Q3 | 9M 2020

Hapag-Lloyd AG

Investor Report

1 January to
30 September 2020

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q3 2020	Q3 2019	9M 2020	9M 2019	Change
Key operating figures						
Total vessels, of which		234	231	234	231	1%
Own vessels[1]		112	112	112	112	–
Chartered vessels		122	119	122	119	3%
Aggregate capacity of vessels	TTEU	1,709	1,670	1,709	1,670	2%
Aggregate container capacity	TTEU	2,674	2,556	2,674	2,556	5%
Bunker price (MFO, average for the period)[2]	USD/t	301	401	395	409	–4%
Bunker price (MDO, average for the period)[3]	USD/t	378	594	470	602	–22%
Bunker price (combined MFO/MDO, average for the period)	USD/t	307	416	402	425	–5%
Freight rate (average for the period)	USD/TEU	1,084	1,084	1,097	1,075	2%
Transport volume	TTEU	2,942	3,045	8,696	9,011	–3%
Revenue	million USD	3,519	3,608	10,525	10,654	–1%
Transport expenses	million USD	–2,486	–2,737	–7,696	–8,187	–6%
EBITDA	million USD	756	617	2,044	1,697	20%
EBIT	million USD	402	282	965	722	34%
Group profit/loss	million USD	290	168	605	333	81%
Cash flow from operating activities	million USD	837	727	2,166	1,727	25%
Investment in property, plant and equipment[4]	million USD	347	289	1,153	867	33%
Key return figures						
EBITDA margin (EBITDA/revenue)	%	21.5	17.1	19.4	15.9	3.5 ppt
EBIT margin (EBIT/revenue)	%	11.4	7.8	9.2	6.8	2.4 ppt
Key balance sheet figures[5]						
Balance sheet total	million USD	18,545	18,182	18,545	18,182	2%
Equity	million USD	7,784	7,430	7,784	7,430	5%
Equity ratio (equity/balance sheet total)	%	42.0	40.9	42.0	40.9	1.1 ppt
Borrowed capital	million USD	10,761	10,751	10,761	10,751	0%
Key financial figures[5]						
Financial debt and lease liabilities	million USD	6,980	7,180	6,980	7,180	–3%
Cash and cash equivalents	million USD	961	574	961	574	67%
Net debt (financial debt – cash and cash equivalents)	million USD	6,019	6,605	6,019	6,605	–9%
Gearing (net debt/equity)	%	77.3	88.9	77.3	88.9	–11.6 ppt
Liquidity reserve	million USD	1,546	1,159	1,546	1,159	33%
Number of employees						
Marine personnel		2,103	2,198	2,103	2,198	–4%
Shore-based personnel		11,071	10,755	11,071	10,755	3%
Hapag-Lloyd total		13,174	12,953	13,174	12,953	2%

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

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

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

MAIN DEVELOPMENTS IN 9M 2020

- The first 9 months of 2020 were dominated by the outbreak of the COVID-19 pandemic and an associated sharp fluctuation in demand. Hapag-Lloyd responded to the challenging operating conditions by promptly establishing the Performance Safeguarding Program (PSP) to mitigate the economic effects of the pandemic.
- The transport volume fell by 3.5% to 8,696 TTEU in the first 9 months of 2020. The decrease was primarily due to a double-digit fall in demand in the second quarter of 2020. At –3.4%, transport volumes in the third quarter 2020 were only slightly lower than in the previous year.
- The average freight rate rose by 2.0% to USD 1,097 / TEU compared with the prior year period (prior year period: USD 1,075 / TEU).
- Revenue of USD 10.5 billion was around 1.2% down on the previous year (USD 10.7 billion) due to the decline in transport volumes in the first 9 months of 2020.
- Transport expenses fell more sharply than the transport volume in the first 9 months of 2020, decreasing by 6.0% to USD 7,696.0 million (prior year period: USD 8,187.4 million). In addition to the drop in the transport volume, this development primarily reflects the lower bunker prices as well as active cost management under the PSP programme.
- EBITDA increased accordingly by 20.4% to USD 2,043.5 million (prior year period: USD 1,697.2 million). The EBITDA margin of 19.4% was around 3.5 percentage points higher than in the previous year (15.9%).
- EBIT was also significantly up on the previous year, at USD 964.9 million (prior year period: USD 722.2 million).
- Free cash flow of USD 1,866.0 million was once again clearly positive (prior year period: USD 1,482.8 million). As a result, the level of debt was further reduced.
- Due to the measures implemented under the PSP programme, the liquidity reserve was substantially increased and totalled around USD 1.5 billion as at 30 September 2020 (30 September 2019: USD 1.2 billion).
- As a result of the Company's strong operating performance and the reduction in its debt over several years, the rating agencies Standard & Poor's and Moody's raised their credit ratings for Hapag-Lloyd from "B+" to "BB-" and from "B1" to "Ba3" respectively. This is the highest rating obtained by Hapag-Lloyd since it was first rated in 2010.
- Due to the overall positive business development in the first 9 months and the expected stronger demand in the fourth quarter, the earnings forecast was increased on 15 October. For 2020, the Executive Board now expects EBITDA of EUR 2.4 – 2.6 billion (previously: EUR 1.7 – 2.2 billion) and EBIT of EUR 1.1 – 1.3 billion (previously: EUR 0.5 – 1.0 billion). In view of the ongoing risk regarding the progression of the COVID-19 pandemic and the associated economic effects, the forecast remains subject to uncertainty.

This investor report was published on 13 November 2020.

CONTENTS

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

Business development in the first 9 months of 2020 was significantly influenced by the outbreak of the COVID-19 pandemic. An abrupt, sharp drop in demand in the second quarter was followed by a moderate recovery in demand in the third quarter. The resulting effects on the earnings, financial and net asset position are described in detail in the economic report.

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

This enabled the Company to ensure business operations in the first 9 months of the year despite comprehensive protective measures and extensive office closures. At the peak of restrictions, more than 90% of shore-based employees were working from home. This was achieved by the creation of additional IT capacities worldwide. The majority of shore-based employees continued to work from home at the end of the quarter. The safety of crews on board ships is also a top priority for the executive management. Hapag-Lloyd has therefore also put in place additional safety measures on board its ships to ensure the safety of its crews as best it can. Shipping operations have largely continued without any significant disruptions. However, worldwide travel restrictions as well as local restrictions are preventing crew changes or making them much more difficult at present. Hapag-Lloyd is working closely with local authorities and other market participants to improve the situation.

In addition to securing the current operational business, the second focus is to minimise the negative effects of the decline in demand in connection with the COVID-19 pandemic and to ensure the financial solidity of the Company at all times. To safeguard profitability and liquidity, a comprehensive package of measures under the project name Performance Safeguarding Program (PSP) was developed and implemented. This includes measures for cost savings, the review of all investments and measures to increase the liquidity framework. More than 1,700 individual measures were identified within the PSP project, which are spread across the entire organisation.

