

Q4 | FY 2021

Hapag-Lloyd AG

Investor Report

1 January to
31 December 2021



SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q4 2021	Q4 2020	FY 2021	FY 2020	Change
Key operating figures						
Total vessels, of which		253	237	253	237	7%
Own vessels ¹		113	112	113	112	1%
Chartered vessels		140	125	140	125	12%
Aggregate capacity of vessels	TTEU	1,769	1,719	1,769	1,719	3%
Aggregate container capacity	TTEU	3,058	2,704	3,058	2,704	13%
Bunker price (average for the period)	USD/t	543	313	475	379	25%
Freight rate (average for the period)	USD/TEU	2,577	1,163	2,003	1,115	80%
Transport volume	TTEU	2,892	3,142	11,872	11,838	0%
Revenue	million USD	8,411	4,052	26,356	14,577	81%
Transport expenses	million USD	-3,321	-2,736	-12,216	-10,432	17%
EBITDA	million USD	4,679	1,038	12,842	3,082	317%
EBIT	million USD	4,173	536	11,111	1,501	640%
Group profit/loss	million USD	4,095	463	10,750	1,068	907%
Cash flow from operating activities	million USD	4,845	1,141	12,314	3,307	272%
Investment in property, plant and equipment ²	million USD	1,105	431	3,323	1,584	110%
Key return figures						
EBITDA margin (EBITDA/revenue)	%	55.6	25.6	48.7	21.1	27.6 ppt
EBIT margin (EBIT/revenue)	%	49.6	13.2	42.2	10.3	31.9 ppt
Key balance sheet figures³						
Balance sheet total	million USD	30,236	18,640	30,236	18,640	62%
Equity	million USD	18,292	8,253	18,292	8,253	122%
Equity ratio (equity/balance sheet total)	%	60.5	44.3	60.5	44.3	16.2 ppt
Borrowed capital	million USD	11,943	10,387	11,943	10,387	15%
Key financial figures³						
Financial debt and lease liabilities	million USD	6,222	6,305	6,222	6,305	-1%
Cash and cash equivalents	million USD	8,741	836	8,741	836	945%
Net debt (financial debt – cash and cash equivalents)	million USD	-2,520	5,469	-2,520	5,469	-146%
Gearing (net debt/equity)	%	-13.8	66.3	-13.8	66.3	-80.0 ppt
Liquidity reserve	million USD	9,326	1,421	9,326	1,421	556%
Number of employees						
Marine personnel		1,964	2,134	1,964	2,134	-8%
Shore-based personnel		12,142	10,983	12,142	10,983	11%
Hapag-Lloyd total		14,106	13,117	14,106	13,117	8%

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

¹ Including lease agreements with purchase option/obligation at maturity.

² As of 2019, investments in property, plant and equipment include additions to the Rights of Use according to IFRS 16.

³ Figures as per 31 December of the respective financial year.

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

This investor report was published on 10 March 2022.

MAIN DEVELOPMENTS IN THE 2021 FINANCIAL YEAR

- The 2021 financial year was dominated by significantly increased freight rates as well as operational challenges.
- The high global demand for consumer goods, combined with regional COVID-19 restrictions, led to a sustained disruption of global supply chains, which was noticeably reflected in extended turnaround times for ships and containers.
- As a result, the transport volume of 11,872 TTEU in the 2021 financial year was only slightly above the previous year's level (11,838 TTEU) despite high demand.
- At the same time, the tight transport situation led to a significant increase in freight rates.
- Hapag-Lloyd's average freight rate rose by 79.7% to USD 2,003/TEU in 2021 (previous year: USD 1,115/TEU).
- Consequently, revenue increased by 80.8% to USD 26.4 billion in the financial year 2021 (prior year period: USD 14.6 billion).
- Transport costs rose by 17.1% to USD 12.2 billion (previous year: USD 10.4 billion) due to supply chain disruptions and higher bunker prices.
- Due to the sharp rise in sales revenue, EBITDA, at USD 12.8 billion, was significantly higher than the previous year's figure of USD 3.1 billion. The EBITDA margin improved by 27.6 percentage points to 48.7% (previous year: 21.1%).
- EBIT also increased strongly to USD 11.1 billion (same period last year: USD 1.5 billion).
- The clearly improved operating result led to a jump in earnings per share to USD 61.09 (previous year: USD 6.02).
- Net debt was completely reduced in the 2021 business year. As at the balance sheet date 31 December 2021, Hapag-Lloyd had net liquidity of USD 2.5 billion (previous year: net debt of USD 5.5 billion).
- The liquidity reserve, consisting of cash and cash equivalents and unused credit lines, rose to USD 9.3 billion (previous year: USD 1.4 billion).
- Due to the strong increase in earnings and the very good balance sheet ratios, the Executive Board proposes to the Annual General Meeting to increase the dividend for the 2021 financial year to EUR 35.00 per share (previous year: EUR 3.50 per share).
- The Executive Board of Hapag-Lloyd AG expects earnings momentum to remain on a very high level in the first half of 2022, followed by a beginning normalization of earnings in the second half due to an anticipated recovery of supply chains. Group EBITDA is expected to be in the range of USD 12 to 14 billion or EUR 10.7 to 12.4 billion (prior year: EUR 10.9 billion) and EBIT in the range of USD 10 to 12 billion or EUR 8.9 to 10.7 billion (prior year: EUR 9.4 billion), respectively.
- In view of the ongoing COVID-19 pandemic and the current situation in Ukraine, the forecast is subject to considerable uncertainty.

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1. MAIN VALUE DRIVERS OF THE CONTAINER SHIPPING SECTOR

1.1. GENERAL ECONOMIC CONDITIONS

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

Following the pandemic-related downturn in 2020, global economic conditions improved significantly again in 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 Western industrialised countries, rising vaccination rates initially led to a gradual reduction in the economically damaging restrictions on movement and contact. However, high COVID-19 infection numbers at the end of the year led to the reintroduction of measures to control the pandemic in many countries, which in turn had a negative impact on economic growth. Due to the global disruption to supply chains, companies are also having to contend with a shortage of primary and intermediate products. This is further slowing down the economic recovery in industrialised countries and, in conjunction with increased energy prices, is creating a high level of inflationary pressure.

