets	–336.3	–173.2
Increase (+)/decrease (–) in provisions	57.2	–12.9
Increase (+)/decrease (–) in liabilities (excl. financial debt)	148.9	61.4
Payments received from (+)/made for (–) income taxes	–5.2	–5.6
Payments received for interest	0.5	0.7
Cash inflow (+)/outflow (–) from operating activities	**1,366.4**	**380.6**
Payments received from disposals of property, plant and equipment and intangible assets	2.7	9.2
Payments made for investments in property, plant and equipment and intangible assets	–79.1	–116.0
Payments made for investment in financial assets	–0.8	–
Cash inflow (+)/outflow (–) from investing activities	**–77.2**	**–106.8**

million EUR	Q1 2021	Q1 2020
Payments made for dividends	–6.0	–1.0
Payments received from raising financial debt	119.1	501.3
Payments made for the redemption of financial debt	–327.6	–135.8
Payments made for the redemption of lease liabilities	–128.3	–126.7
Payments made for leasehold improvements	–	–14.3
Payments made for interest and fees	–57.1	–82.2
Payments received (+) and made (–) from hedges for financial debt	–11.8	–1.4
Cash inflow (+)/outflow (–) from financing activities	**–411.7**	**140.1**
Net change in cash and cash equivalents	**877.5**	**413.9**
Cash and cash equivalents at beginning of period	**681.3**	**511.6**
Change in cash and cash equivalents due to exchange rate fluctuations	55.7	14.1
Net change in cash and cash equivalents	877.5	413.9
Cash and cash equivalents at end of period	**1,614.6**	**939.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 31 March 2021

	Equity attributable to shareholders		
million EUR	Subscribed capital	Capital reserves	Retained earnings
As at 1.1.2020	**175.8**	**2,637.4**	**3,430.8**
Total comprehensive income	**–**	**–**	**21.8**
thereof			
Group profit / loss	–	–	21.8
Other comprehensive income	–	–	–
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–1.0**
thereof			
Distribution to non-controlling interests	–	–	–1.0
As at 31.3.2020	**175.8**	**2,637.4**	**3,451.7**
As at 1.1.2021	**175.8**	**2,637.4**	**4,159.9**
Total comprehensive income	**–**	**–**	**1,200.8**
thereof			
Group profit / loss	–	–	1,200.8
Other comprehensive income	–	–	–
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–1.3**
thereof			
Distribution to non-controlling interests	–	–	–1.3
Deconsolidation	**–**	**–**	**0.1**
As at 31.3.2021	**175.8**	**2,637.4**	**5,359.5**

of Hapag-Lloyd AG								
Remeasure-ments from defined benefit plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put-options on non-controlling interests	Cumulative other equity	**Total**	Non-con-trolling interests	**Total equity**
–173.3	**–14.0**	**–10.2**	**560.5**	**–0.5**	**362.6**	**6,606.6**	**14.0**	**6,620.6**
48.8	**–15.3**	**–23.8**	**151.9**	**–**	**161.6**	**183.4**	**3.3**	**186.7**
–	–	–	–	–	–	21.8	3.0	24.8
48.8	–15.3	–23.8	151.9	–	161.6	161.6	0.3	161.9
–	**–**	**5.9**	**–**	**–**	**5.9**	**5.9**	**–**	**5.9**
–	**–**	**–**	**–**	**–**	**–**	**–1.0**	**–**	**–1.0**
–	–	–	–	–	–	–1.0	–	–1.0
–124.6	**–29.2**	**–28.1**	**712.4**	**–0.5**	**530.1**	**6,795.0**	**17.3**	**6,812.3**
–208.6	**–12.4**	**–1.9**	**–42.4**	**–0.4**	**–265.8**	**6,707.2**	**15.5**	**6,722.7**
29.2	**18.8**	**–0.2**	**337.8**	**–**	**385.7**	**1,586.5**	**3.1**	**1,589.6**
–	–	–	–	–	–	1,200.8	2.6	1,203.4
29.2	18.8	–0.2	337.8	–	385.7	385.7	0.5	386.2
–	**–17.5**	**2.1**	**–**	**–**	**–15.4**	**–15.4**	**–**	**–15.4**
–	**–**	**–**	**–**	**–**	**–**	**–1.3**	**–4.7**	**–6.0**
–	–	–	–	–	–	–1.3	–4.7	–6.0
–	**–**	**–**	**–0.1**	**–**	**–0.1**	**–**	**–**	**–**
–179.4	**–11.1**	**–**	**295.3**	**–0.4**	**104.4**	**8,277.0**	**13.9**	**8,290.9**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