In cooperation with the other THE Alliance partners, the service network for the major East-West routes has been revised and individual services have been temporarily merged or cancelled. These measures enabled the alliance partners to ensure adequate utilisation of their ships and thus save costs – particularly in the second quarter – despite the double-digit fall in demand. As a result of the incipient recovery in demand, capacities were gradually increased again in the third quarter. Hapag-Lloyd has also identified additional cost-cutting measures to reduce the costs of container handling and transport, equipment (mainly containers), ship systems and overheads. In addition to the non-renewal of short-term charter contracts, medium and long-term charter contracts were renegotiated with regard to duration and charter rates. The capacity and cost-cutting measures aim to reduce costs in the current year by a medium three-digit million US dollar amount. The bulk of the expected savings was realised in the first 9 months of the year.

Liquidity was significantly increased through the expanded use of the programme to securitise trade accounts, the drawing of credit lines and the refinancing of ships and containers. Due to the improvement in the expected development of business compared with the situation at the start of the pandemic, liquidity was slightly reduced again at the end of the quarter with the aim of further reducing debt. In addition, the investment budget is reviewed on an ongoing basis and a prioritisation of planned investments is made. Hapag-Lloyd has currently not ordered any newbuilds. Any new orders of large container vessels or additional containers will only be made if financing is contractually assured. The budgeted investments are spread over numerous, partly smaller measures, so that Hapag-Lloyd has a certain scope for postponing or suspending planned investments. For necessary investments, liquidity-saving financing such as chartering/leasing is used where economically viable.

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

2.1. GENERAL ECONOMIC CONDITIONS

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

Initially, the effects of the COVID-19 pandemic were largely restricted to China in spring 2020. Chinese economic output fell sharply by 6.8% in the first quarter 2020. However, China's national statistics agency reported growth of 3.2% and 4.9% in the second and third quarter respectively compared with the previous year. For the rest of the world, the economic effects of the pandemic have been significant, particularly in the second quarter. The stringent containment measures caused economic output in the EU to plummet by 11.4% compared with the previous quarter, the sharpest decline since records began in 1995. The USA also recorded a significant decrease, although it was not as sharp, at around 7.1% (annualised 31.4%). However, the early indicators of the International Monetary Fund (World Economic Outlook, October 2020) show that global economic output recovered considerably in the third quarter. The statistics agencies in the EU and USA reported growth of 12.1% and 7.4% (annualised 33.1%) respectively in the third quarter 2020 compared with the previous quarter.

The international movement of goods was affected by the containment measures to an even greater extent. According to the national statistics agencies in the EU and USA, the import and export of goods plummeted by more than 20% in April and May 2020, although they subsequently recovered slightly. In the period from January to August, the decline in both the U.S. and EU was around 13%.

To reduce the economic impact of the COVID-19 pandemic, more than 190 countries as well as national and supranational central banks have adopted fiscal and monetary measures. The US Federal Reserve and the European Central Bank have cut their key interest rates and increased their bond purchasing. Fiscal measures include direct subsidies, (interest-free) loans and tax relief for companies and private individuals. According to the IMF, these measures are likely to be effective in protecting the global economy from an even sharper downturn.

There was a sharp drop in the price of oil during the first half of 2020 due to weak demand caused by the fall in economic output and a price war among key oil producers. While the price of Brent Crude was more than USD 60 per barrel at the start of the year, this had plummeted by over 60% to around USD 20 by the end of April 2020. In response to the sharp price decrease, key oil producers cut their daily oil production. Following a clear price recovery in April and May 2020, the price of Brent Crude was comparatively stable in the third quarter at around USD 40 per barrel.

2.2. SECTOR-SPECIFIC CONDITIONS

The sector-specific conditions improved significantly in the third quarter 2020 in line with the general economic recovery. While global container transport dropped sharply in April and May 2020 by 13% and 12% respectively, demand gradually recovered after that. The volume even grew in September 2020 by 6.9% year-on-year, mainly due to the trades from Far East to Europe and especially North America. Exports from Latin America also increased. However, the overall volume of containers transported globally fell by 3.5% in the first 9 months of 2020 (CTS, November 2020). The sharpest declines in volume in this period were recorded on the Atlantic and on the Far East-Europe trades.

The improvement in demand in the third quarter 2020 was also reflected in the capacity of idle ships. This totalled around 2.3 million TEU at the end of June 2020 (Alphaliner Weekly, June 2020), which corresponded to approximately 9.9% of the global fleet. However, due to the rising demand for container transport in the third quarter of 2020, some suspended services were reinstated, with idle ships entering service once again. This significantly reduced the capacity of idle ships again to 0.5 million TEU at the end of September 2020 (Alphaliner Weekly, October 2020), which equated to around 2.2% of the global fleet (September 2019: approximately 0.8 million TEU or around 3.3% of the global fleet). The majority of idle vessels have a capacity of up to 5,100 TEU.

The tonnage of the commissioned container ships of approximately 1.9 million TEU (MDS Transmodal, October 2020) is equivalent to around 8.0% of the present global container fleet's capacity (approximately 23.6 million TEU as at September 2020). This is a historically low level and well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%).

In the period from January to September 2020, orders were placed for the construction of 30 container ships with a transport capacity totalling approximately 0.2 million TEU, a drop of around 47% compared with the prior year period (Clarksons Research, October 2020).

The actual growth in the global container ship fleet's transport capacity is regularly lower than the projected nominal increase, as old and inefficient ships are scrapped and deliveries of newbuilds are postponed. Based on figures from MDS Transmodal, a total of 88 container ships with a transport capacity of approximately 0.6 million TEU were placed into service in the first 9 months of 2020 (prior year period: 102 ships with a transport capacity of approximately 0.8 million TEU). Following an initial decline in scrapping compared with the previous year as a result of COVID-19 restrictions, it increased again in the third quarter of this year in particular. It totalled around 0.2 million TEU in the first 9 months of the year, which was approximately 15% higher than in the previous year (prior year period: around 0.2 million TEU).

The bunker price was very volatile in the first 9 months of 2020. Low-sulphur bunker, the fuel predominantly used since the start of 2020, cost around USD 560 / t on the year's first day of trading (MFO 0.5%, FOB Rotterdam). However, the bunker price decreased significantly during the first half of 2020, due to the global decline in demand and a simultaneous sharp fall in the price of oil caused by a dispute about production volumes among leading oil-producing countries. As a result, it briefly stood at around USD 135 / t at the end of April 2020 (MFO 0.5%, FOB Rotterdam). However, the bunker price subsequently rose again significantly by more than 100% and stood at around USD 298 / t (MFO 0.5%, FOB Rotterdam) at the end of September 2020.