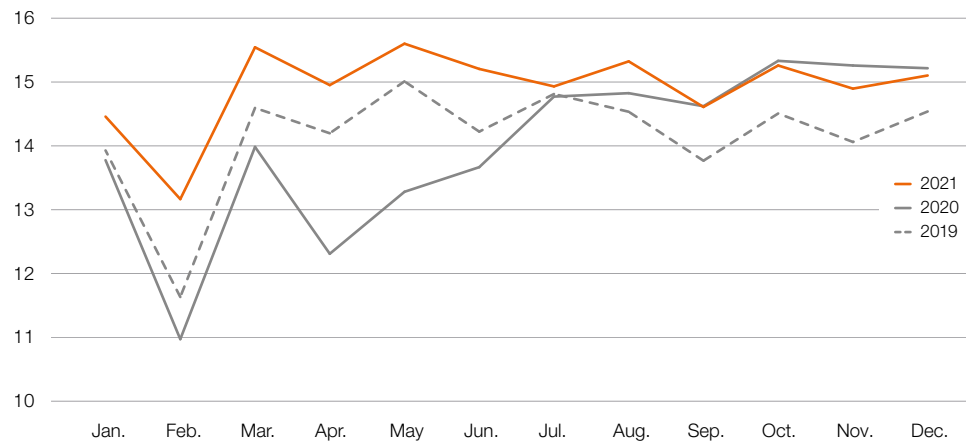
Following a strong start to the year, the economic recovery in China gradually weakened over the course of 2021. Rising commodity prices, electricity outages and supply shortages, and difficulties in the real estate sector had a negative effect. Nevertheless, the Chinese economy grew by 8.1% in 2021 compared to the previous year. Imports and exports rose by 21.4% overall in the same period (National Bureau of Statistics of China, January 2022). The main recipients of Chinese goods are the USA and Europe. The US economy grew in 2021 by 5.7% compared with the previous year thanks to strong consumption which was driven by the stimulus cheques that were issued directly to many US citizens. Following a brief weak phase in the third quarter, the pace of growth increased significantly once again at the end of 2021, primarily due to rising exports and higher investment in inventories. Imports and exports of goods increased by 21.3% and 23.3% respectively in 2021 compared with the prior year period (U.S. Department of Commerce, January and February 2022). Economic output also made a strong recovery in the EU in 2021. GDP grew by 5.2% year-on-year. However, the pace of growth weakened in the fourth quarter due to rising COVID-19 infection numbers and new measures to control the pandemic. Germany even recorded a fall in economic output in the fourth quarter of 2021 compared with the previous quarter (Eurostat, January 2022). Exports of goods from the EU increased by 12.5% in 2021 compared to the same period last year. Imports of goods grew even more significantly by 41.8%, mainly due to a 72.1% increase in energy imports, while imports of manufactured goods increased much less significantly by 15.8% (Eurostat, February 2022).

The increased economic growth worldwide pushed the price of oil up significantly during the year. On 31 December 2021, the price of Brent Crude was USD 77.78 per barrel, up from USD 51.80 per barrel at the end of 2020 (S&P Global Platts, December 2021).

1.2. SECTOR-SPECIFIC CONDITIONS

In tune with the global economic recovery and increased demand for consumer goods, global container transport volumes rose by 6.6% in 2021 compared with the previous year (Container Trades Statistics (CTS), February 2022). While the transport volume was significantly down in the first half of 2020 due to the COVID-19 pandemic, it remained at a high level throughout the 2021 financial year. However, the increased demand, combined with regional COVID-19 restrictions and a simultaneous shortage of transport capacities, resulted in sustained disruptions to global supply chains, which had a negative impact on volumes towards the end of the year. Particularly in North America, there was congestion in port and hinterland infrastructure. The already challenging situation was further exacerbated by port closures in China due to COVID-19 and the temporary blocking of the Suez Canal by a container ship.

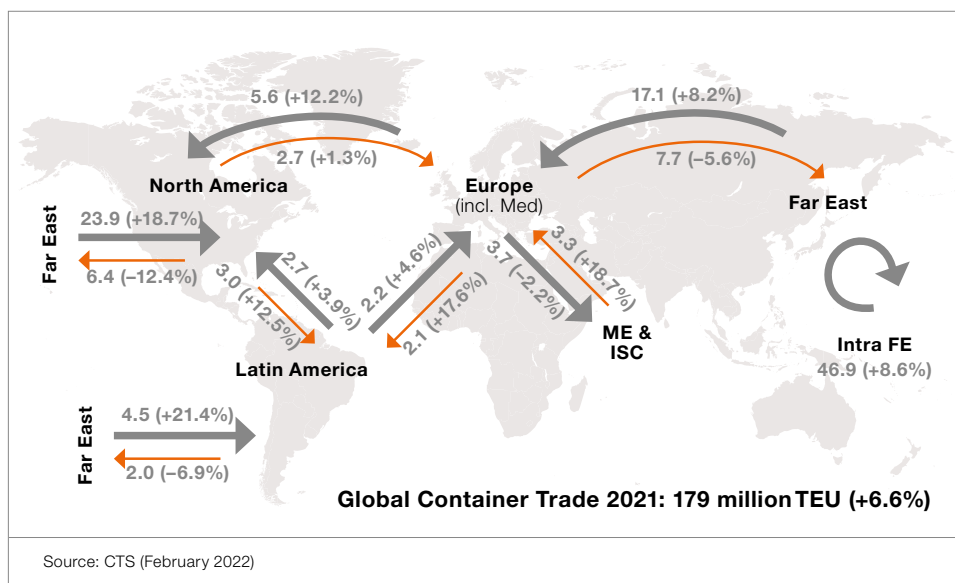
Monthly global container transport volumes (in million TEU)



Source: CTS, February 2022

In particular, transport volumes from the Far East to North and Latin America and Europe rose significantly in 2021 compared with the previous year. However, transport volumes in the opposite direction declined at the same time, further increasing the imbalances already common in the industry. Exports from Europe to North and Latin America also grew significantly.

Transport volume and growth rates for global container traffic per trade
(volume 2021 in million TEU; in brackets: 2021 vs. 2020 in %)



As a result of the market situation outlined above, there was a continuous increase in spot freight rates during the year. The Shanghai Containerized Freight Index (SCFI), which tracks spot freight rates on the major trade routes from Shanghai, climbed to a new all-time high of USD 5,047/TEU at the end of 2021. The figure had been just USD 2,642/TEU at the end of 2020.

Based on figures from MDS Transmodal, a total of 162 container ships with a transport capacity of 1,086 TTEU were placed into service in 2021 (prior year period: 125 ships with a transport capacity of 831 TTEU). Scrapping of obsolete ships was at a very low level of 12 TTEU in 2021 compared with 188 TTEU in the prior year period. The capacity of the container shipping fleet rose by 1,015 TTEU to 24.6 million TEU in 2021, which was significantly more than the 678 TTEU recorded in 2020.

Over the course of 2021, orders were placed for the construction of 549 container ships with a transport capacity totalling 4.2 million TEU. This was a very significant increase compared with the 100 ships ordered in 2020 with a capacity of around 1 million TEU (Clarksons Research, January 2022). 73 of the newbuilds ordered with a capacity of 835 TTEU will be able to use LNG as fuel, while a further 14 newbuilds with a capacity of 159 TTEU will be able to use methanol, ammonium or other alternative fuels.

According to MDS Transmodal, the tonnage of the commissioned container ships rose to 5.4 million TEU at the end of 2021, up from 2.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 22% and therefore at its highest level since 2011, it is still significantly below the peak of 61% recorded in 2007.

