Annual General Meeting

Hapag-Lloyd AG

on

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Speech

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Chief Executive Officer

Hapag-Lloyd AG, Hamburg

Dear Ladies and Gentlemen,

Dear Shareholders,

Dear Guests,

On behalf of the entire Executive Board, I would like to extend a very warm welcome to you to the Annual General Meeting of Hapag-Lloyd AG – here from our corporate headquarters on the Ballindamm in Hamburg.

We are very pleased that you are taking the time this afternoon to look back with us on a successful 2020 financial year. We would also like to explain the current situation of your company and, in particular, also present to you what proposals there are for the payment of a dividend, which you, dear shareholders, can then decide on.

We would have loved to welcome you in person again this year. However, due to the COVID-19 pandemic, this is unfortunately still not possible. Nevertheless, we will of course inform you in detail about your Hapag-Lloyd AG as part of this virtual event.

I would now like to outline the development of the last financial year and give you an outlook for 2021. Due to the COVID-19 pandemic, the 2020 financial year was particularly characterised by a volatile development of demand.

After a decent start, transport volumes initially declined significantly in the second quarter. However, we developed and implemented countermeasures early on, adjusted our capacities to the declining demand from our customers, and also reacted on the cost side.

A particularly important component was our Performance Safeguarding Programme (PSP), with which we secured our liquidity and at the same time reduced costs. With roughly 1,700 individual measures, we were able to achieve cost savings totalling around EUR 450 million for 2020 as a whole.

Beginning in the second half of the year, we then experienced unexpectedly strong demand for container transports. In this case, as well, we reacted immediately by quickly placing all the ship and container capacities at our disposal on the market. This enabled us to close the financial year with a very good Group net result of EUR 935 million, from which you, dear shareholders, should also benefit.

This very positive business development has carried forward into this year, as well, which at the same time is allowing us to make additional investments in our future and our ability to compete. In particular, we are talking about the modernisation of our fleet through the purchase of new, highly efficient large vessels, which will further reduce our carbon footprint.

On the other hand, the COVID-19 pandemic has also led to one of the greatest operational challenges we have experienced in the logistics industry for many years. For us, this has manifested itself in very different areas:

Around 90% of all goods are transported by sea. Thus, container shipping is part of the critical infrastructure, and our employees on land and at sea are working with enormous dedication day after day to keep our customers' supply chains up and running.

Most of our shore-based staff have been working from home for a year now, home-schooling their children, caring for relatives, and doing a daily balancing act between their professional and private obligations – which has been an enormous challenge.

However, due to the very limited possibilities for crew changes, our seafarers have also been particularly impacted by the COVID-19 pandemic: Many of them have had to stay on board their ships significantly longer than originally planned – and some of them have even missed the birth of a child or had to postpone their wedding.

It is easy to imagine the personal hardships and the strength one must have in such a situation. That is why I would like to take this opportunity to once again express my very special thanks and appreciation to our staff. This is also especially merited because we have experienced an explosion in demand that has required all of us to cope with an enormous workload. I would like to explain this to you.

Beginning in the second half of last year, there was unexpected demand for many consumer goods in the United States and Europe, most of which are manufactured in Asia. People had more money on hand thanks to government aid programmes, but also because they couldn’t travel, eat out or use other services as much as they had been previously. In response, they used this money for their homes or leisure products, bought new furniture, a new television, or home office equipment, but sporting goods were also in high demand. These are all products that are usually transported in containers.

This strong shift in demand from services to consumer goods was at the same time reflected in the available ship capacity: The laid-up fleet recently reached an absolute low, with a share of 0.8% of the global fleet. Demand for charter ships has been so high that this sector has also quickly dried up, which has meant that hardly any additional capacity can be put on the market.

This explosion in demand has put enormous pressure on global supply chains as a whole – which has been evident in several places at once:

First, there has been the issue of congestion at ports and port terminals. Congestion has built up in many ports in the United States, Asia and Europe, and ships have sometimes had to factor in weeks of waiting time. This has led to delays which, unfortunately, could hardly be made up for on this scale at sea.

