Q1 2020

Hapag-Lloyd AG

Investor Report

1 January to
31 March 2020

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q1 2020	Q1 2019	Change
Key operating figures				
Total vessels, of which		248	235	6%
Own vessels[1]		112	112	–
Chartered vessels		136	123	11%
Aggregate capacity of vessels	TTEU	1,745	1,680	4%
Aggregate container capacity	TTEU	2,587	2,542	2%
Bunker price (MFO, average for the period)[2]	USD/t	516	409	26%
Bunker price (MDO, average for the period)[3]	USD/t	592	599	–1%
Bunker price (combined MFO/MDO, average for the period)	USD/t	523	425	23%
Freight rate (average for the period)	USD/TEU	1,094	1,079	1%
Transport volume	TTEU	3,053	2,929	4%
Revenue	million USD	3,684	3,478	6%
Transport expenses	million USD	–2,914	–2,660	10%
EBITDA	million USD	517	556	–7%
EBIT	million USD	176	243	–27%
Group profit/loss	million USD	27	109	–75%
Cash flow from operating activities	million USD	419	609	–31%
Investment in property, plant and equipment[4]	million USD	264	299	–12%
Key return figures				
EBITDA margin (EBITDA/revenue)	%	14.0	16.0	2.0 ppt
EBIT margin (EBIT/revenue)	%	4.8	7.0	–2.2 ppt
Key balance sheet figures[5]				
Balance sheet total	million USD	18,630	18,182	2%
Equity	million USD	7,469	7,430	1%
Equity ratio (equity/balance sheet total)	%	40.1	40.9	–0.8 ppt
Borrowed capital	million USD	11,160	10,751	4%
Key financial figures[5]				
Financial debt and lease liabilities	million USD	7,584	7,180	6%
Cash and cash equivalents	million USD	1,030	574	79%
Net debt (financial debt – cash and cash equivalents	million USD	6,554	6,605	–1%
Gearing (net debt/equity)	%	87.7	88.9	–1.2 ppt
Liquidity reserve	million USD	1,215	1,159	5%
Number of employees				
Employees at sea		2,119	2,091	1%
Employees on land		10,987	10,762	2%
Hapag-Lloyd total		13,106	12,853	2%

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

1 Including 17 lease agreements with purchase option / obligation at maturity. Previous year's figures have been adjusted accordingly

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 Q1 2020

- In the first quarter, the economic consequences of the outbreak and global spread of COVID-19 only had a minor impact on Hapag-Lloyd's operating business and its earnings, financial and net asset position. While first clearer effects can already be seen in the second quarter, the further course of the year is currently difficult to assess and associated with higher uncertainties than usual.
- In the first 3 months of 2020, transport volumes rose by 4.3% year-on-year to 3,053 TTEU (Q1 2019: 2,929 TTEU).
- At 1,094 USD / TEU, freight rates were 1.4% higher year-on-year (Q1 2019: 1,079 USD / TEU).
- Revenues rose by 5.9% to USD to 3.7 billion (Q1 2019: USD 3.5 billion) due to the increase in transport volumes and higher freight rates.
- Transport costs rose disproportionally to revenues by 9.6%. Besides higher transport volumes, this was mainly due to higher bunker consumption prices.
- In the course of the IMO 2020 introduction, the average bunker consumption price rose significantly by USD 98 to USD 523 per tonne (Q1 2019: USD 425 per tonne), and fuel expenses rose accordingly by 46.1% to USD 654.8 million (Q1 2019: USD 448.1 million).
- The rapid drop in oil prices, which began in March, resulted in an extraordinary charge of USD 64.4 million due to the devaluation of bunker stocks as of the quarterly reporting date.
- Despite the clearly negative bunker effects, EBITDA declined only moderately by 6.9% to USD 517.2 million (Q1 2019: USD 555.6 million). The EBITDA margin decreased accordingly by 2 percentage points to 14.0% (Q1 2019: 16.0%).
- At USD 176.1 million, EBIT was well below the prior-year level (Q1 2019: USD 242.7 million), which is attributable to higher bunker expenses and IFRS 16 related higher depreciation and amortisation. Without the devaluation of bunker stocks, EBIT would have been at previous year's level.
- Consolidated net income of USD 27.3 million (Q1 2019: USD 109.3 million) was additionally negatively impacted by the non-cash valuation of derivative financial instruments in the amount of USD 37.3 million.
- At USD 301.7 million, free cash flow was again clearly positive (Q1 2019: USD 454.8 million), while the key debt ratios were virtually unchanged compared with the end of 2019.
- The liquidity reserve stood at USD 1.2 billion as at 31 March 2020 and thus remains at a good level.
- In light of the current developments, the Executive Board substantiates its earnings forecast from the start of the year. This means that Hapag-Lloyd admittedly still continues to expect EBITDA of EUR 1.7 – 2.2 billion and EBIT of EUR 0.5 – 1.0 billion for the current financial year. However, unless there is a recovery in demand for container transport services earlier and stronger than currently expected by the relevant market participants, the upper end of the forecast ranges is barely achievable from today's perspective.