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

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

The interim consolidated financial statements cover the period 1 January to 31 March 2021 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated. In individual cases, rounding differences may occur in the tables and charts of these interim consolidated financial statements for computational reasons.

On 10 May 2021, the Executive Board approved the condensed interim consolidated financial statements for publication.

Accounting principles
The consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRIC), as they are to be applied in the European Union (EU). This interim report as at 31 March 2021 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and interim Group management report of Hapag-Lloyd AG have not been subject to an audit review nor have they been reviewed in accordance with Section 317 of the German Commercial Code (HGB).

The standards and interpretations valid in the EU since 1 January 2021 were applied during the preparation of the interim consolidated financial statements. As regards the possible effects of standards and interpretations that have already been adopted, but that are not yet mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2020. The possible effects of standards and interpretations that were adopted in the first quarter of 2021, but that are not yet mandatory, are currently being examined. The interim consolidated financial statements as at 31 March 2021 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2020.

The interim consolidated financial statements were prepared in compliance with the same accounting and measurement principles that formed the basis for the consolidated financial statements as at 31 December 2020. Estimates and discretionary decisions are used in the same way as in the previous year. The actual values may differ from the estimated values. Due to the currently unforeseeable worldwide consequences of the COVID-19 pandemic, estimates and discretionary decisions are subject to increased uncertainty.

The functional currency of Hapag-Lloyd AG and all of its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes, the assets and liabilities of the Hapag-Lloyd Group are translated into euros using the mean exchange rate on the reporting date (closing rate). The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

As at 31 March 2021, the closing US dollar / euro exchange rate was quoted as USD 1.17315 / EUR (31 December 2020: USD 1.22760 / EUR). For the first quarter of 2021, the average US dollar / euro exchange rate was USD 1.2055 / EUR (prior year period: USD 1.1019 / EUR).

New accounting standards

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

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. As at 31 March 2021, in addition to Hapag-Lloyd AG, the group of consolidated companies comprised 122 fully consolidated companies (31 December 2020: 126) and 5 equity-accounted investees (31 December 2020: 5). One newly established company was added to the group of consolidated companies in the first quarter of 2021. Of the companies included in the consolidated financial statements as part of the integration of the UASC Group in 2017, 2 were liquidated and 3 were merged with other Group companies.

SEGMENT REPORTING

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume by geographic region as well as EBITDA and EBIT at the Group level.

The allocation of resources (use of ships and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all of the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBITDA and EBIT as the key performance indicators can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container liner shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade

TTEU	Q1 2021	Q1 2020
Atlantic	453	481
Transpacific	437	472
Far East	585	567
Middle East	389	391
Intra-Asia	171	212
Latin America	769	744
EMA (Europe – Mediterranean – Africa)	170	186
Total	**2,975**	**3,053**

Freight rates per trade

USD/TEU	Q1 2021	Q1 2020
Atlantic	1,374	1,405
Transpacific	1,936	1,326
Far East	1,967	962
Middle East	1,114	788
Intra-Asia	1,020	611
Latin America	1,360	1,162
EMA (Europe – Mediterranean – Africa)	1,265	1,031
Total (weighted average)	**1,509**	**1,094**