Second, such congestion and delays have increased the average circulation time of our containers. Before the COVID-19 pandemic, a container was on the move for around 50 days per rotation – but, today, it takes an average of 60 days. In addition to the once again increased imbalances in imports and exports, this has been another reason why empty containers have not always been where they were needed at the time.

Third, this has led to a very tense situation with regard to the availability of empty containers. But ships have also become scarce, as have capacities for trucks or rail transport.

Fourth, due to COVID-19 diseases, there have been repeated staff shortages across the entire logistics sector – especially in countries with high infection rates, which has severely impaired the handling and transport of containers by land. For example, we are currently also seeing this in India.

We continue to see the biggest bottlenecks in port and terminal capacity, and the recent blockage of the Suez Canal has only made this situation worse.

We also see that many of our customers are facing enormous challenges, as the transport of goods is less predictable overall due to these bottlenecks in the supply chains, which can have a very significant impact on both operations and business relationships. We have therefore implemented a variety of measures to support our customers in this challenging market environment.

First, we invested in equipment at an early stage to compensate for the higher turnaround times of our containers and to meet the massive demand from our customers. Last year, we bought or leased around 300,000 TEU of new container capacity and further expanded our fleet as a whole.

In addition, we are offering our customers new digital products, such as our shipping guarantees and extra detention free time packages, which allow for better planning. Furthermore, we have invested in IT processing, customer care and automation in order to bring about improvements in our customer service.

Looking at our network, we are maximising available capacity where possible and appropriate, skipping ports to make up for lost time, speeding up our ships, diverting them to other ports and/or adjusting rotations. We have also chartered in new vessels and commissioned six state-of-the-art and efficient newbuildings, which will add another 140,000 TEU to our overall capacity in the medium term.

However, the situation remains challenging for all market participants in the current year. This is why we have ordered an additional 150,000 TEU of standard and reefer containers as well as 8,000 TEU of special containers in the current financial year in order to offer our customers significantly better service.

Ladies and gentlemen, let us now turn our attention to looking at the key figures for 2020.

While we still saw double-digit declines in transport volumes in the second quarter, when the pandemic was starting, we benefited from an unexpectedly significant increase in demand beginning in the second half of the year. As a result, the transport volume of your Hapag-Lloyd AG last year was only 1.6% down on the previous year, at 11.8 million TEU – even with the strained supply chains and the resulting operational challenges. On the other hand, we improved the average freight rate by around 4%, from 1,072 USD/TEU to 1,115 USD/TEU. The strong demand in the second half of the year particularly contributed to this increase. This is then also reflected in our revenue, which we increased by 1.3%, to around EUR 12.8 billion, in the 2020 financial year.

Let us now take a brief look at the development of earnings. In 2020, we significantly exceeded the forecasts for EBIT and EBITDA that we had made at the beginning of the financial year. We increased EBIT by 62.1%, or EUR 504 million, to around EUR 1.3 billion. And we improved EBITDA by 36%, or EUR 714 million, to around EUR 2.7 billion.

In addition, we improved our Group net result to around EUR 935 million, more than doubling it compared to the previous year. At the same time, we achieved the best result in the history of our company.

The main contributor factors were cost savings of around EUR 450 million from our successfully implemented Performance Safeguarding Programme (PSP), slightly improved freight rates, lower bunker prices and the continued implementation of our Strategy 2023.

Since the mergers with CSAV and UASC, we have continuously increased our profitability – and successfully so. In fact, today, Hapag-Lloyd is one of the most profitable and financially stable liner shipping companies in the world. This is also reflected in the fact that, in 2020, we more than earned our cost of capital for the first time in a decade. At the same time, this positive business performance has enabled us to significantly reduce our financial debt again in the 2020 financial year. I would like to explain this to you in more detail, so let us now take a look at our net debt.

Net debt at the end of 2020 was just under EUR 4.5 billion, a decrease of 24.3% – or EUR 1.4 billion – compared to the previous year. The leverage ratio – meaning the ratio of net debt to EBITDA – decreased from 3.0 to 1.8 in the same period.

Due to our strong earnings situation, we were able to make good progress in reducing our overall debt – but our rigorous cost management, in particular, which will remain an integral part of our financial agenda, has also contributed to this.