Due to the introduction of the new fuel type and differing supply situations at the various ports, there were clear price differences at the start of the year for MFO 0.5% bunker. In Singapore, for example, the price at the start of the year was around USD 700 / t, which was more than USD 140 / t higher than the price in Rotterdam. During the year, the price difference normalised again and was only around USD 28 / t at the end of September 2020.

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

3.1. FLEXIBLE FLEET AND CAPACITY DEVELOPMENT

As at 30 September 2020, Hapag-Lloyd's fleet comprised a total of 234 container ships (30 September 2019: 231 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 30 September 2020 was 1,708,977 TEU, thus 2.3% higher than as per 30 September 2019 (1,670,417 TEU). The share of ships chartered by Hapag-Lloyd was approximately 39% as at 30 September 2020 based on TEU capacity (30 September 2019: approximately 37%).

As at 30 September 2020, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 9.3 years. The average ship size within the Hapag-Lloyd Group fleet is 7,303 TEU, which is approximately 15% above the comparable average figure for the 10 largest container liner shipping companies (30 September 2020: 6,343 TEU; MDS Transmodal) and around 69% above the average ship size in the global fleet (30 September 2020: 4,321 TEU; MDS Transmodal).

As at 30 June 2020, Hapag-Lloyd owned or rented 1,619,977 containers (30 September 2019: 1,557,700) with a capacity of 2,673,956 TEU for shipping cargo (30 September 2019: 2,555,867 TEU). The capacity-weighted share of leased containers was around 45% as at 30 September 2020 (30 September 2019: 46%). To facilitate further growth in the strategically important reefer segment, Hapag-Lloyd ordered 10,900 new reefer containers in the third quarter of 2020.

Hapag-Lloyd's service network comprised 121 services as at 30 September 2020 (30 September 2019: 121 services). 3 of the services (30 June 2020: 6 services) are temporarily suspended at present due to the decrease in demand as a result of COVID-19.

Structure of Hapag-Lloyd's container ship fleet

	30.9.2020	31.12.2019	30.9.2019
Number of vessels	**234**	**239**	**231**
thereof			
Own vessels[1]	112	112	112
Chartered vessels	122	127	119
Aggregate capacity of vessels (TTEU)	**1,709**	**1,707**	**1,670**
Aggregate container capacity (TTEU)	**2,674**	**2,540**	**2,556**
Number of services	**121**	**121**	**121**

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

Bunker consumption totalled approximately 3.0 million tonnes in the first 9 months of the year 2020 and was therefore around 7% lower than in the previous year (9M 2019: approximately 3.3 million tonnes). This decline is essentially attributable to the COVID-19 related temporary suspension of sailings. Due to the new requirement to reduce sulphur emissions from 1 January 2020, the percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) increased to 94% (9M 2019: around 15%). 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 2.3 tonnes (9M 2019: 2.6 tonnes). In terms of transported TEU, bunker consumption decreased to 0.35 tonnes per TEU compared with the previous year (9M 2019: 0.36 tonnes per TEU).

There were no orders for newbuilds as at the reporting date. Particularly since the merger with UASC, Hapag-Lloyd has had a modern and efficient fleet. The Executive Board of Hapag-Lloyd AG believes that the existing fleet and cooperation with the partners in THE Alliance (including HMM from 1 April 2020) will make it possible to utilise expansion opportunities resulting from market growth and to realise economies of scale in ship operations. However, in order to remain competitive in the medium term, the Executive Board of Hapag-Lloyd AG believes that the Group will invest in new ship systems again in the not too distant future.

With regard to the new regulations of the International Maritime Organization (IMO), which came into effect in 2020 to reduce sulphur emissions, Hapag-Lloyd will predominantly use low-sulphur fuel. On 17 of its own larger ships and 9 container ships chartered on a long-term basis, the Company is installing exhaust gas cleaning systems (EGCS) to filter the sulphur from the exhaust gases. One large ship is also being retrofitted to test how it runs on liquefied natural gas (LNG). From the perspective of Hapag-Lloyd AG's Executive Board, the conversion to the new exhaust gas thresholds and the associated switch to low-sulphur fuel went according to plan.

4. HAPAG-LLOYD: GROUP EARNINGS POSITION

4.1. GROUP EARNINGS POSITION

The first 9 months of the 2020 financial year were dominated by the outbreak and global spread of the COVID-19 pandemic, the corresponding cost management implemented under the PSP programme, and volatile bunker prices.

After falling sharply in the second quarter, transport volumes recovered during the third quarter to a greater extent than had been expected just a few months previously. However, at –3.5%, transport volumes were still down on the previous year. At –1.2%, revenue also remained lower than the previous year's figure. On the other hand, a slight rise in freight rate, a moderate decrease in bunker prices and active cost reduction under the PSP programme all had a positive impact on earnings in the first 9 months of the financial year.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of USD 2,043.5 million in the reporting period (prior year period: USD 1,697.2 million) and earnings before interest and taxes (EBIT) of USD 964.9 million (prior year period: USD 722.2 million). The Group profit came to USD 604.8 million (prior year period: USD 333.3 million).

4.2. CONSOLIDATED INCOME STATEMENT

million USD	Q3 2020	Q2 2020	Q3 2019	QoQ Change	YoY change	9M 2020	9M 2019	Change
Revenue	**3,519.4**	**3,321.2**	**3,607.5**	**6.0%**	**–2.4%**	**10,524.6**	**10,654.1**	**–1.2%**
Transport expenses	–2,486.1	–2,295.4	–2,736.7	8.3%	–9.2%	–7,696.0	–8,187.4	–6.0%
Personnel expenses	–201.1	–184.3	–191.8	9.1%	4.9%	–576.0	–566.6	1.7%
Depreciation, amortisation and impairment	–354.6	–382.9	–334.7	–7.4%	5.9%	–1,078.6	–975.0	10.6%
Other operating result	–86.5	–78.5	–74.4	–10.2%	–16.3%	–236.8	–235.5	–0.6%
Operating result	**391.1**	**380.1**	**269.9**	**2.9%**	**44.9%**	**937.3**	**689.7**	**35.9%**
Share of profit of equity-accounted investees	10.6	7.1	11.3	48.0%	–6.8%	27.9	31.1	–10.4%
Result from nvestments	0.1	–0.1	1.2	n.m.	–92.7%	–0.2	1.4	n.m.
Earnings before interest and tax (EBIT)	**401.7**	**387.1**	**282.4**	**3.8%**	**42.2%**	**964.9**	**722.2**	**33.6%**
Interest result	–93.9	–87.8	–103.1	7.0%	–9.0%	–318.6	–357.2	–10.8%
Other financial items	–4.8	–1.9	3.3	156.0%	n.m.	–1.8	2.3	n.m.
Income taxes	–12.8	–10.4	–14.5	23.1%	–12.0%	–39.8	–34.0	16.9%
Group profit/loss	**290.3**	**287.1**	**168.1**	**1.1%**	**72.7%**	**604.8**	**333.3**	**81.4%**

4.3. FREIGHT RATE PER TRADE

The average freight rate in the first 9 months of the 2020 financial year was USD 1,097 / TEU, which was USD 22 / TEU, or 2.0%, up on the prior year period (USD 1,075 / TEU).