Bunker prices rose steadily in the course of 2021. At the end of 2021, low-sulphur bunker cost USD 550/t, up from USD 367/t at the end of 2020 (MFO 0.5%, FOB Rotterdam).

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

As at 31 December 2021, the Hapag-Lloyd fleet comprised a total of 253 container ships (previous year: 237). The takeover of NileDutch increased the fleet by ten container 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 December 2021 was 1,768.7 TTEU, thus 2.9% higher than in the previous year (1,718.8 TTEU). The takeover of NileDutch increased the TEU capacity by 29.5 TTEU. In addition, Hapag-Lloyd purchased six smaller second-hand vessels with a total capacity of 23.8 TTEU. Based on the TEU capacities, 60% of the fleet was owned by the Group as at 31 December 2021 (previous year: 61%).

As at the reporting date, the average age of the total Hapag-Lloyd fleet was 10.5 years (capacity weighted; previous year: 9.5 years). This is slightly above the average of the ten biggest container liner shipping companies, which is 10.0 years (previous year: 9.6 years; source: MDS Transmodal). The average size of ships in the Hapag-Lloyd Group fleet as at 31 December 2021 was 6,991 TEU (previous year: 7,252 TEU). This figure was approximately 11% above the comparable average of the ten biggest container liner shipping companies worldwide as at 31 December 2021, which was 6,279 TEU (previous year: 6,317 TEU; source: MDS Transmodal). Average ship sizes have decreased slightly at Hapag-Lloyd, as well as among its competitors, as smaller available ships have been added to fleets due to capacity shortages.

In order to improve its competitiveness in the Europe–Far East trade, Hapag-Lloyd signed two newbuild agreements, each for the construction of six large container vessels, at the end of 2020 and in June 2021 with Korea's Daewoo Shipbuilding & Marine Engineering. The ships will be sized at 23,660 TEU and will be delivered to Hapag-Lloyd between April 2023 and December 2024. The total value of the investment will be approximately USD 2 billion. The relevant funding has already been agreed on. 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 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 CO₂ emissions can be reduced by around 15% to 25% (European Commission, July 2021).

During the year, Hapag-Lloyd also acquired three newbuild agreements for 13,250 TEU vessels, which will be delivered in 2022 and 2023, as well as two newbuild agreements for vessels with a capacity of 13,000 TEU, which will be delivered in 2024.

In addition to ordering the vessels 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 LNG in 2021. The vessel is equipped with a dual-fuel system, i.e. it can use both LNG and/or low-sulphur fuel. The “Brussels Express” has been deployed on the Europe–Far East trade since 1 April 2021.

As at 31 December 2021, Hapag-Lloyd owned or rented 1.83 million containers (31 December 2020: 1.63 million) with a capacity of 3,058.4 TTEU (31 December 2020: 2,703.9 TTEU) for shipping cargo. The capacity-weighted share of leased containers is approximately 42% as at 31 December 2021 (31 December 2020: 45%). To counteract the capacity bottlenecks and to further strengthen the position in the reefer market in accordance with Strategy 2023, containers with a capacity of 293 TEU were ordered in the 2021 financial year, of which 41 TEU were reefers and specials.

Structure of Hapag-Lloyd’s ship and container fleets

	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Number of vessels	253	237	239	227
thereof				
Own vessels ¹	113	112	112	112
Chartered vessels	140	125	127	115
Aggregate capacity of vessels (TTEU)	1,769	1,719	1,707	1,643
Aggregate container capacity (TTEU)	3,058	2,704	2,540	2,559
Number of services	126	122	121	119

¹ Including lease agreements with a purchase option/obligation at the end of the term.

In 2021, Hapag-Lloyd chartered in a total of 23 container ships with a capacity of 57.3 TTEU on short-term basis for repositioning empty containers (previous year: 20 vessels, capacity 58.9 TTEU) to counter the tight container availability in Asia as far as possible. As at 31 December 2021, one ship was still deployed for empty container transport (31 December 2020: no ship). The ships are not deployed in a liner service and are therefore not included in the display of the fleet structure.

3. GROUP EARNINGS POSITION

3.1. CONSOLIDATED INCOME STATEMENT

The 2021 financial year was characterised by continuing strong demand for exported goods from the Asian region, which significantly contributed to the positive development of the sector. The high level of demand for container transportation combined with the ongoing COVID-19 restrictions resulted in sustained disruptions to global supply chains. This, in turn, led to operational challenges that were reflected in prolonged round voyage times for ships and containers. As a result, there was a shortage of available transport capacity.

Compared with the 2020 financial year, the rise in the average freight rate of 79.7% resulted in revenue growth of 80.8%. By contrast, higher container handling expenses (+18.5%) and an increase in the average bunker consumption price (+25.3%) reduced the operating result.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of USD 12,841.9 million in the reporting period (prior year period: USD 3,081.9 million) and earnings before interest and taxes (EBIT) of USD 11,111.0 million (prior year period: USD 1,501.0 million). The Group profit came to USD 10,750.3 million (prior year period: USD 1,067.6 million).

Consolidated income statement

million USD	Q4 2021	Q3 2021	Q4 2020	QoQ Change	YoY change	FY 2021	FY 2020	Change
Revenue	8,411.0	7,393.9	4,052.5	13.8%	107.6%	26,356.2	14,577.1	80.8%
Transport expenses	-3,320.6	-3,158.6	-2,735.7	5.1%	21.4%	-12,215.6	-10,431.7	17.1%
Personnel expenses	-321.6	-206.2	-203.5	56.0%	58.0%	-958.5	-779.5	23.0%
Depreciation, amortisation and impairment	-506.1	-472.4	-502.3	7.1%	0.8%	-1,730.9	-1,580.9	9.5%
Other operating result	-100.9	-113.3	-82.4	-11.0%	22.4%	-372.9	-319.2	16.8%
Operating result	4,161.9	3,443.4	528.6	20.9%	687.3%	11,078.3	1,465.9	655.8%
Share of profit of equity-accounted investees	12.2	7.7	8.7	58.7%	39.8%	34.1	36.6	-6.9%
Result from investments	-0.9	-0.5	-1.2	n.m.	-22.0%	-1.4	-1.4	1.3%
Earnings before interest and tax (EBIT)	4,173.1	3,450.5	536.1	20.9%	678.4%	11,111.0	1,501.0	640.2%
Interest result	-54.8	-62.9	-58.6	-12.9%	-6.6%	-290.2	-377.2	-23.1%
Other financial items	2.7	1.5	-2.2	75.8%	-224.8%	2.0	-4.0	-150.6%
Income taxes	-25.6	-18.3	-12.5	39.5%	104.7%	-72.5	-52.3	38.7%
Group profit/loss	4,095.5	3,370.8	462.8	21.5%	784.9%	10,750.3	1,067.6	907.0%

3.2. TRANSPORT VOLUME PER TRADE

The transport volume increased by 34 TTEU to 11,872 TTEU compared with the prior year period (prior year period: 11,838 TTEU). This equates to a rise of 0.3%.