Furthermore, we are of course very pleased that the significant improvements in our key balance sheet figures were also rewarded by the rating agencies Moody's and Standard & Poor's (S&P). Incidentally, this was done twice within only half a year and led to corresponding upgrades in our credit ratings.

In view of this very positive business development, we would like you, dear shareholders, to participate once again in the success of your company.

Therefore, the Executive Board and the Supervisory Board jointly propose to the Annual General Meeting the payment of a dividend of EUR 3.50 per share. This corresponds to a share of 66% of the Group net result per share.

The very good business development is also reflected in the share price, which rose by a total of 20% in the last year. This positive trend has continued into the new year, as our share price has increased by approximately 60% since 1 January 2021.

At this point, I would also like to take this opportunity to thank our shareholders in particular for their trust and support! We would be very pleased if the Annual General Meeting would pass a corresponding resolution on our proposal for the distribution of the balance sheet profit.

What’s more, we have also made very good progress in strategic terms. With our Strategy 2023, we have focused on significantly increasing quality for our customers, profitability throughout the cycle, and global growth.

In the 2020 financial year, dear shareholders, we have continued to gain momentum and have successfully implemented numerous projects, which at the same time are contributing to our sustainable and profitable growth.

We have become even more transparent in terms of quality and even more digital in our services. We have improved our profitability very significantly, and we have further expanded our market shares in strategically relevant target markets. I would like to show you this using a few examples:

When it comes to quality, our ambition remains unchanged: We want to be the “number one for quality” in our industry. That is why we continued to work very intensively on our Quality Promises to our customers last year.

Today, five out of what will ultimately be 10 Quality Promises have been made to our customers: We are talking about “fast booking confirmation”, “timely and correct bill of lading”, “accurate invoicing”, “loaded as booked” and “volume agreements honoured”.

We have already made all of these Quality Promises, and our performance is being transparently measured, such as via our new digital Customer Dashboard. This allows our customers to see online at any time where we stand in terms of delivering on our promises.

We want to make improvements in exactly those places that are important in the eyes of our customers when they think about quality. To this end, more Quality Promises will follow by the end of the year.

In essence, we want to offer our customers the right products at the right time. Digital innovations can help us enormously to do this.

Digitalisation along the supply chains offers considerable potential, and we are precisely targeting those areas that create genuine added value for our customers.

With "Quick Quotes", for example, we offer our customers the possibility to get binding prices and offers for their shipments within seconds. This tool has been a huge hit, too, as we have increased the number of bookings via our Web Channel by over 40% compared to the previous year, to more than 1.4 million TEU, making us the leader in our industry. This means that around 13% of our total volume was booked online, which indicates that we are already well on the way to achieving our target of 15% by 2023.

With the further expansion of our Web Channel, we have also made new functions available to our customers, such as shipping guarantees – always with the idea of making working with us as convenient as possible. This is a very important aspect of customer relations for us, especially in times of the COVID-19 pandemic. We have made progress with digitalisation as a whole, but we have also continued to drive forward our international growth. In Gdansk, we have established a Knowledge Center, with which we bundle our competences in digitisation and at the same time position ourselves more broadly.

We have also expanded our international presence, especially in Africa, and established new liner services, but we have also integrated India even more strongly into our network. This allows us to offer our customers even more attractive connections to these important growth markets. In order to ensure that our customers can also benefit from a uniformly high standard of service there, we have put a new Quality Service Center into operation in Mauritius. At the same time, we have opened new offices in Ghana, Nigeria and Kenya.

We are continuing our internationalisation this year, and Africa remains an important strategic growth market for us. That is why we announced in March that we would like to acquire the Africa specialist NileDutch. With 10 liner services, around 35,000 TEU of transport capacity, and a container fleet of around 80,000 TEU, the company connects Europe, Asia and Latin America with western and southern Africa.

Owing to the acquisition of NileDutch, our customers will benefit from a denser network to and from Africa as well as significantly higher transport frequencies. This will be an excellent complement to our existing activities on the continent and strengthen our position, especially in West Africa. The closing of the transaction is subject to approval by the relevant antitrust authorities.