Compared with the previous year, the freight rate increased among other things due to the transfer of higher bunker costs for low-sulphur fuel and active revenue management.

Freight rate per trade

USD / TEU	Q3 2020	Q2 2020	Q3 2019	QoQ change	YoY change	9M 2020	9M 2019	Change
Atlantic	1,374	1,405	1,411	–2.2%	–2.6%	1,395	1,374	1.5%
Transpacific	1,476	1,378	1,357	7.1%	8.8%	1,394	1,328	5.0%
Far East	963	982	912	–1.9%	5.6%	969	922	5.1%
Middle East	823	856	733	–3.9%	12.3%	820	748	9.6%
Intra-Asia	533	563	552	–5.3%	–3.4%	568	543	4.6%
Latin America	1,068	1,164	1,146	–8.3%	1.9%	1,132	1,156	–2.1%
EMA (Europe – Mediterranean – Africa)	1,028	1,046	1,072	–1.7%	–4.1%	1,035	1,047	–1.1%
Total	**1,084**	**1,114**	**1,084**	**–2.7%**	**–**	**1,097**	**1,075**	**2.0%**

4.4. TRANSPORT VOLUME PER TRADE

The transport volume decreased by 315 TTEU to 8,696 TTEU in the first 9 months of the 2020 financial year (prior year period: 9,011 TTEU). This equates to a fall of 3.5%. The decline was primarily attributable to the second quarter, when the global effects of the political measures to combat the COVID-19 pandemic were reflected in transport volumes on all trades. At –3.4%, transport volumes in the third quarter were only slightly lower than in the previous year, while transport volumes rose again on the Middle East and EMA trades compared with the previous year. However, at –12.9%, the Atlantic trade remained significantly down on the previous year in the third quarter as well.

The increase in transport volumes in the Middle East is partly due to catch-up effects in the third quarter from previously lower volume developments in connection with the COVID-19 pandemic. Transport volumes in the EMA trade increased year-on-year, mainly due to the introduction of new services in Africa in the fourth quarter 2019.

The decline in the Atlantic, Transpacific and Far East trades is still mainly due to the ongoing effects of the COVID-19 pandemic.

Transport volume per trade

TTEU	Q3 2020	Q2 2020	Q3 2019	QoQ change	YoY change	9M 2020	9M 2019	Change
Atlantic	426	442	489	–3.6%	–12.9%	1,349	1,472	–8.3%
Transpacific	478	418	512	14.2%	–6.8%	1,368	1,456	–6.1%
Far East	581	495	593	17.5%	–1.9%	1,644	1,771	–7.2%
Middle East	382	307	335	24.2%	13.9%	1,081	1,030	4.9%
Intra-Asia	216	211	230	2.3%	–6.1%	639	666	–4.0%
Latin America	689	667	722	3.2%	–4.7%	2,100	2,112	–0.6%
EMA (Europe – Mediterranean – Africa)	170	161	163	5.7%	4.2%	517	505	2.2%
Total	**2,942**	**2,701**	**3,045**	**8.9%**	**–3.4%**	**8,696**	**9,011**	**–3.5%**

4.5. REVENUE PER TRADE

The Hapag-Lloyd Group's revenue fell by USD 129.5 million to USD 10.524,6 million in the first 9 months of the 2020 financial year (prior year period: USD 10,654.1 million), representing a decrease of 1.2%.

The main reason for this was the decline in transport volumes of –3.5% compared with the prior year period. However, the rise in average freight rates of 2.0% compared with the prior year period helped to offset the fall in revenue.

Revenue per trade

million USD	Q3 2020	Q2 2020	Q3 2019	QoQ Change	YoY change	9M 2020	9M 2019	Change
Atlantic	585.3	620.7	690.0	–5.7%	–15.2%	1,881.8	2,022.3	–6.9%
Transpacific	704.9	576.6	695.0	22.3%	1.4%	1,907.8	1,933.9	–1.3%
Far East	560.2	485.8	540.3	15.3%	3.7%	1,592.0	1,631.9	–2.4%
Middle East	314.2	263.2	245.7	19.4%	27.9%	885.8	770.3	15.0%
Intra-Asia	115.0	118.7	127.0	–3.2%	–9.5%	363.2	361.4	0.5%
Latin America	735.3	776.4	828.0	–5.3%	–11.2%	2,375.9	2,441.8	–2.7%
EMA (Europe – Mediterranean – Africa)	174.9	168.2	175.0	4.0%	–0.0%	534.6	529.2	1.0%
Revenue not assigned to trades	329.6	311.6	306.5	5.8%	7.5%	983.7	963.3	2.1%
Total	**3,519.4**	**3,321.2**	**3,607.5**	**6.0%**	**–2.4%**	**10,524.6**	**10,654.1**	**–1.2%**

4.6. OPERATING EXPENSES

Transport expenses fell by USD 491.4 million in the first 9 months of the 2020 financial year to USD 7,696.0 million (prior year period: USD 8,187.4 million). This represents a drop of 6.0%. This decline was primarily due to the volume-related decrease in expenses, the lower average bunker price compared with the previous year and active cost management under the PSP programme.

The decline in bunker expenses in the amount of USD 120.2 million resulted from the 3.5% fall in transport volumes and from the decrease in the average bunker consumption price compared with the previous year. Hapag-Lloyd's bunker consumption price of USD 402 / t in the first 9 months of the year was down USD 23 / t (–5.4%) on the figure for the corresponding prior year period of USD 425 / t. While the prices for the lower-sulfur fuel remained very high level at the beginning of the year (MFO 0.5%, FOB Rotterdam, approximately USD 560 / t), they dropped significantly during the first half of 2020 due to a global decline in the demand of oil and a simultaneous dispute about production volumes between leading oil-producing countries, and were briefly quoted at around USD 135 / t at the end of April (MFO 0.5%, FOB Rotterdam). Subsequently, however, bunker price rose again, reaching around USD 298 / t at the end of September 2020 (MFO 0.5%, FOB Rotterdam). The decrease in the bunker consumption price was partly offset by the required use of the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020.

The decrease in container handling expenses of USD 219.6 million to USD 3,928.9 million resulted primarily from a volume-related decline, active cost management under the PSP programme and lower hinterland transport expenses.

The fall in container and repositioning expenses of USD 66.8 million to USD 943.2 million was essentially due to active cost management under the PSP programme and the resulting decline in expenses for loading and unloading empty containers at the terminals.

The decrease in expenses for vessels and voyages (excluding bunker) of USD 131.5 million to USD 1,518.8 million resulted primarily from active cost management under the PSP programme. Suspended services, a reduced number of voyages, network optimisations and a higher percentage of ships chartered in on a medium-term basis compared with the previous year were the main reasons for the decrease in expenses.