This investor report was published on 15 May 2020.

CONTENTS

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

1.1. GENERAL ECONOMIC CONDITIONS

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

Global economic conditions deteriorated dramatically during the first quarter due to the increasing spread of COVID-19. According to the International Monetary Fund, global economic growth in 2019 was already at its lowest level since the 2008/2009 financial and economic crisis, at 2.9% (2018: 3.6%), (IMF, World Economic Outlook, April 2020). At the start of the year, the IMF predicted growth of 3.3% for 2020 (IMF, World Economic Outlook, January 2020). Due to the spread of COVID-19 and the associated measures to control the pandemic such as social distancing, the closure of factories, businesses and event venues, and the almost complete suspension of international air passenger travel, the IMF has reduced its forecast dramatically for 2020 and now expects global economic output to contract by 3.0% (IMF, World Economic Outlook, April 2020).

Initially, the effects of the pandemic were largely restricted to China in January and February. Chinese economic output fell by 6.8% in the first quarter. The export of goods and services plummeted by 17.2% in January and February. Following a gradual relaxation of measures to control the pandemic, however, exports were only down by around 6.6% in March. The increasing spread of COVID-19 meant that the economic effects of the pandemic also become clearly visible in the rest of Asia and Europe in March or earlier. The Purchasing Managers' Indices (PMI), which reflect the current and expected short-term performance of industrial companies and provide an indication of general economic developments in the next 3 months, dropped at a significant rate, reaching levels that were lower than those seen during the 2009 financial crisis in some cases (IHS Markit PMI, April and May 2020).

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

in %	2021e	2020e	2019	2018	2017	2016	2015
Global economic growth	5.8	–3.0	2.9	3.6	3.9	3.4	3.5
Industrialised countries	4.5	–6.1	1.7	2.2	2.5	1.7	2.3
Developing and newly industrialised countries	6.6	–1.0	3.7	4.5	4.8	4.6	4.3
World trade volume (goods and services)	8.4	–11.0	0.9	3.8	5.7	2.3	2.8

Source: IMF, April 2020

1.2. SECTOR-SPECIFIC CONDITIONS

As with global economic growth and the volume of global trade, the global cargo volume grew by a relatively small amount in 2019, increasing by 0.8% (Seabury, December 2019). At the start of the year, Seabury predicted a recovery of 3.1% for 2020. Due to the effects of the COVID-19 pandemic, however, and the resulting economic and trade restrictions, industry experts now expect the global container transport volume to decrease. For example, the industry experts at Clarksons currently predict that the container transport volume will fall by 10.6% overall in 2020. (Clarksons Research, Container Intelligence Monthly, April 2020)[1]. The industry experts believe that, if the pandemic is brought under control, the demand for container transport will increase again in 2021 and much of the decline in 2020 will be reversed.

Development of global container transport volume

in %	2021e	**2020e**	2019	2018	2017	2016	2015
Growth rate	9.6	–10.6	0.8	4.5	4.8	1.4	–0.4

Source: Seabury (December) for the actual data 2015–2019, Clarksons (April 2020) for 2020 and 2021

In the first 3 months of 2020, the volume of TEU transported globally fell by 5.1% (CTS, May 2020). The largest decline was recorded on the Intra-Asia, Far East and Transpacific trades, mainly as a result of a sharp decline in export volumes from China due to the measures to control the pandemic. The trades not directly related to China such as the Atlantic, Middle East and Europe–Latin America still recorded a stable overall development compared to the previous year's period.

The bunker price was very volatile in the first quarter 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 quarter 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 at 31 March 2020, it was only around USD 204/t (MFO 0.5%, FOB Rotterdam).

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. At the end of the quarter, the price difference normalised again and was only around USD 50/t.