The strong demand for exported goods from Asia led to an increase in transport volumes on the Latin America and Middle East trades in particular compared with the prior year period. On the Africa trade, the integration of NileDutch into the Hapag-Lloyd Group in the 2021 financial year resulted in a rise in transport volumes.

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. On the Transpacific trade, the congestion of local port infrastructures and the resulting delays and suspension of container handling led to a slight decline in transport volumes, despite high demand for container transport.

Transport volume per trade

TTEU	Q4 2021	Q3 2021	Q4 2020	QoQ change	YoY change	FY 2021	FY 2020	Change
Atlantic ¹	521	536	531	-2.8%	-1.9%	2,105	2,065	1.9%
Transpacific	414	456	483	-9.2%	-14.4%	1,768	1,851	-4.5%
Far East	534	558	643	-4.2%	-16.9%	2,274	2,286	-0.6%
Middle East	395	378	395	4.6%	0.1%	1,557	1,476	5.5%
Intra-Asia	148	130	192	13.7%	-22.6%	608	831	-26.7%
Latin America	748	755	789	-0.8%	-5.2%	3,038	2,889	5.2%
Africa ¹	132	164	110	-19.5%	20.2%	522	441	18.4%
Total	2,892	2,976	3,142	-2.8%	-8.0%	11,872	11,838	0.3%

¹ As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's values have been adjusted accordingly.

3.3. FREIGHT RATE PER TRADE

The average freight rate in the 2021 financial year was USD 2,003/TEU, which was USD 889/TEU, or 79.7%, up on the prior year period (USD 1,115/TEU).

The continuing increase in the freight rate was primarily due to ongoing strong demand for container transport from Asia as a result of the coronavirus and to a simultaneous scarcity of transport capacity in an overstrained market environment.

Freight rate per trade

USD/TEU	Q4 2021	Q3 2021	Q4 2020	QoQ change	YoY change	FY 2021	FY 2020	Change
Atlantic ¹	2,300	2,039	1,282	12.8%	79.4%	1,808	1,312	37.8%
Transpacific	3,736	3,122	1,673	19.7%	123.3%	2,746	1,467	87.2%
Far East	3,063	2,844	1,006	7.7%	204.4%	2,479	979	153.2%
Middle East	1,978	1,602	883	23.5%	124.1%	1,512	837	80.7%
Intra-Asia	1,714	1,381	725	24.0%	136.4%	1,295	605	114.3%
Latin America	2,294	1,870	1,130	22.7%	103.0%	1,745	1,131	54.3%
Africa ¹	2,439	2,150	1,280	13.5%	90.6%	1,997	1,196	67.0%
Total	2,577	2,234	1,163	15.4%	121.5%	2,003	1,115	79.7%

¹ As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's values have been adjusted accordingly.

3.4. REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 11,779.1 million to USD 26,356.2 million in the 2021 financial year (prior year period: USD 14,577.1 million), representing an increase of 80.8%. The main reason for this was the rise in the average freight rate of 79.7%.

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

Revenue per trade

million USD	Q4 2021	Q3 2021	Q4 2020	QoQ Change	YoY change	FY 2021	FY 2020	Change
Atlantic ¹	1,198.2	1,092.7	680.6	9.7%	76.0%	3,804.9	2,710.1	40.4%
Transpacific	1,545.1	1,422.5	808.4	8.6%	91.1%	4,856.0	2,716.2	78.8%
Far East	1,636.7	1,586.9	646.9	3.1%	153.0%	5,636.8	2,238.9	151.8%
Middle East	781.9	605.3	348.7	29.2%	124.2%	2,354.1	1,234.5	90.7%
Intra-Asia	254.1	180.1	138.9	41.1%	82.9%	788.2	502.1	57.0%
Latin America	1,716.8	1,410.7	891.8	21.7%	92.5%	5,302.2	3,267.7	62.3%
Africa ¹	321.4	351.9	140.2	-8.7%	129.2%	1,042.2	527.0	97.7%
Revenue not assigned to trades	956.9	743.9	396.8	28.6%	141.1%	2,572.0	1,380.5	86.3%
Total	8,411.0	7,393.9	4,052.5	13.8%	107.6%	26,356.2	14,577.1	80.8%

¹ As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's values have been adjusted accordingly.

3.5. OPERATING EXPENSES

Transport expenses

In the 2021 financial year, transport expenses rose by USD 1,783.9 million to USD 12,215.6 million (prior year period: USD 10,431.7 million). This represents an increase of 17.1%, which was primarily due to the rise in container handling expenses compared with the previous year and the higher average bunker consumption price.

Hapag-Lloyd's average bunker consumption price of USD 475/t in the 2021 financial year was up USD 96/t (+25.3%) on the figure for the corresponding prior year period of USD 379/t.

In the 2021 financial year, container handling expenses rose by USD 993.6 million to USD 6,376.8 million (prior year period: USD 5,383.2 million). This mainly resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure and local COVID-19 restrictions.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals, particularly in North America.

The increase in expenses for vessels and voyages (excluding fuel) resulted primarily from the rise in the percentage of ships chartered in on a medium-term basis and the resulting operating expenses (non-leasing components) as well as from the increased expenses for container slot charter costs on third-party ships.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2021 financial year came to 53.7% (prior year period: 28.4%).

Personnel expenses

Personnel expenses rose by USD 179.0 million (23.0%) to USD 958.5 million in the 2021 financial year (prior year period: USD 779.5 million). This was primarily due to a structural adjustment of the bonus system, a special COVID-19 bonus and an increase in the number of employees within the Hapag-Lloyd Group.

The Group employed an annual average of 13,634 people (prior year period: 13,085 people). The personnel expenses ratio (measured in terms of revenue) decreased compared to the previous year from 5.3% to 3.6%.

Depreciation, amortisation and impairment

In the 2021 financial year, depreciation and amortisation came to USD 1,730.9 million (prior year period: USD 1,580.9 million). This increase was primarily due to the rise in the percentage of ships chartered in on a medium-term basis at simultaneously higher charter rates and the resulting increase in rights of use. The amortisation of rights of use relating to leased assets (essentially vessels, containers, buildings) led to amortisation of USD 846.3 million (prior year period: USD 602.7 million).

Other operating result

The other operating result of USD –372.9 million (prior year period: USD –319.2 million) comprised the net balance of other operating income and expenses. Other operating expenses came to a total of USD 471.1 million in 2021 (prior year period: expenses of USD 398.1 million). This mainly included IT and communication costs (USD 248.3 million; prior year period: USD 200.7 million), consultancy fees (USD 45.6 million; prior year period USD 37.3 million) and administrative expenses (USD 34.3 million; prior year period: USD 38.5 million). The other operating income of USD 98.1 million (prior year period: USD 78.9 million) included in the figure resulted primarily from the release of provisions (USD 18.8 million; prior year period: USD 15.8 million) and the disposal of non-current assets (USD 14.7 million; prior year period: USD 14.9 million).