Personnel expenses rose by USD 9.4 million (1.7%) to USD 576.0 million in the first 9 months of the 2020 financial year (prior year period: USD 566.6 million). This was primarily due to an increase in the number of employees compared with the previous year and a special COVID-19 payment to employees.

Depreciation and amortisation came to USD 1,078.6 million in the first 9 months of the 2020 financial year (prior year period: USD 975.0 million). The year-on-year increase in depreciation and amortisation resulted essentially from depreciation associated with the recognition of ship retrofittings due to IMO 2020 as well as from a rise in the percentage of ships chartered in on a medium-term basis primarily due to measures under the PSP programme and the resulting increase in rights of use. The amortisation of rights of use relating to leased assets (essentially ships, containers, buildings) led to amortisation of USD 438.0 million (prior year period: USD 358.5 million).

The other operating result of USD –236.8 million (prior year period: USD –235.5 million) comprised the net balance of other operating income and expenses. Other operating expenses totalled USD 282.5 million for the first 9 months of the 2020 financial year (prior year period: expenses of USD 276.9 million). This mainly included IT expenses (USD 143.3 million; prior year period: USD 125.5 million), administrative expenses (USD 29.7 million; prior year period USD 34.8 million) and consultancy fees (USD 25.6 million; prior year period: USD 27.1 million). The other operating income included in the figure resulted primarily from the disposal of assets (USD 12.4 million; prior year period: USD 18.0 million) and the release of provisions (USD 8.6 million; prior year period: USD 2.2 million).

Operating expenses

million USD	Q3 2020	Q2 2020	Q3 2019	QoQ Change	YoY change	9M 2020	9M 2019	Change
Transport expenses	**–2,486.1**	**–2,295.4**	**–2,736.7**	**8.3%**	**–9.2%**	**–7,696.0**	**–8,187.4**	**–6.0%**
thereof								
Bunker	–315.7	–295.6	–457.5	6.8%	–31.0%	–1,266.1	–1,386.2	–8.7%
Handling and haulage	–1,289.6	–1,253.8	–1,392.8	2.9%	–7.4%	–3,928.9	–4,148.6	–5.3%
Equipment and repositioning[1]	–324.1	–310.4	–353.7	4.4%	–8.4%	–943.2	–1,010.0	–6.6%
Vessels and voyages (excluding bunker)[2]	–502.2	–487.8	–529.6	3.0%	–5.2%	–1,518.8	–1,650.4	–8.0%
Pending transport expenses	–54.4	52.1	–3.2	n.m.	n.m.	–39.0	7.7	–604.3%
Personnel expenses	–201.1	–184.3	–191.8	9.1%	4.9%	–576.0	–566.6	1.7%
Depreciation, amortisation and impairments	–354.6	–382.9	–334.7	–7.4%	5.9%	–1,078.6	–975.0	10.6%
Other operating result	–86.5	–78.5	–74.4	–10.2%	16.3%	–236.8	–235.5	–0.6%
Total operating expenses	**–3,128.3**	**–2,941.1**	**–3,337.6**	**6.4%**	**–6.3%**	**–9,587.4**	**–9,964.4**	**–3.8%**

[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

4.7. UNIT COSTS

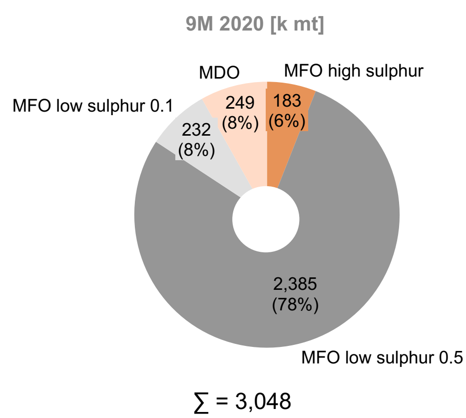
USD/TEU	Q3 2020	Q2 2020	Q3 2019	QoQ Change	YoY change	9M 2020	9M 2019	Change
Transport expenses	**–845.2**	**–849.8**	**–898.8**	**–0.5%**	**–6.0%**	**–885.0**	**–908.6**	**–2.6%**
thereof								
Bunker	–107.3	–109.4	–150.2	–1.9%	–28.6%	–145.6	–153.8	–5.4%
Handling and haulage	–438.4	–464.2	–457.4	–5.5%	–4.2%	–451.8	–460.4	–1.9%
Equipment and epositioning	–110.2	–114.9	–116.2	–4.0%	–5.1%	–108.5	–112.1	–3.2%
Vessel and voyage (excl. bunker)	–170.7	–180.6	–173.9	–5.4%	–1.8%	–174.7	–183.1	–4.6%
Pending transport expenses	–18.5	19.3	–1.0	n.m.	n.m.	–4.5	0.9	n.m.
Depreciation, amortisation and impairment (D&A)	–120.5	–141.7	–109.9	–15.0%	9.7%	–124.0	–108.2	14.6%
Transport expenses incl. D&A	**–965.8**	**–991.5**	**–1,008.7**	**–2.6%**	**–4.3%**	**–1,009.0**	**–1,016.8**	**–0.8%**

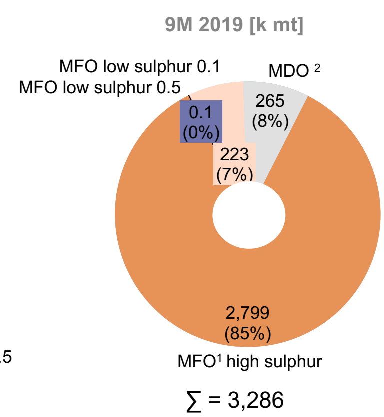
Transport expenses per unit (incl. D&A) were almost similar to the same period last year (–0.8% or USD 8/TEU). “Bunker” costs have decreased by 5.4% or USD 8/TEU as compared to prior year period mainly caused by lower average bunker prices. Costs for “Handling and Haulage” decreased by 1.9% (USD 8/TEU) mainly due to reduced inland business and active cost management (PSP). The decrease of costs for “Equipment and Repositioning” (–3.2% or USD 4/TEU) was mainly due to a reduced number of transshipments and less costs for the moves of empty containers as part of the measures of the PSP. Year on year, “Vessel and voyage” costs have decreased by –4.6% (USD 8/TEU) as a result of an improved utilization due to network optimization (blank sailings and other structural improvements) and higher share of charter vessels considered as Right of Use (RoU) with a respective impact on depreciation. The increase of 14.6% (USD 16/TEU) in depreciation and amortisation resulted essentially from depreciation associated with the recognition of ship retrofittings due to IMO 2020 as well as from a rise in the percentage of ships chartered in on a medium-term basis and the resulting increase in rights of use primarily due to attractive mid-/long-term charter deals encouraged by the PSP programme.