At the beginning of 2020, the aggregate capacity of the global container ship fleet was approximately 22.9 million TEU (Drewry Container Forecaster Q1 2020). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0.4 million TEU in 2020 and around 0.9 million TEU in 2021 (Drewry Container Forecaster Q1 2020). This includes the expected delays of deliveries in the current financial year and

[1] As Seabury has not yet published an updated forecast for 2020, data from other industry experts are used in this chapter.

expected scrapping. The tonnage of the commissioned container ships of approximately 2.5 million TEU (MDS Transmodal, April 2020) is equivalent to around 11% of the present global container fleet's capacity (approximately 23 million TEU as at March 2020). It therefore remains 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 March 2020, orders were placed for the construction of 13 container ships with a transport capacity totalling approximately 153,000 TEU (Q1 2019: 33 ships; approximately 230,000 TEU (Clarksons Research, April 2020)).

Expected development of global container fleet capacity

million TEU	2021e	2020e	2019	2018
Existing fleet (beginning of the year)	23.4	22.9	22.1	20.9
Planned deliveries	1.4	1.1	1.1	1.5
Expected scrappings	0.4	0.4	0.2	0.1
Postponed deliveries and other changes	0.1	0.3	0.1	0.2
Net capacity growth	**0.9**	**0.4**	**0.9**	**1.2**

Source: Drewry Container Forecaster Q1 2020, March 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.

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 26 container ships with a transport capacity of approximately 121,000 TEU were placed into service in the first 3 months of 2020 (Q1 2019: 33 ships with a transport capacity of approximately 256,000 TEU). At 0.2 million TEU, the scrapping of inefficient vessels was once again lower in 2019 than in previous years (2015 to 2018: average of 0.3 million TEU). According to Drewry (Container Forecaster Q1 2020), however, the figure is expected to rise again slightly in 2020 to approximately 0.4 million TEU. According to Clarksons, scrapping in the first 3 months of 2020 was only around 35,000 TEU, due also to COVID-19 restrictions (prior year period: around 100,000 TEU).

Idle capacity was around 2.1 million TEU at the end of March 2020 (Alphaliner Weekly, April 2020), accounting for approximately 9.1% of the global fleet (previous year: approximately 0.5 million TEU, or around 2% of the global fleet). While the majority of idle ships have a capacity of up to 5,100 TEU, there were also 62 idle ships with a capacity of over 12,500 TEU. Following the announcement of further departure cancellations and suspensions of services in April 2020, the idle fleet is expected to increase significantly again in the second quarter of 2020. By end of April, idle capacity had increased to 2.4 million TEU (Alphaliner Weekly, May 2020). On the major shipping routes to and from Asia, capacities are likely to be reduced by at least 20% in May and June. According to Alphaliner, 250 ship voyages scheduled for Q2 2020 had already been cancelled by the end of March.

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

2.1. FLEXIBLE FLEET AND CAPACITY DEVELOPMENT

As at 31 March 2020, Hapag-Lloyd's fleet comprised a total of 248 container ships (31 March 2019: 239 ships). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate.

The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 31 March 2020 was 1,745 TTEU, which was an increase of 3.9% compared to 31 March 2019 (1,680 TTEU). The share of vessels chartered by Hapag-Lloyd was approximately 40% as at 31 March 2020 based on TEU capacity (31 March 2019: approximately 37%).

As at 31 March 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 7,036 TEU, which is approximately 13% above the comparable average figure for the 10 largest container liner shipping companies (31 March 2020: 6,203 TEU) and around 65% above the average ship size in the global fleet (31 March 2020: 4,268 TEU).

As at 31 March 2020, Hapag-Lloyd owned or rented 1,573,701 containers (31 March 2019: 1,545,740) with a capacity of 2,587,294 TEU for shipping cargo (31 March 2019: 2,542,226). The capacity-weighted share of leased containers was around 46% as at 31 March 2020 (31 March 2019: 47%).

Hapag-Lloyd's service network comprised 122 services as at 31 March 2020 (31 March 2019: 121 services).

Structure of Hapag-Lloyd's container ship fleet

	31.3.2020	31.12.2019	31.3.2019
Number of vessels	**248**	**239**	**235**
thereof			
Own vessels[1]	112	112	112
Chartered vessels	136	127	123
Aggregate capacity of vessels (TTEU)	**1,745**	**1,707**	**1,680**
Aggregate container capacity (TTEU)	**2,587**	**2,540**	**2,542**
Number of services	**122**	**121**	**121**

[1] Including 17 lease agreements with purchase option / obligation at maturity. Previous year´s figures have been adjusted accordingly.

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 foreseeable 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 10 of its own larger vessels 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 vessel will also be retrofitted to test how it runs on liquefied natural gas (LNG). Up till now, 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.

3. HAPAG-LLOYD: GROUP EARNINGS POSITION

3.1. GROUP EARNINGS POSITION

The first 3 months of the 2020 financial year were dominated by very volatile bunker prices, while the economic effects of the outbreak and global spread of COVID-19 have had only a marginal impact on Hapag-Lloyd's earnings, financial and net asset position in the first quarter of 2020.