Revenue per trade

million EUR	Q1 2021	Q1 2020
Atlantic	516.3	613.2
Transpacific	701.4	568.4
Far East	955.1	495.6
Middle East	359.7	279.8
Intra-Asia	144.6	117.5
Latin America	867.9	784.3
EMA (Europe – Mediterranean – Africa)	178.0	173.8
Revenue not assigned to trades	344.2	310.8
Total	**4,067.4**	**3,343.3**

The item for revenue not assigned to trades mainly comprises income from demurrage and detention for containers, as well as from the provision of container slots. At the same time, revenue for pending voyages already generated is recognised under revenue not assigned to trades.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated on the basis of the Group's earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the share of profits of the segment's equity-accounted investees correspond to those of the Group.

million EUR	Q1 2021	Q1 2020
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,584.0**	**469.4**
Depreciation, amortisation and impairment	306.9	309.6
Earnings before interest and taxes (EBIT)	**1,277.0**	**159.8**
Earnings before taxes (EBT)	**1,214.5**	**39.9**
Share of profit of equity-accounted investees	**1.3**	**9.2**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENTS

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

Earnings per share

	Q1 2021	Q1 2020
Profit / loss attributable to shareholders of Hapag-Lloyd AG in million EUR	1,200.8	21.8
Weighted average number of shares in millions	175.8	175.8
Basic earnings per share in EUR	**6.83**	**0.12**

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

There were no dilutive effects in the first quarter of the 2021 financial year or in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill and intangible assets rose compared to 31 December 2020. This increase stemmed largely from currency translation effects of EUR 135.1 million (prior year period: EUR +78.1 million). However, amortisation of EUR 19.5 million (prior year period: EUR 25.3 million) reduced the carrying amounts of other intangible assets.

Property, plant and equipment

million EUR	31.3.2021	31.12.2020
Vessels	7,097.9	6,724.2
Container	2,438.7	2,288.3
Other equipment	223.9	215.1
Prepayments on account and assets under construction	63.3	72.9
Total	**9,823.8**	**9,300.6**

In the first 3 months of the 2021 financial year, currency effects as at the reporting date in the amount of EUR 430.2 million, investments in ship equipment and containers, the conclusion of new charter agreements and the extension of existing ones for longer terms, and new rights of use for long-term container contracts all prompted a rise in property, plant and equipment totalling EUR 423.7 million. However, depreciation to property, plant and equipment and amortisation to rights of use in the amount of EUR 287.4 million reduced the carrying amounts of property, plant and equipment.

Inventories
Inventories essentially comprise raw materials and supplies, which include fuel inventories in particular. Compared to 31 December 2020, fuel inventories increased from EUR 172.3 million to EUR 237.4 million, mainly due to the increase in the average bunker consumption price to USD 384 / t (31 December 2020: USD 379 / t).

Non-current assets held for sale
In the first quarter of 2021, 5 container ships were classified as non-current assets held for sale. The sale of the ships is part of the strategic optimisation of the ship portfolio. The ships are expected to be sold promptly in the current financial year. Offers have already been obtained. As a result of further network adjustments, it is planned to charter the ships back for up to 2 years at the same time that they are sold and transferred.

The container ships were presented separately in the consolidated statement of financial position as at 31 March 2021. Due to the decision made in December 2020 to sell the container ships, they had already been individually tested for impairment as at 31 December 2020 and written down to an amount of EUR 28.5 million. This measurement at fair value less costs to sell continued as at 31 March 2021. This means that the carrying amounts of the ships did not have to be adjusted as at 31 March 2021 on the basis of the purchase offers received.

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

The reserve for remeasurements from defined benefit pension plans (31 March 2021: EUR –179.4 million; 31 December 2020: EUR –208.6 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the measurement of pension obligations and the associated fund assets. The effect of remeasuring pension obligations and the associated plan assets recognised in other comprehensive income in the first quarter of 2021 resulted in an increase of EUR 29.2 million in the negative reserve (prior year period: decrease in the negative reserve of EUR 48.8 million).