Bunker consumption development

Bunker consumption totalled approximately 3.0 million tonnes in the first 9 months of the year 2020 and was therefore around 7% lower than in the previous year (9M 2019: approximately 3.3 million tonnes). This decline is essentially attributable to the COVID-19 related temporary suspension of sailings. Due to the new requirement to reduce sulphur emissions from 1 January 2020, the percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) increased to 94% (9M 2019: around 15%).

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 2.3 tonnes (9M 2019: 2.6 tonnes). In terms of transported TEU, bunker consumption decreased to 0.35 tonnes per TEU compared with the previous year (9M 2019: 0.36 tonnes per TEU).





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

4.8. EARNINGS POSITION

In the first 9 months of the financial year 2020, earnings before interest and taxes (EBIT) amounted to USD 964.9 million and thus 33.6% above earnings in prior year period (USD 722.2 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 2,043.5 million in the first 9 months of 2020 (prior year period: USD 1,697.2 million).

EBIT and EBITDA margin

million USD	Q3 2020	Q2 2020	Q3 2019	QoQ change	YoY change	9M 2020	9M 2019	Change
Revenue	3,519.4	3,321.2	3,607.5	6.0%	–2.4%	10,524.6	10,654.1	–1.2%
EBIT	401.7	387.1	282.4	3.8%	42.2%	964.9	722.2	33.6%
EBITDA	756.3	770.0	617.2	–1.8%	22.5%	2,043.5	1,697.2	20.4%
EBIT margin	11.4%	11.7%	7.8%	–0.2 ppt	3.6 ppt	9.2%	6.8%	2.4 ppt
EBITDA margin	**21.5%**	**23.2%**	**17.1%**	**–1.7 ppt**	**4.4 ppt**	**19.4%**	**15.9%**	**3.5 ppt**

Interest result

The interest result for the first 9 months of the 2020 financial year was USD –318.6 million (prior year period: USD –357.2 million). The decrease in interest expenses compared with the first 9 months of 2019 was primarily due to the savings on interest expenses for the bond repaid in February and June 2019 in the amount of USD 28.7 million. In addition, further reductions in interest expenses in relation to bank financing in the amount of USD 41.5 million which were primarily due to the past repayment of debt helped to improve the interest result. By contrast, the profit or loss effect of the embedded derivative in the amount of USD 14.7 million (prior year period: USD +9.9 million), which mainly resulted from the uncertainties on the financial markets due to COVID-19, and the realised and unrealised valuation effects of the interest rate swaps in the amount of USD –17.2 million (prior year period: USD –7.6 million) had a negative impact on the interest result.

Income taxes

Income tax expense increased by USD 5.8 million compared with the previous year to USD 39.8 million. The increase in expenses was primarily due to the devaluation of deferred tax assets on losses carried forward and exchange rate effects.

Group profit

A Group profit of USD 604.8 million was achieved in the first 9 months of 2020 (prior year period: USD 333.3 million).

5. GROUP NET ASSET POSITION

Group net asset position

million USD	30.9.2020	31.12.2019
Assets		
Non-current assets	15,517.2	15,501.0
of which fixed assets	15,440.1	15,393.6
Current assets	3,027.5	2,680.7
of which cash and cash equivalents	961.1	574.1
Total assets	**18,544.7**	**18,181.7**
Equity and liabilities		
Equity	7,783.8	7,430.3
Borrowed capital	10,760.9	10,751.4
of which non-current liabilities	6,146.5	6,269.4
of which current liabilities	4,614.4	4,482.0
of which financial debt and lease liabilities	6,980.4	7,179.6
of which non-current financial debt and lease liabilities	5,588.1	5,786.6
of which current financial debt and lease liabilities	1,392.3	1,393.0
Total equity and liabilities	**18,544.7**	**18,181.7**

5.1. GROUP NET ASSET POSITION

As at 30 September 2020, the Group's balance sheet total was USD 18,544.7 million, which is USD 363.0 million higher than the figure at year-end 2019.

Within non-current assets, the carrying amounts of fixed assets increased slightly by USD 46.5 million to USD 15,440.1 million (31 December 2019: USD 15,393.6 million). For the most part, this increase was related to the newly received rights of use for lease assets in the amount of USD 788.0 million mainly comprising of extended charter contracts for vessels under the PSP programme, as well as investments in ship equipment and containers in the amount of USD 348.1 million. The depreciation of fixed assets in the amount of USD 1,078.6 million, including an amount of USD 438.0 million for the amortisation of capitalised rights of use relating to lease assets, had an opposing effect.

Cash and cash equivalents increased by USD 386.9 million to USD 961.1 million compared to the end of 2019 (USD 574.1 million). In addition to the positive operating cash flow, the main reasons for this were the surplus proceeds from sale and leaseback transactions in the amount of USD 562.6 million in the framework of the PSP programme.

On the liabilities side, equity (including non-controlling interests) grew by USD 353,5 million to a total of USD 7,783.8 million. This increase was mainly due to the Group profit recognised in retained earnings of USD 604.8 million. The dividends paid to shareholders from retained earnings in the amount of USD 219.0 million had the opposite effect. The equity ratio was 42.0% as at 30 September of the current year (31 December 2019: 40.9%).

The Group's borrowed capital has slightly increased by USD 9.5 million to USD 10,760.9 million since the 2019 consolidated financial statements were prepared. Redemption payments for financial debt for ships and additional debt repayments contrasted with an increase in financial debt in connection with sale and leaseback transactions and other lease liabilities. The borrowings from revolving credit lines drawn down to secure the liquidity framework under the PSP programme and from the ABS programme during the year were repaid in full in the third quarter 2020.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 30 September 2020 was USD 6,019.3 million (31 December 2019: USD 6,605.4 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 consolidated financial statements of the quarterly financial report 9M 2020.