Furthermore, the issue of sustainability is becoming increasingly urgent. That is why we are currently working on a comprehensive sustainability strategy with which we will set ourselves concrete goals for the next 10 years. At its core, it is about continuously strengthening our contribution to sustainability-related efforts and achieving incremental improvements.

With our “expanded sustainability strategy”, we will focus on three areas:

Firstly, on clean shipping and future-proof propulsion. In this case, the three issues of greenhouse gases, clean air and sustainable supply chains will play a very significant role. Since the beginning of last year, the entire fleet operated by Hapag-Lloyd has been using IMO 2020-compliant low-sulphur fuel, which has lowered our sulphur-oxide emissions by roughly 70% compared to 2019.

However, climate change remains the biggest challenge for us, too, as shipping as a whole is responsible for around 3% of all greenhouse gas emissions, and this is where we need to do better. Our six newly ordered state-of-the-art container ships, which can run on liquefied natural gas (LNG), will also help us to do this thanks to their fuel-efficient high-pressure dual-fuel engines, which will allow us to lower our CO2 emissions by between 15 and 25%. These newbuilding projects with a sustainability focus were financed through two green financial transactions, which were concluded in accordance with the Green Loan Principles of the Loan Market Association.

Furthermore, in March 2021, we issued our first green sustainability-linked bond, which is linked to a clearly defined sustainability target: By 2030, the CO2 intensity of Hapag-Lloyd's own fleet is to be reduced by 60% compared with 2008, the reference year of the International Maritime Organization (IMO). The improvements in CO2 intensity will be annually measured and transparently disclosed using the Average Efficiency Ratio (AER), which provides information on CO2 intensity measured in terms of grams of CO2 per tonne-mile. This figure was 11.68 in 2008 and is expected to fall to 4.67 by 2030.

The second key area for us will be diversity and society. On the one hand, we want to make progress in the area of diversity and better harness the opportunities that arise from having a diverse workforce. On the other hand, we will continue to strengthen the role that Hapag-Lloyd plays as part of society in the area of corporate citizenship and define very precisely where we will intensify our efforts related to social commitment.

A third focus will be the area of compliance and responsibility, which covers the three issues of resource conservation, transport care and biodiversity. This includes, for example, socially responsible and eco-friendly ship recycling as well as ensuring the well-being of our crews, cargoes and the environment. In addition, it will concern our impact on the biodiversity of global waters and adherence to global regulations on managing ballast water and protecting marine mammals.

We will publish more details on our new sustainability strategy and the associated goals later this year. We will then document our progress as usual in our sustainability report.

Ladies and gentlemen, I would now like to take a look with you at the current year and additional developments.

Despite the impact of the COVID-19 pandemic and congested supply chains, your Hapag-Lloyd AG got 2021 off to a very strong start overall, thanks in part to 38% higher freight rates. At roughly 3.0 million TEU, transport volumes were slightly down year-on-year, by 2.6%. However, we were able to achieve a significantly better average freight rate of 1,509 USD/TEU. As a result, we increased our revenue by around 33%, to around EUR 4.1 billion, in the first quarter of 2021.

When we look at our results, we see that this positive development is continuing. Hapag-Lloyd generated EBIT of around EUR 1.3 billion in the first quarter of 2021. EBITDA increased to around EUR 1.6 billion. The Group net result improved to around EUR 1.2 billion.

Against the background of these very strong Group results, we look back on a very good first quarter overall – in fact, it was the best quarter in the history of our company. But what is our assessment of the further course of the current year?

We started 2021 with a lot of tailwind, and the extraordinarily strong demand for container transport has continued into the second quarter.

The economic environment, which is important for container shipping, should gradually improve as the year progresses. In addition, rising vaccination rates in the major industrialised countries and additional economic stimulus programmes, especially in the United States, should lead to a noticeable economic upswing.

The International Monetary Fund currently expects the global economy to grow by 6.0% in 2021. In the course of this economic recovery, the market research company Clarksons assumes that demand for container transport will increase by 5.7%.

Container shipping therefore remains a growth industry, and the positive framework conditions will also have an impact on our business development in 2021. I would like to explain this assessment to you, which brings me to the main factors influencing supply and demand in our industry.