Hapag-Lloyd generated earnings before interest and taxes (EBIT) of USD 176.1 million in the first quarter of 2020 (prior year period: USD 242.7 million). Without the devaluation of the bunker stocks, EBIT would have been at last year's level. The Group profit stood at USD 27.3 million (prior year period: USD 109.3 million).

The increase in transport volume developed positively compared with the previous year on almost all trades and, with a growth rate of 4.3% in the first quarter, was in line with expectations. The freight rate was also up on the previous year by 1.4%.

Transport costs rose by 9.6% compared to the previous year. This was primarily due to higher bunker consumption costs resulting from the IMO 2020-related use of fuels with low sulphur content. Furthermore, a decline in bunker prices at the end of the quarter led to a devaluation of bunker stocks combined with a corresponding increase in expenses in the amount of USD 64.4 million. In addition, transport expenses rose due to a volume-related increase in container handling expenses, in particular for terminal costs.

The valuation of the embedded derivative of the bond in the amount of USD –28.2 million (prior year period: income of USD 9.8 million) had a negative impact on net interest income, as did the valuation of interest rate swaps of USD –9.1 million (prior year period: USD –1.5 million).

3.2. CONSOLIDATED INCOME STATEMENT

million USD	Q1 2020	Q1 2019	YoY change
Revenue	**3,684.0**	**3,477.6**	**6%**
Transport expenses	–2,914.4	–2,660.2	10%
Personnel expenses	–190.5	–189.3	1%
Depreciation, amortisation and impairment	–341.1	–312.9	9%
Other operating result	–71.8	–82.4	13%
Operating result	**166.1**	**232.8**	**–29%**
Share of profit of equity-accounted investees	10.2	9.7	5%
Result from investments	–0.2	0.2	n.m.
Earnings before interest and tax (EBIT)	**176.1**	**242.7**	**–27%**
Interest result	–136.9	–120.6	13%
Other financial items	4.8	0.2	n.m.
Income taxes	–16.7	–13.0	28%
Group profit / loss	**27.3**	**109.3**	**–75%**

3.3. FREIGHT RATE PER TRADE

The average freight rate in the first 3 months of the 2020 financial year was USD 1,094 / TEU, which was USD 15 / TEU, or 1.4%, up on the prior year period (USD 1,079 / TEU).

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

Freight rate per trade[1]

USD / TEU	Q1 2020	Q1 2019	YoY change
Atlantic	1,405	1,351	4%
Transpacific	1,326	1,338	–1%
Far East	962	962	–
Middle East	788	757	4%
Intra-Asia	611	528	16%
Latin America	1,162	1,181	–2%
EMA (Europe – Mediterranean – Africa)	1,031	1,024	1%
Total	**1,094**	**1,079**	**1%**

[1] Since the third quarter of 2019, transport volumes to / from Oceania have been assigned to the Far East trade (previously assigned to EMAO). The previous year's values have been adjusted accordingly.

3.4. TRANSPORT VOLUME PER TRADE

The transport volume increased by 125 TTEU to 3,053 TTEU in the first 3 months of the 2020 financial year (prior year period: 2,929 TTEU). This equates to a rise of 4.3%.

Due to the outbreak and spread of COVID-19 in Wuhan, China and the resulting suspension of services to and from China, transport volumes on the Far East trade decreased in the first 3 months of the financial year. The decline on the Intra-Asia trade was due both to the outbreak of COVID-19 and to the strategic decision to actively reduce the transport capacity on this trade and focus instead on profitable services.

The transport volumes on all other trades rose in the first 3 months of the financial year compared with the previous year. On the Latin America trade in particular, the transport volume was significantly higher due to capacity increases on certain services and a rise in exports to Europe and Asia compared with the previous year. The growth in the transport volume on the Transpacific trade was essentially due to the trade agreement signed between China and the USA at the start of the year and the resulting increase in trade as well as to a comparatively low volume in the previous year's quarter. The introduction of two new services to the Middle East trade in October 2019 led to a rise in the transport volume here compared with the previous year.

Transport volume per trade[1]

TTEU	Q1 2020	Q1 2019	YoY change
Atlantic	481.0	469.8	2%
Transpacific	472.2	450.1	5%
Far East	567.4	593.8	–4%
Middle East	391.4	350.9	12%
Intra-Asia	212.0	220.6	–4%
Latin America	743.8	676.7	10%
EMA (Europe – Mediterranean – Africa)	185.6	166.6	11%
Total	**3,053.4**	**2,928.5**	**4%**

1 Since the third quarter of 2019, transport volumes to / from Oceania have been assigned to the Far East trade (previously assigned to EMAO). The previous year's values have been adjusted accordingly..