Operating expenses

million USD	Q4 2021	Q3 2021	Q4 2020	QoQ Change	YoY change	FY 2021	FY 2020	Change
Transport expenses	-3,320.6	-3,158.6	-2,735.7	5.1%	21.4%	-12,215.6	-10,431.7	17.1%
thereof								
Bunker	-571.7	-539.9	-340.1	5.9%	68.1%	-1,985.8	-1,606.2	23.6%
Handling and haulage	-1,655.1	-1,644.9	-1,454.2	0.6%	13.8%	-6,376.8	-5,383.2	18.5%
Equipment and repositioning	-389.4	-372.7	-351.9	4.5%	10.6%	-1,442.8	-1,295.1	11.4%
Vessels and voyages (excluding bunker)	-602.9	-594.6	-570.7	1.4%	5.6%	-2,291.6	-2,089.5	9.7%
Pending transport expenses ¹	-101.6	-6.5	-18.7	n.m.	n.m.	-118.6	-57.7	105.4%
Personnel expenses	-321.6	-206.2	-203.5	56.0%	58.0%	-958.5	-779.5	23.0%
Depreciation, amortisation and impairments	-506.1	-472.4	-502.3	7.1%	0.8%	-1,730.9	-1,580.9	9.5%
Other operating result	-100.9	-113.3	-82.4	11.0%	22.4%	-372.9	-319.2	-16.8%
Total operating expenses	-4,249.2	-3,950.5	-3,523.9	7.6%	20.6%	-15,277.9	-13,111.2	16.5%

¹ The amounts presented as transport expenses for pending voyages represent the difference between the transport expenses for pending voyages for the current period and the transport expenses for pending voyages for the previous period. The transport expenses for pending voyages recognised in the previous periods are presented in the current period as transport expenses for completed voyages

3.6. UNIT COSTS

In total, transport expenses per unit (incl. D&A) in the financial year 2021 increased by 15.8% to USD 1,175/TEU as compared to the prior year period. “Bunker” expenses increased by 23.3% or USD 32/TEU on the back of higher average bunker consumption prices. “Handling and Haulage” as well as “Equipment and Repositioning” expenses increased by 18.1% and 11.1% (USD 82/TEU and USD 12/TEU) respectively due to congestion of port and hinterland infrastructure because of strong demand in connection with local COVID-19 restrictions. This resulted in higher terminal and inland storage costs for containers. “Vessel and voyage” expenses increased by 9.4% (USD 17/TEU). This is attributable to the rise in the percentage of ships chartered in on a medium-term basis and the resulting operating expenses as well as to the increased expenses for container slot charter costs on third-party ships. “Depreciation and amortisation” unit cost increased by 9.2% (USD 12/TEU). This increase was primarily due to the rise in the percentage of ships chartered in on a medium-term basis at simultaneously higher charter rates and the resulting increase in rights of use. In 2020, impairment losses in the context of the ship portfolio optimization and the write-down of intangibles had a negative impact of in total USD 14/TEU on D&A.

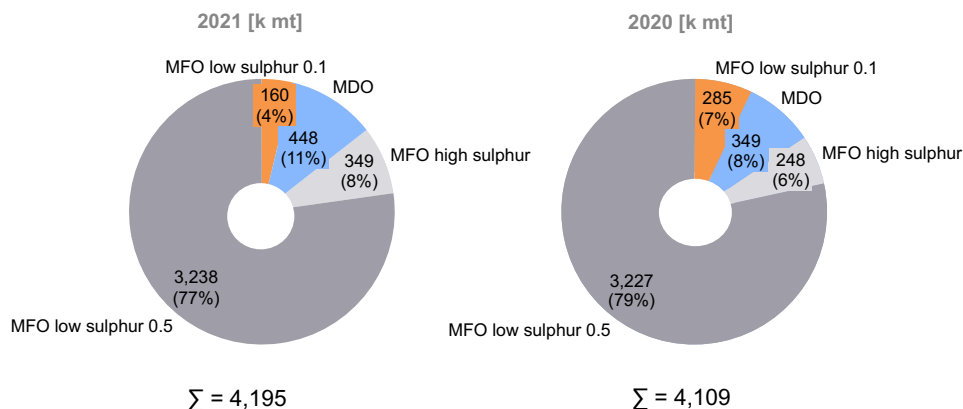
Unit cost

USD/TEU	Q4 2021	Q3 2021	Q4 2020	QoQ Change	YoY change	FY 2021	FY 2020	Change
Transport expenses	-1,148	-1,061	-871	8.2%	31.9%	-1,029	-881	16.8%
thereof								
Bunker	-198	-181	-108	8.9%	82.6%	-167	-136	23.3%
Handling and haulage	-572	-553	-463	3.5%	23.6%	-537	-455	18.1%
Equipment and repositioning	-135	-125	-112	7.5%	20.2%	-122	-109	11.1%
Vessel and voyage (excl. bunker)	-208	-200	-182	4.3%	14.8%	-193	-177	9.4%
Pending transport expenses	-35	-2	-6	n.m.	n.m.	-10	-5	n.m.
Depreciation, amortisation and impairment (D&A)	-175	-159	-160	10.2%	9.5%	-146	-134	9.2%
Transport expenses incl. D&A	-1,323	-1,220	-1,030	8.4%	28.4%	-1,175	-1,015	15.8%

Bunker consumption development

In the financial year 2021 Hapag-Lloyd’s bunker consumption totalled 4.2 million tonnes and was therefore 2.1% higher than in the previous year (2020: 4.1 million tonnes). This increase was essentially caused by a rise in ship capacity compared with the prior year period, as well as longer waiting times at and outside of ports. For the first time, 2,551 tonnes of LNG were used as a fuel in 2021. Bunker consumption per volume transported remained constant compared to the previous year at 0.35 t/TEU. Compared with 2009, bunker consumption per TEU has been cut by approximately 42%. Bunker consumption per slot (measured in terms of container slot capacities on an annual average) was also on the same level as in the previous year at 2.4 t/slot (2009: 5.8 t/slot).

The percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) and liquefied natural gas (LNG) fell slightly from 94% in 2020 to 92% in the 2021 financial year.



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

3.7. OPERATING PROFIT

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of USD 12,841.9 million in the reporting period (prior year period: USD 3,081.9 million) and earnings before interest and taxes (EBIT) of USD 11,111.0 million (prior year period: USD 1,501.0 million).