6. GROUP FINANCIAL POSITION

6.1. DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Development of liquidity reserve

million USD	Q3 2020	Q3 2019	9M 2020	9M 2019
Cash and cash equivalents beginning of the period	1,691.2	515.3	574.1	752.4
Unused credit lines beginning of the period	185.0	545.0	585.0	545.0
Liquidity reserve beginning of the period	**1,876.2**	**1,060.3**	**1,159.1**	**1,297.4**
EBITDA	756.3	617.2	2,043.5	1,697.2
Working capital	86.2	128.8	143.8	89.8
Others	–5.5	–18.8	–21.0	–60.2
Operating cash flow	**837.1**	**727.2**	**2,166.4**	**1,726.8**
Investments	–196.8	–125.8	–360.7	–313.0
thereof vessel	–41.2	–24.8	–106.1	–51.5
thereof container	–153.7	–97.4	–233.5	–243.5
thereof other	–1.9	–3.6	–21.1	–18.0
Disinvestments	9.0	13.3	29.2	35.4
Dividends received	39.6	1.2	39.8	33.6
Payments made for the issuing of loans	0.0	–	–8.7	–
Investing cash flow	**–148.2**	**–111.3**	**–300.4**	**–244.0**
Debt intake	191.8	200.7	1,454.8	927.0
Debt repayment	–1,365.7	–390.5	–1,962.6	–1,649.3
Repayment of Lease liabilities	–152.2	–143.3	–439.0	–380.7
Dividends paid	–3.4	–2.8	–229.1	–39.1
Payments made for leasehold improvements	–2.5	–	–29.1	–
Interest	–96.7	–105.7	–276.5	–351.4
Payments made from hedges for financial debts	9.6	–54.6	2.4	–114.1
Change in restricted cash	–	–	–	7.4
Financing cash flow	**–1,419.1**	**–496.2**	**–1,479.1**	**–1,600.2**
Liquidity reserve end of the period	**1,546.1**	**1,200.0**	**1,546.1**	**1,200.0**
Cash and cash equivalents end of the period	961.1	635.0	961.1	635.0
Unused credit lines end of the period	585.0	565.0	585.0	565.0

6.2. GROUP FINANCIAL POSITION

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 2,166.4 million in the first 9 months of the 2020 financial year (prior year period: USD 1.726,8 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the current financial year and the positive development of working capital compared with the previous year.

Cash flow from investing activities

In the first 9 months of the 2020 financial year, the cash outflow from investing activities totalled USD 300.4 million (prior year period: USD 244.0 million). Therein included were payments for investments of USD 360.7 million (prior year period: USD 313.0 million), primarily in new containers as well as ship equipment associated with adherence to the new IMO 2020 regulations. Although the investment amount includes payments for containers acquired in the previous year in the amount of USD 55.7 million, the payments for new containers decreased slightly by USD 10.0 million to USD 233.5 million in the first 9 months of the year. This contrasted with cash inflows of USD 29.2 million (prior year period: USD 35.4 million), which were primarily due to the sale of containers.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of USD 1,479.1 million in the first 9 months of the financial year (prior year period: USD 1,600.2 million). The cash outflow essentially resulted from the repayment of financial liabilities for ship financing in the amount of USD 1,127.7 million (prior year period: USD 588.7 million). There were also cash outflows from interest payments in the amount of USD 217.3 million (prior year period: USD 290.2 million) as well as interest and redemption payments from lease liabilities as per IFRS 16 in the amount of USD 498.2 million (prior year period: USD 441.9 million). The payment of a dividend to shareholders for the 2019 financial year led to an additional cash outflow of USD 219.0 million (prior year period: USD 29.9 million). The borrowings from revolving credit lines of USD 400.0 million drawn down to secure the liquidity framework under the PSP programme in the first half of the year 2020 were repaid in full in the third quarter. In addition, the repayment of the ABS programme resulted in net outflows of USD 126.8 million in the first 9 months of the 2020 fiscal year.

The cash outflows contrasted with cash inflows from the financing of ships and containers using sale and leaseback transactions in the amount of USD 797.7 million (prior year period: USD 309.8 million).

6.3. FINANCIAL SOLIDITY

Financial solidity

The Group's net debt amounted to USD 6,019.3 million as at 30 September 2020. This was a fall of USD 586.1 million (–8.9%) compared to net debt of USD 6,605.4 million as at 31 December 2019. The improvement in net debt was primarily due to a positive operating cash flow as well as the simultaneous repayment of financial liabilities for ship financing.

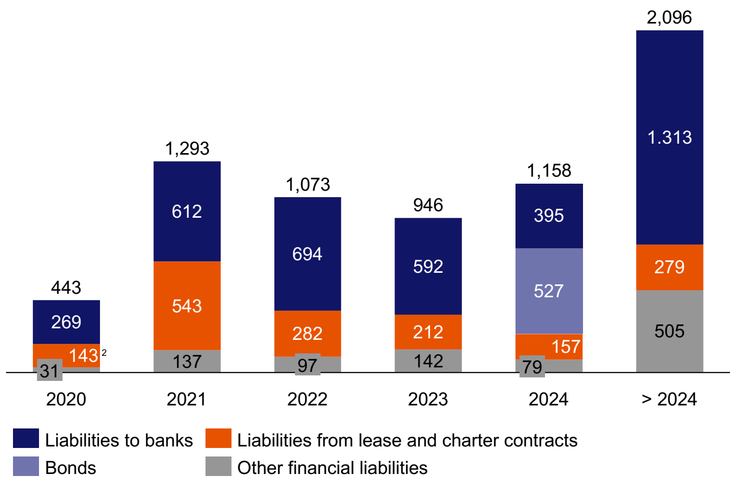
The equity ratio increased by 1.1 percentage points, from 40.9% as at 31 December 2019 to 42.0%. The increase was primarily due to the decrease in financial liabilities for ship financing. Equity was up by USD 353.5 million compared with 31 December 2019 and came to USD 7,783.8 million as at 30 September 2020. A detailed overview of the change in equity can be found in the interim consolidated financial statements of the quarterly financial report 9M 2020.

Financial solidity

million USD	30.9.2020	31.12.2019	30.9.2019
Financial debt and lease liabilities	6,980.4	7,179.6	7,379.2
Cash and cash equivalents	961.1	574.1	635.0
Restricted Cash	–	–	–
Net debt	**6,019.3**	**6,605.4**	**6,744.2**
Unused credit lines	585.0	585.0	565.0
Liquidity reserve	1,546.1	1,159.1	1,200.0
Equity	7,783.8	7,430.3	7,332.2
Gearing (net debt/equity) (%)	**77.3**	**88.9**	**92.0**
Net debt to EBITDA[1]	**2.3x**	**3.0x**	
Equity ratio (%)	**42.0**	**40.9**	**40.2**

[1] The value as per 30 September 2020 was calculated on an LTM basis. The value as per 30 September 2019 is not measurable on LTM basis due to the impact of the IFRS 16 implementation on 1 January 2019.

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



1 The financial debt profile shows repayment amounts. Deviation from the total financial debt as shown in the balance sheet as per 30 September 2020 consists of transaction costs and accrued interest

2 Liabilities from lease and charter contracts consist of USD 54 million liabilities from former finance lease contracts and USD 1,561 million from lease contracts presented as on-balance financial liability due to first-time application of IFRS 16

The total repayment amount of USD 7,009.0 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from lease and on-balance charter contracts and (4) other financial liabilities.

Hapag-Lloyd had one bond outstanding as per 30 September 2020: EUR 450 million 5.125% Senior Notes due July 2024.

7. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 5 October 2020 and on 14 October 2020 the rating agencies Standard & Poor's and Moody's raised their credit rating for Hapag-Lloyd from “B+” to “BB-” and from “B1” to “Ba3” respectively as a result of the good operating performance and the debt reduction of the company. This is the highest credit rating Hapag-Lloyd has received since the ratings were first assigned in 2010.