The reserve for cash flow hedges contains changes in the intrinsic value of commodity options, changes in the cash component of currency forward contracts and changes in the market value of interest rate and commodity swaps that are recognised in other comprehensive income and amounted to EUR –11.1 million as at 31 March 2021 (31 December 2020: EUR –12.4 million). In the first quarter of 2021, the resulting gains and losses totalling EUR 3.4 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –33.7 million), while gains and losses of EUR 15.9 million (prior year period: EUR 18.8 million) were reclassified and recognised through profit or loss.

The reserve for costs of hedging contains changes in the fair value of commodity options and in the forward component of currency forward contracts that are recognised in other comprehensive income and amounted to EUR 0.0 million as at 31 March 2021 (31 December 2020: EUR –1.9 million). In the first quarter of 2021, the resulting gains and losses totalling EUR –0.9 million were recognised in other comprehensive income (prior year period: EUR –28.0 million), while gains and losses of EUR 0.8 million (prior year period: EUR 4.5 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 295.3 million (31 December 2020: EUR –42.4 million) includes differences from currency translation. The differences from currency translation of EUR 338.3 million recognised in other comprehensive income in the first quarter of 2021 (prior year period: EUR 152.2 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled.

Financial instruments

Carrying amounts and fair values

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

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

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

The carrying amounts and fair values of the financial instruments as at 31 March 2021 are presented in the table below.

	Carrying amount		Fair value
million EUR	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,728.4	1,728.4	1,728.4
Other assets	402.0	270.1	270.1
Derivative financial instruments (FVTPL)	24.5	24.5	24.5
Embedded derivatives	24.5	24.5	24.5
Derivative financial instruments (Hedge accounting)[1]	6.9	6.9	6.9
Currency forward contracts	0.2	0.2	0.2
Interest rate swaps	6.7	6.7	6.7
Cash and cash equivalents	1,614.6	1,614.6	1,614.6
Liabilities			
Financial debt	3,684.9	3,684.9	3,757.7
Liabilities from lease contracts	1,647.0	1,647.0	–
Trade accounts payable	1,906.1	1,906.1	1,906.1
Derivative financial instruments (FVTPL)	11.4	11.4	11.4
Interest rate swaps	11.4	11.4	11.4
Derivative financial liabilities (Hedge accounting)[1]	20.6	20.6	20.6
Currency forward contracts	1.7	1.7	1.7
Interest rate swaps	19.0	19.0	19.0
Other liabilities	125.4	96.9	96.9
Liabilities from put options[2]	1.8	1.8	2.5
Contract liabilities	674.7	–	–

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

The derivative financial instruments were measured at fair value.

Other assets include securities with a fair value of EUR 1.7 million (31 December 2020: EUR 1.7 million) that are allocated to level 1 of the fair value hierarchy, as their prices are quoted on an active market.

Other receivables also contain investments not listed on a stock exchange for which there are no market prices listed on an active market. As there is insufficient information available to determine the fair values of these investments which belong to level 3 of the fair value hierarchy, they are measured at cost of acquisition in the amount of EUR 7.1 million (31 December 2020: EUR 6.0 million) as the best possible estimate of their fair values.

The liabilities from the bond included within financial debt that, due to the quotation on an active market, are allocated to level 1 of the fair value hierarchy, have a fair value of EUR 307.4 million (31 December 2020: EUR 308.0 million).

Financial debt also includes a liability to reflect a contingent consideration payable for a business combination for which a fair value at level 3 of EUR 1.1 million (31 December 2020: EUR 1.0 million) was calculated.

The put options recognised under other liabilities, whose fair value was calculated at EUR 2.5 million (31 December 2020: EUR 2.4 million), also belong to level 3 of the fair value hierarchy.

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

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

There were no transfers between levels 1, 2 and 3 in the first 3 months of 2021.