EBIT and EBITDA margin

million USD	Q4 2021	Q3 2021	Q4 2020	QoQ change	YoY change	FY 2021	FY 2020	Change
Revenue	8,411.0	7,393.9	4,052.5	13.8%	107.6%	26,356.2	14,577.1	80.8%
EBIT	4,173.1	3,450.5	536.1	20.9%	678.4%	11,111.0	1,501.0	640.2%
EBITDA	4,679.2	3,923.0	1,038.4	19.3%	350.6%	12,841.9	3,081.9	316.7%
EBIT margin	49.6%	46.7%	13.2%	2.9 ppt	36.4 ppt	42.2%	10.3%	31.9 ppt
EBITDA margin	55.6%	53.1%	25.6%	2.6 ppt	30.0 ppt	48.7%	21.1%	27.6 ppt

3.8. OTHER EXPENSES

Interest result

The interest result in the 2021 financial year was USD –290.2 million (prior year period: USD –377.2 million). The decrease in interest expenses compared with the previous year resulted primarily from savings on effective interest expenses in the amount of USD 105.1 million, which was mainly due to the reduction of bank debt (including the EUR bond) through early repayments and the lower reference interest rates as a result of the COVID-19 pandemic.

By contrast, the profit or loss effect of the embedded derivative in the amount of USD –27.5 million (prior year period: USD –4.2 million), which comprises the derecognition of the fair value of USD –28.1 million associated with the exercising of the early repurchase option of the EUR bond as at 7 April 2021 (prior year period: USD –9.8 million from the partial repayment of the bond in November 2020) and a valuation effect of USD 1.3 million (prior year period: USD 5.6 million), had a negative impact on the interest result.

Income taxes

The rise in income taxes of USD 20.2 million to USD 72.5 million was essentially caused by higher current income taxes payable by Hapag-Lloyd AG due to a significant increase in dividend income within the Group in the financial year and by the low level of domestic tax loss carry-forwards still available for offsetting. There was also a rise in the current foreign income taxes of the Group companies as a result of the exceptionally positive general earnings situation. The increase in current income taxes was offset to some extent by a fall in expenses from the consumption of deferred income taxes on tax loss carry-forwards within Germany.

4. GROUP NET ASSET POSITION

As at 31 December 2021, the Group's statement of financial position total was USD 30,235.5 million, which is USD 11,595.3 million higher than the figure at year-end 2020. The reasons for this change primarily included the rise in cash and cash equivalents, price-related increases in receivables and liabilities and the higher equity as a result of the Group profit.

Within non-current assets, the carrying amounts of fixed assets increased by a total of USD 1,795.1 to USD 17,208.5 (31 December 2020: USD 15,413.3 million). This rise was essentially due to newly received and extended charter and leasing contracts, which led to increased rights of use for assets in the amount of USD 1,717.5 million (prior year period: USD 1,018.8 million) and to investments in ships, ship equipment and containers in the amount of USD 1,632.6 million (prior year period: USD 538.0 million). In addition, the Group acquired property, plant and equipment in the amount of USD 242.6 million through its acquisition of NileDutch. Depreciation and amortisation of USD 1,734.3 million had an opposite effect (prior year period: USD 1,468.1 million) on fixed assets. This includes an amount of USD 846.3 million (prior year period: USD 602.7 million) for the amortisation of capitalised rights of use for assets.

Increased freight rates and correspondingly higher invoicing for services led, among other things, to an increase in trade receivables of USD 1,721.8 million to USD 3,394.5 million. Cash and cash equivalents increased by USD 7,905.0 compared to the end of 2020 (USD 836.4 million) primarily as a result of the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by USD 10,039.4 million to a total of USD 18,292.2 million. This increase was mainly due to the Group profit of USD 10,750.3 million (prior year period: USD 1,067.6 million). The dividends paid to shareholders from retained earnings in the amount of USD 747.7 million (prior year period: USD 219.0 million) had the opposite effect. As at 31 December 2021, the equity ratio was 60.5% (31 December 2020: 44.3%).

The Group's borrowed capital has risen by USD 1,555.9 million to USD 11,943.3 since the 2020 consolidated financial statements were prepared. The increase in lease liabilities due to newly acquired or extended charter and leasing contracts in the amount of USD 1,719.6 million (prior year period: USD 966.7 million) and the placement of a sustainability-linked euro bond totalling EUR 300.0 million contrasted with redemption payments for financial debt and lease liabilities totalling USD 2,477.2 million (prior year period: USD 3,716.8 million). The redemption payments included USD 356.6 million for the early redemption of Hapag-Lloyd's existing 5.125% euro bond (original maturity in 2024).

Contract liabilities rose by USD 966.4 million to USD 1,636.3 million (31 December 2020: USD 669.9 million). The reason for the increase was mainly due to higher freight rates for transport orders on voyages pending as at the reporting date. Trade accounts payable increased to USD 2,630.2 million as at the reporting date (31 December 2020: USD 2,146.0 million) due, among other things, to higher costs, in particular for bunkers and the handling of containers.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net liquidity as at 31 December 2021 was USD 2,519.7 million (31 December 2020: net debt USD 5,468.8 million).

Group net asset position

million USD	31.12.2021	31.12.2020
Assets		
Non-current assets	17,298.4	15,508.3
of which fixed assets	17,208.5	15,413.3
Current assets	12,937.1	3,131.9
of which cash and cash equivalents	8,741.4	836.4
Total assets	30,235.5	18,640.2
Equity and liabilities		
Equity	18,292.2	8,252.8
Borrowed capital	11,943.3	10,387.4
of which non-current liabilities	5,199.7	5,731.3
of which current liabilities	6,743.6	4,656.1
of which financial debt and lease liabilities	6,221.7	6,305.1
of which non-current financial debt and lease liabilities	4,684.0	5,119.6
of which current financial debt and lease liabilities	1,537.7	1,185.5
Total equity and liabilities	30,235.5	18,640.2

5. GROUP FINANCIAL POSITION

5.1. DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 12,314.1 million in the 2021 financial year (prior year period: USD 3,307.3 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the 2021 financial year.

Cash flow from investing activities

In the 2021 financial year, the cash outflow from investing activities totalled USD 1,456.0 million (prior year period: USD 545.1 million). This primarily included payments for investments of USD 1,482.3 million (prior year period: USD 609.6 million) in ships, ship equipment and new containers. The payments for containers acquired in the previous year included in the investment amount were USD 26.1 million. There was also a net cash outflow from the acquisition of NileDutch in the amount of USD 82.5 million. This was compensated by cash inflows from dividends in the amount of USD 31.5 million (prior year period: USD 40.9 million) and proceeds from the sale of containers received in the amount of USD 23.9 million (prior year period: USD 35.3 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of USD 2,952.9 million in the current reporting period (prior year period: USD 2,500.1 million). The cash outflow essentially resulted from interest and redemption payments relating to financial liabilities for vessel and container financing in the amount of USD 1,376.4 million (prior year period: USD 2,339.1 million). In addition, the corporate bond maturing in 2024 in the amount of USD 356.6 million and the loan from the ABS programme in the amount of USD 100.0 million were repaid in full. The payment of a dividend to the shareholders of Hapag-Lloyd AG for the 2020 financial year led to an additional cash outflow of USD 747.7 million. The interest and redemption payments from lease liabilities in accordance with IFRS 16 totalled USD 886.0 million in the current financial year (prior year period: USD 666.5 million). The cash outflows contrasted with cash inflows from the placement of a new corporate bond of USD 354.1 million. Cash inflows of USD 241.1 million resulted from the financing of ships/ship equipment and containers (prior year period: USD 1,156.6 million).