8. OUTLOOK

General economic outlook

The general economic and sector-specific conditions which are of importance to container shipping have improved slightly again following an economic collapse in the second quarter 2020. Based on its forecast updated in October, the International Monetary Fund (IMF) predicts that global economic output will fall by around 4.4% in 2020. In June 2020, it had forecast a decrease of 4.9%. At the same time, global trade is expected to fall by around 10.4% (June 2020: 11.9%). The slight improvement in the forecast is primarily due to a faster recovery in industrialised countries. The IMF even expects slight economic growth in China for the year as a whole, while forecasts for the other developing countries were further reduced.

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

in %	2021e	2020e	2019	2018	2017
Global economic growth	5.2	–4.4	2.8	3.5	3.9
Industrialised countries	3.9	–5.8	1.7	2.2	2.5
Developing and newly industrialised countries	6.0	–3.3	3.7	4.5	4.8
World trade volume (goods and services)	8.3	–10.4	1.0	3.9	5.7

Source: IMF, October 2020

Due to the recent recovery in demand, numerous business information services have also revised their forecasts for the global container transport volume upwards for 2020 as a whole. For example, Clarksons expects the global container transport volume to decline by around 3.0% for 2020 (Clarksons, October 2020), having forecast double-digit decreases in the meantime. For 2021, Clarksons currently predicts a recovery of approximately 5.5%.

Development of container transport volume

	2021e	2020e	2019	2018	2017
Growth rate in %	5.5	–3.0	1.7	4.1	4.7

Sources: Seabury (September 2020) for the actual data 2017–2019, Clarksons (October 2020) for 2020 and 2021

The recovery in container transport volumes is due in particular to rising exports from Asia, especially China. As a result, there is currently a shortage of available containers in Asia, which is a limiting factor for transport volume growth.

Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0.7 million TEU in 2020 and around 0.5 million TEU in 2021 (Drewry Container Forecaster Q3 2020). In relation to the total capacity of the global trading fleet, this represents an increase of 3.1% in the current year and 2.3% in 2021. Nevertheless, all 3 alliances, which are responsible for around 80% of the world's container ship transport, made capacity adjustments during the year in response to the significant drop in demand. The temporary laying-up of ships, combined with ships spending extended periods in shipyards due to the installation of scrubbers in connection with IMO 2020, led to a reduction in the capacity actually available in line with the dynamic development of demand.

The tonnage of the commissioned container ships of approximately 1.9 million TEU (MDS Transmodal, October 2020) is equivalent to around 8.0% of the present global container fleet's capacity (approximately 23.6 million TEU as at September 2020). This is a historically low level and well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%). According to Drewry, this low order volume is likely to be reflected in a low increase in net capacity in subsequent years.

Expected development of global container fleet capacity

million TEU	2021e	2020e	2019	2018	2017
Existing fleet (beginning of the year)	23.7	23.0	22.1	20.9	20.1
Planned deliveries	1.2	1.1	1.1	1.5	1.5
Expected scrappings	0.5	0.2	0.2	0.1	0.4
Postponed deliveries and other changes	0.3	0.2	0.1	0.2	0.4
Net capacity growth	0.5	0.7	0.9	1.2	0.8

Source: Drewry Container Forecaster Q3 2020, September 2020. 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

Due to the overall positive business development in the first 9 months, the stable development of freight rates combined with persistently low bunker costs, the cost reduction related to the PSP measures as well as the expected higher demand for transport capacity in the fourth quarter, the Executive Board decided on 15 October 2020 to raise its earnings forecast published in March 2020. For 2020, the Executive Board now expects EBITDA of EUR 2.4 – 2.6 billion (previously: EUR 1.7 – 2.2 billion) and EBIT of EUR 1.1 – 1.3 billion (previously: EUR 0.5 – 1.0 billion). The forecast is based on the assumption of a slight decrease in the transport volume and a moderate decline in the average bunker consumption price compared with the previous year. An average USD / EUR exchange rate of 1.14 is assumed for 2020. In view of the ongoing risk regarding the progression of the COVID-19 pandemic and the associated economic effects, the forecast remains subject to uncertainty.

	Updated Outlook	Outlook according to annual report 2019
Global economic growth (IMF)	–4.4%	3.3%
World trade volume (IMF)	–10.4%	2.9%
Global container transport volume (Clarksons / Seabury)	–3.0%	3.1%
Transport volume, Hapag-Lloyd	Slightly decreasing	Slightly increasing
Average bunker consumption prices, Hapag-Lloyd	Moderately decreasing	Clearly increasing
Average freight rate, Hapag-Lloyd	Slightly increasing	Slightly increasing
Earnings before interest, taxes, depreciation and amortisation (EBITDA), Hapag-Lloyd	EUR 2.4–2.6 billion	EUR 1.7–2.2 billion
Earnings before interest and taxes (EBIT), Hapag-Lloyd	EUR 1.1–1.3 billion	EUR 0.5–1.0 billion

In an industry environment dominated by volatile freight rates and stiff competition, business developments at Hapag-Lloyd are subject to risks and opportunities that could cause them to differ from the forecast. The general risks are described in detail in the risk and opportunity report in the combined management report of the 2019 annual report (page 100 ff.). 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 and in particular supplementary information relating to the economic consequences of the spread of the COVID-19 pandemic are presented in the risk and opportunity report of the quarterly financial report 9M 2020. The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd, which could also lead to impairments on goodwill, other intangible assets, and property, plant and equipment.

IMPORTANT NOTICE

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

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

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

For reconciliation to the quarterly financial report 9M 2020 please find below the respective exchange rates:

- Values for 9M 2019 have been converted at the respective 9M 2019 exchange rates
- Values for Q3 2019 have been calculated by subtracting the H1 2019 figures from the 9M 2018 figures
- Values for H1 2019 have been converted at the respective H1 2019 exchange rates
- Values for Q2 2019 have been calculated by subtracting the Q1 2019 figures from the H1 2019 figures
- Values for 9M 2020 have been calculated at the respective 9M 2020 exchange rates
- Values for Q3 2020 have been calculated by subtracting the H1 2020 figures from the 9M 2019 figures
- Values for H1 2020 have been converted at the respective H1 2020 exchange rates
- Values for Q2 2020 have been calculated by subtracting the Q1 2020 figures from the H1 2020 figures

Exchange rates

	Closing Rate			Average rate		
per EUR	**30.9.2020**	30.6.2020	30.9.2019	9M2020	H1 2020	9M2019
US dollars	1.1714	1.1206	1.0922	1.1242	1.1014	1.1236

DISCLAIMER

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

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

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

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

Neither the Company nor any of its affiliates, advisers or representatives make any undertaking to update any such information subsequent to the date hereof.

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

Recipients of this report are not to construe the contents of this summary as legal, tax or investment advice and recipients should consult their own advisors in this regard.

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