IBOR reform

As part of the IBOR reform, the existing reference interest rates (interbank offered rates – IBOR) are to be replaced by alternative risk-free interest rates by the end of 2021. As at 31 March 2021, the Hapag-Lloyd Group held variable-interest loans and cash flow hedges for interest rate risks. These loans are affected by the IBOR reform. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd has adopted the resulting amendments to IFRS 9, IAS 39 and IFRS 7 since 1 January 2020. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The reference interest rate that the hedged variable cash flows are based on is the USD LIBOR, which is set to be replaced by the SOFR. To date, none of the variable loans and hedging instruments has been switched to the new reference interest rate. As at 31 March 2021, the nominal volume of the variable financing was USD 2,081.4 million. The nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 981.4 million.

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

Financial debt and lease liabilities

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

Financial debt and lease liabilities

million EUR	31.3.2021	31.12.2020
Financial debt	3,684.9	3,735.9
Liabilities to banks[1]	2,464.0	2,533.5
Bonds	310.9	306.0
Other financial debt	910.0	896.4
Lease liabilities	1,647.0	1,400.3
Total	**5,331.9**	**5,136.2**

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

Financial debt and lease liabilities by currency

million EUR	31.3.2021	31.12.2020
Denoted in USD (excl. transaction costs)	4,890.4	4,698.1
Denoted in EUR (excl. transaction costs)	407.0	409.4
Denoted in other currencies (excl. transaction costs)	56.7	56.0
Interest liabilities	22.9	17.7
Transaction costs	–45.0	–45.1
Total	**5,331.9**	**5,136.2**

The Hapag-Lloyd Group had total unused credit lines of EUR 498.7 million as at 31 March 2021 (31 December 2020: EUR 476.5 million).

OTHER NOTES

Legal disputes

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

As at the reporting date, contingent liabilities from legal disputes not classified as probable were EUR 7.7 million (31 December 2020: EUR 7.6 million). Contingent liabilities from tax risks not classified as probable as at the reporting date were EUR 65.1 million (31 December 2020: EUR 45.7 million). The increase is due to a claim from the tax authorities in India for past financial years.

Other financial obligations

The Hapag-Lloyd Group's other financial obligations as at 31 March 2021 essentially comprised purchase obligations (nominal values)

- for investments in 6 large container ships amounting to EUR 848.7 million (31 December 2020: EUR 811.1 million),
- for investments in containers amounting to EUR 345.7 million (31 December 2020: EUR 165.9 million),
- for investments in exhaust gas cleaning systems (EGCS) on container ships amounting to EUR 10.5 million (31 December 2020: EUR 4.2 million),
- for investments in equipment for ballast water treatment on container ships amounting to EUR 4.4 million (31 December 2020: EUR 1.5 million),
- for investments in conversion to the use of liquid gas on container ships amounting to EUR 3.5 million (31 December 2020: EUR 3.5 million),
- and for further investments on container ships totalling EUR 8.8 million (31 December 2020: EUR 6.4 million).

Related party disclosures

In carrying out its ordinary business activities, the Hapag-Lloyd Group maintained indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. These supply and service relationships are transacted at market prices. No significant changes in these supply and service relationships have arisen since 31 December 2020. The contractual relationships with related parties described in the remuneration report from page 121 onwards of the 2020 annual report remain essentially unchanged, but are not of material importance to the Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 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 seven 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 two vessel financing facilities in an amount of EUR 150.1 million (USD 176.1 million) on 19 April 2021.

Hamburg, 10 May 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese | Dr. Maximilian Rothkopf | Joachim Schlotfeldt

FINANCIAL CALENDAR 2021

28 MAY 2021
Annual general meeting

12 AUGUST 2021
Publication of quarterly financial report H1 2021

12 NOVEMBER 2021
Publication of quarterly financial report 9M 2021

IMPRINT

Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg

Investor Relations
Phone: +49 40 3001 – 2896
E-Mail: ir@hlag.com

Corporate Communications
Phone: +49 40 3001 – 2529
E-Mail: presse@hlag.com

Consulting, concept and layout
Hapag-Lloyd Corporate Communications
Silvester Group, Hamburg
www.silvestergroup.com

www.hapag-lloyd.com

www.hapag-lloyd.com