Overall, cash inflow totalled USD 7,905.2 million in the 2021 financial year, with the result that cash and cash equivalents of USD 8,741.4 million were reported at the end of the reporting period on 31 December 2021 (31 December 2020: USD 836.4 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 facilities of USD 585 million (31 December 2020: USD 585 million). The liquidity reserve (cash, cash equivalents and unused credit facilities) therefore totalled USD 9,326.4 million (31 December 2020: USD 1,421.4 million).

Development of liquidity reserve

million USD	Q4 2021	Q4 2020	FY 2021	FY 2020
Cash and cash equivalents beginning of the period	5,181.2	961.1	836.4	574.1
Unused credit lines beginning of the period	585.0	585.0	585.0	585.0
Liquidity reserve beginning of the period	5,766.2	1,546.1	1,421.4	1,159.1
EBITDA	4,679.2	1,038.4	12,841.9	3,081.9
Working capital	219.1	92.5	-407.5	236.3
Others	-53.0	10.1	-120.2	-10.9
Operating cash flow	4,845.2	1,140.9	12,314.1	3,307.3
Investments	-595.4	-248.9	-1,482.3	-609.6
thereof vessel	-269.7	-66.0	-684.8	-172.1
thereof container	-300.0	-162.1	-756.5	-395.6
thereof other	-25.8	-20.7	-41.0	-41.8
Net Cash received (+)/ made (-) from acquisitions	-	-	-82.5	-
Disinvestments	9.6	6.1	65.7	35.3
Dividends received	1.3	1.2	31.5	40.9
Payments made for Investments in financial assets	-	-	-1.0	-
Payments received (+) for the redemption of issued loans	-	-	12.6	-
Payments made for the issuing of loans	-	-3.2	-	-11.9
Investing cash flow	-584.5	-244.8	-1,456.0	-545.1
Payments made from changes in ownership interests	-	-	-0.7	-
Debt intake	-	364.2	595.5	1,819.0
Debt repayment	-390.3	-1,167.2	-1,674.3	-3,129.8
Repayment of Lease liabilities	-239.2	-148.0	-802.8	-587.0
Dividends paid	-2.3	-1.4	-769.4	-230.5
Payments made for leasehold improvements	-	-0.9	-0.4	-30.0
Interest	-57.3	-83.7	-266.0	-360.2
Payments made from hedges for financial debts	-11.4	16.0	-34.8	18.4
Financing cash flow	-700.4	-1,021.0	-2,952.9	-2,500.1
Changes due to exchange rate fluctuations	-0.1	0.1	-0.2	0.2
Liquidity reserve end of the period	9,326.4	1,421.3	9,326.4	1,421.3
Cash and cash equivalents end of the period	8,741.4	836.3	8,741.4	836.3
Unused credit lines end of the period	585.0	585.0	585.0	585.0

5.2. FINANCIAL SOLIDITY

The Group's net liquidity amounted to USD 2,519.7 million as at 31 December 2021. Compared to net debt of USD 5,468.8 million as at 31 December 2020, there was an excess of cash and cash equivalents over financial debt and lease liabilities. The improvement in net debt was primarily due to a significantly positive operating cash flow.

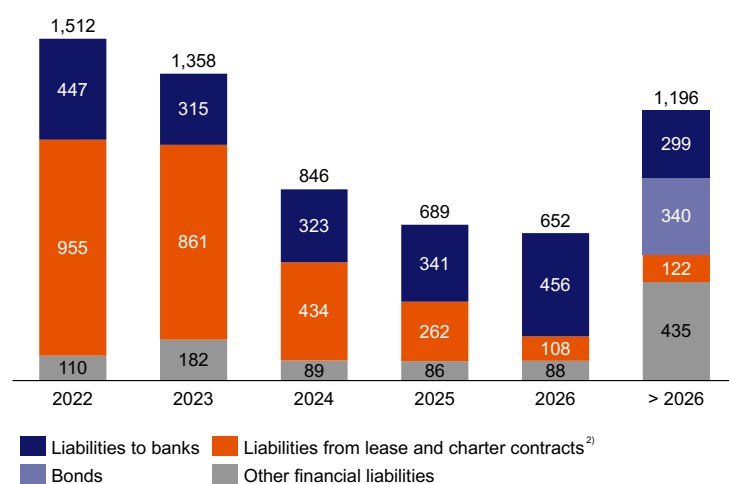
The equity ratio increased by 16.2 percentage points, from 44.3% as at 31 December 2020 to 60.5%. The rise was primarily due to the increase in earnings for the year. Equity was up by USD 10,039.4 million compared with 31 December 2020 and came to USD 18,292.2 million as at 31 December 2021.

Financial solidity

million USD	31.12.2021	31.12.2020
Financial debt and lease liabilities	6,221.7	6,305.1
Cash and cash equivalents	8,741.4	836.4
Net debt	-2,519.7	5,468.8
Unused credit lines	585.0	585.0
Liquidity reserve	9,326.4	1,421.4
Equity	18,292.2	8,252.8
Gearing (net debt/equity) (%)	-13.8	66.3
EBITDA	12,841.9	3,081.9
Net debt to EBITDA¹	<0	1.8x
Equity ratio (%)	60.5	44.3

¹ Based on last twelve months.

Contractual maturity profile of financial debt (USD million)¹



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

² Liabilities from lease and charter contracts consist of USD 33 million liabilities from former finance lease contracts and USD 2,710 million from lease contracts presented as on-balance financial liability due to first-time application of IFRS 16.

The total repayment amount of USD 6,253 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from lease and on-balance charter contracts and (4) other financial liabilities.

6. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

In January and February 2022, four container ships in size classes between 1,000 TEU and 6,500 TEU were purchased by Hapag-Lloyd on the secondary market for a total of USD 167.5 million. The delivery of three container ships is expected in the first quarter of 2022, the handover of the fourth vessel to Hapag-Lloyd is planned for the second quarter of 2022. The purchase prices will be paid from cash and cash equivalents.

Rating agency Standard & Poor's Global Rating (S&P) raised Hapag-Lloyd's credit rating from "BB" to "BB+" with a "stable" outlook on 4 February 2022. The senior unsecured bond rating was also upgraded from "BB" to "BB+".

On 17 February 2022, Hapag-Lloyd AG increased an existing revolving credit facility from USD 360 million to USD 500 million and extended the term by five years. In addition, the credit line was extended to include a sustainability component.