After a historic low last year and despite rising ship orders, the order book is still at a comparatively low level compared to the current global fleet, now standing at around 14 to 16%.

Before the financial crisis, this was still almost two-thirds of the global fleet, which meant that we saw significant overcapacity in the market as the crisis progressed and even afterwards.

This year, the new orders so far add up to a capacity of about 1.8 million TEU. However, these ships will not be commissioned until 2023. Planned deliveries, on the other hand, are significantly below this figure, at 1.2 million TEU in 2021, and an addition to ship capacity of currently around 0.6 million TEU is expected next year.

Due to the unchanged improvement in the general conditions compared to the financial crisis with regard to the order book, new ship orders and planned deliveries, we continue to expect supply and demand to remain in a balanced relationship.

Furthermore, we assume that after a normalisation of demand, the scrapping of old ships will tend to be at a higher level in the years ahead. Higher efficiency requirements for ships and the need to reduce emissions in order to achieve climate targets should also contribute to this.

Let us now look at the outlook for the current financial year.

From an economic perspective, 2020 was a very good year for Hapag-Lloyd, and we started the first quarter of the current financial year very strongly.

Due to the persistently strong demand for consumer goods and against the backdrop of a further brightening of the economy, we expect a slight increase in transport volumes for 2021. At the same time, we expect a significant increase in the average bunker consumption price this year, as well as a significant increase in the average freight rate.

Accordingly, we continue to assume that EBITDA and EBIT for the current financial year 2021 will be significantly above the level of the previous year.

While the very positive earnings development should continue in the second quarter of 2021, we currently anticipate a gradual normalisation in the second half of the year.

However, given the current above-average volatility of freight rates, operational challenges such as infrastructural bottlenecks and the unpredictable further course of the COVID-19 pandemic and its economic impact, this forecast remains subject to considerable uncertainty.

Let me now briefly summarise.

The year 2020 went very well for us. At the same time, we have started 2021 with a very good result and tailwind.

We will continue to rigorously implement our Strategy 2023. In doing so, we will keep our sights firmly set on our goal of being the "number one for quality" in our industry. We will continue to focus on the safety and well-being of our employees and the integrity of our customers' supply chains.

At the same time, we will maintain our conservative financial policy based on a solid liquidity reserve and positive free cash flow.

With a view to our growth in attractive markets, we are preparing the seamless integration of NileDutch to ensure a smooth transition for our customers once the acquisition has been successfully closed.

In addition, we will continue to constantly monitor the market and to look for additional attractive investments that will support us in our growth course. This also applies to further investment opportunities in ship and container capacities.

Furthermore, we are aware that we have a very big responsibility in terms of climate protection. Therefore, we will work intensively to modernise our fleet and reduce our carbon footprint. This remains an essential building block of our expanded sustainability strategy.

We are also currently looking very closely at how we want to work together at Hapag-Lloyd in the future. We have learned a lot about digital, agile and flexible working methods over the past year, and now we need to translate the best insights into suitable working concepts that will enable us to work together even more efficiently going forward.

Dear shareholders, I would like to thank you most sincerely for your trust and support! We all share a passion for Hapag-Lloyd that unites us.

At the same time, I would like to express my special thanks to all our employees on land and at sea, who have accomplished an enormous amount in the past year; to the members of our Supervisory Board; to my colleagues on the Executive Board; to our managers across the world; but also to our partners and customers, who stand by us even when the seas are rough.

Thank you for the first-class working relationship that you have helped to sustain in these particularly challenging times!

Just yesterday was the birthday of Hapag-Lloyd AG, and we are very much looking forward to welcoming you to our 175th anniversary at our next AGM in 2022. This will definitely be a very special year for us – and one that comes with the hope that we will have largely left the COVID-19 pandemic behind us by that time.

We are very proud of the successful course we have set for Hapag-Lloyd, and we are continuously gaining momentum. At the same time, we are keeping our sights firmly set on being the “number one for quality” for our customers.

We remain enormously passionate about our work, and we will continue to do everything in our power to steer Hapag-Lloyd towards a future of continued success. Thank you very much!