On 24 February 2022, Hapag-Lloyd (America) LLC has been served by the U.S. Department of Justice Antitrust Division (DoJ) with a subpoena to provide information and testify in connection with an international containerized shipping Grand Jury investigation.

7. OUTLOOK

General economic outlook

According to the International Monetary Fund (IMF), the recovery of the global economy following the outbreak of the COVID-19 pandemic is likely to continue in weakened form in the current 2022 financial year. The rapid spread of the omicron variant of COVID-19, high energy prices and rising inflation rates have somewhat dampened the previously optimistic growth predictions. According to the IMF's January forecast, the global economy will grow by 4.4% in 2022, after expanding by 5.9% in the previous year. This puts expected economic growth for 2022 0.5 percentage points lower than forecast in October 2021. In the USA, the continuing disruption to supply chains is likely to result in supply bottlenecks and ongoing inflationary pressure. For this reason, the Federal Reserve is now predicted to tighten monetary policy sooner. In China, by contrast, the strict COVID-19 measures and problems in the real estate sector are expected to weaken growth. In Europe, growth predictions – particularly for the export-driven German economy – have also been revised downwards due to the disruption to supply chains. International trade in goods and services is expected to grow by 6.0% in 2022, after increasing by 9.3% in the previous year.

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

in %	2023e	2022e	2021	2020	2019
Global economic growth	3.8	4.4	5.9	-3.1	2.8
Industrialised countries	2.6	3.9	5.0	-4.5	1.6
Developing and newly industrialised countries	4.7	4.8	6.5	-2.0	3.7
World trade volume (goods and services)	4.9	6.0	9.3	-8.2	0.9

Source: IMF, January 2022

Sector-specific outlook

The expected growth of the global economy in the 2022 financial year is also likely to be accompanied by rising container transport volumes. However, a limiting factor at present is the continuing disruption to supply chains. Seabury therefore predicts that the growth of the global container transport volume will slow down to 3.0% this year. In 2021, volume grew by 6.6%, due also to a weak base in the previous year as a result of the pandemic (CTS, February 2022).

Development of container transport volume

	2023e	2022e	2021	2020	2019
Growth rate (in %)	4.0	3.0	6.6	-1.1	1.3

Sources: CTS (February 2022, 2019–2021), Seabury (December 2021, 2022–2023)

The strong demand for transport combined with a shortage of available vessels resulted in a noticeable increase in ship orders in 2021. According to MDS Transmodal, the tonnage of the commissioned container ships rose to around 5.4 million TEU at the end of 2021, up from 2.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 22% and therefore at its highest level since 2011, it is still significantly below the peak of around 61% recorded in 2007.

For 2022, Drewry expects the globally available container ship fleet to grow by 0.9 million TEU, or 3.6%. The majority of the ships ordered in 2021 are unlikely to be put into service before 2023.

Expected development of global container fleet capacity

million TEU	2023e	2022e	2021	2020	2019
Existing fleet (beginning of the year)	25.5	24.6	23.6	23.0	22.1
Planned deliveries	2.3	1.0	1.2	1.1	1.1
Expected scrappings	0.3	0.1	0.0	0.2	0.2
Postponed deliveries and other changes	0.1	0.1	0.1	0.3	0.1
Net capacity growth	1.9	0.9	1.0	0.7	0.9
Net capacity growth (in %)	7.4	3.6	4.3	3.0	4.0

Source: Drewry Container Forecaster Q4 2022, December 2022

Expected business development of Hapag-Lloyd

Hapag-Lloyd posted an exceptionally strong financial performance in the financial year 2021. At the beginning of the year 2022, the underlying market conditions remain broadly unchanged. The unabated global demand for container transports and the ongoing spread of COVID-19 continues to disrupt global supply-chains. As a result, container transport capacity remains tight.

Against this backdrop, the Executive Board of Hapag-Lloyd AG expects earnings momentum to remain on a very high level in the first half of 2022, followed by a beginning normalization of earnings in the second half due to an anticipated recovery of supply chains. Group EBITDA is expected to be in the range of USD 12 to 14 billion (prior year: USD 12.8 billion) and EBIT in the range of USD 10 to 12 billion (prior year: USD 11.1 billion). In Euro, this corresponds to an expected Group EBITDA in the range of EUR 10.7 to 12.4 billion (prior year: EUR 10.9 billion) and EBIT in the range of EUR 8.9 to 10.7 billion (prior year: EUR 9.4 billion).

The earnings outlook is based on the assumptions that the transport volume can be increased slightly and the average freight rate moderately compared to the previous year. At the same time, a further increase in transport expenses is anticipated, which should have a dampening effect on the development of earnings. In particular, the average bunker consumption price is expected to increase clearly. The outlook is based on an average exchange rate of 1.13 USD/EUR.

The earnings forecast does not take into account impairments on goodwill, other intangible assets and property, plant and equipment in the course of the 2022 financial year, which are currently not expected but cannot be ruled out.

Key benchmark figures for the 2022 Outlook

	Actual 2021	Forecast 2022
Global economic growth (IMF, Jan. 2022)	5.9%	4.4%
Increase in global trade (IMF, Jan. 2022)	9.3%	6.0%
Increase in global container transport volume (CTS, Feb. 2022; Seabury, Dec. 2021)	6.6%	3.0%
Transport volume, Hapag-Lloyd	11.9m TEU	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	USD 475/t	Increasing clearly
Average freight rate, Hapag-Lloyd	USD 2,003/TEU	Increasing moderately
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 10.9 bn	EUR 10.7 – 12.4 bn
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 9.3 bn	EUR 8.9 – 10.7 bn

The main risks for the development of the Group's turnover and earnings are, in particular, a slowdown in the growth of the world economy and world trade volume, also due to international crises and geopolitical disputes as well as the unpredictable development of the situation in Ukraine, and a resulting decline in transport volume growth as well as a noticeably negative trend in the average freight rate. Both risks are influenced by risks from capacity bottlenecks at ports and in regional logistics chains. In addition, a significant and sustained increase in bunker prices above the expected development belongs to the top risks.

The occurrence of one or more of these risks could have a significant negative impact on the industry and thus also on the business performance of Hapag-Lloyd in financial year 2022, resulting in negative effects on liquidity and also impairments of goodwill and 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 Annual Report 2021 please find below the respective exchange rates:

Exchange rates

	31.12.2021	Closing Rate		FY 2021	Average rate	
		30.9.2021	31.12.2020		9M 2021	FY 2020
per EUR						
US dollars	1.1318	1.1577	1.2276	1.1833	1.1965	1.1413

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 advisers 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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Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg
Germany

Investor Relations

Phone: +49 40 3001 – 2896
E-mail: ir@hlag.com
www.hapag-lloyd.com/en/ir.html

Layout

Silvester Group, Hamburg
www.silvestergroup.com

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