3.5. REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 206.4 million to USD 3,684.0 million in the first 3 months of the 2020 financial year (prior year period: USD 3,477.6 million), representing an increase of 5.9%. The main reasons for this were the increased transport volumes and the rise in the average freight rate.

Revenue per trade[1]

million USD	Q1 2020	Q1 2019	YoY change
Atlantic	675.7	634.8	6%
Transpacific	626.3	602.2	4%
Far East	546.1	571.1	–4%
Middle East	308.4	265.5	16%
Intra-Asia	129.5	116.4	11%
Latin America	864.2	798.8	8%
EMA (Europe – Mediterranean – Africa)	191.5	170.6	12%
Revenue not assigned to trades	342.4	318.2	8%
Total	**3,684.0**	**3,477.6**	**6%**

[1] Since the third quarter of 2019, transport volumes to / from Oceania have been assigned to the Far East trade (previously assigned to EMAO). The previous year's values have been adjusted accordingly.

3.6. OPERATING EXPENSES

Transport expenses rose by USD 254.2 million in the first 3 months of the 2020 financial year to USD 2,914.4 million (prior year period: USD 2.660.2 million). This represents an increase of 9.6%. This was primarily due to the higher transport volumes, in particular in relation to container handling, the increased bunker prices for low-sulphur fuel and the devaluation of bunker reserves to their lower net realisable value at the end of the quarter.

In the first 3 months of the 2020 financial year, the average bunker consumption price for Hapag-Lloyd was USD 523 per tonne, up USD 98 per tonne (23.1%) on the figure of USD 425 per tonne for the prior year period. The increase was essentially due to the required use of the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020. However, the price of low-sulphur fuel decreased during the quarter as a result of the global decline in the demand for oil and a simultaneous dispute about production volumes among leading oil-producing countries. As at 31 March 2020, it was only around USD 204 per tonne (MFO 0.5%, FOB Rotterdam). The sharp drop in prices worldwide led to a devaluation of bunker reserves at the end of the first quarter of the financial year 2020 to their net realisable value in the amount of USD 64.4 million.

The decrease in expenses for vessel and voyage (excluding bunker) was mainly due to the suspension of services on the Far East and Transpacific trades as well as a higher number of ships chartered on a medium-term basis compared with the previous year. If ships are chartered in on a medium-term basis, they must be recognised in accordance with the provisions of IFRS 16 Leases as at 1 January 2019, and the associated expenses must be reported as the amortisation of the rights of use recognised in property, plant and equipment and as interest expenses for the corresponding lease liabilities. However, charter expenses for ships with a term up to 12 months are recognised in the transport expenses.

The increase in transport expenses for pending voyages was due to more pending voyages as at the reporting date than in the prior year period. In line with the increased costs, revenue for pending voyages rose by USD 61.8 million compared with the previous year. This revenue is recognised in revenue not assigned to trades (see chapter revenue per trade).

Personnel expenses rose only slightly by USD 1.2 million (0.7%) to USD 190.5 million in the first 3 months of the 2020 financial year (prior year period: USD 189.3 million).

Depreciation and amortisation came to USD 341.1 million in the first 3 months of the 2020 financial year (prior year period: USD 312.9 million). The year-on-year increase in depreciation and amortisation resulted essentially from the rise in the share of ships chartered on a medium-term basis 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 135.9 million (prior year period: USD 108.4 million).

The other operating result of USD –71.8 million (prior year period: USD 82.4 million) comprised the net balance of other operating income and expenses. The other operating expenses included in this item totalled USD 91.7 million for the first 3 months of the 2020 financial year (prior year period: expenses of USD 92.3 million). This included mainly IT expenses (USD 45.0 million), administrative expenses (USD 11.7 million) and consultancy fees (USD 10.5 million).

Operating expenses

million USD	**Q1 2020**	Q1 2019	YoY change
Transport expenses	–2,914.4	–2,660.2	10%
thereof			
Bunker	–654.8	–448.1	46%
Handling and haulage	–1,385.5	–1,353.8	2%
Equipment and repositioning	–308.7	–323.3	–5%
Vessel and voyage (excluding bunker)	–528.8	–560.1	–6%
Pending transport expenses	–36.7	25.1	–246%
Personnel expenses	–190.5	–189.3	1%
Depreciation, amortisation and impairments	–341.1	–312.9	9%
Other operating result	–71.8	–82.4	–13%
Total operating expenses	**–3,517.9**	**–3,244.8**	**8%**

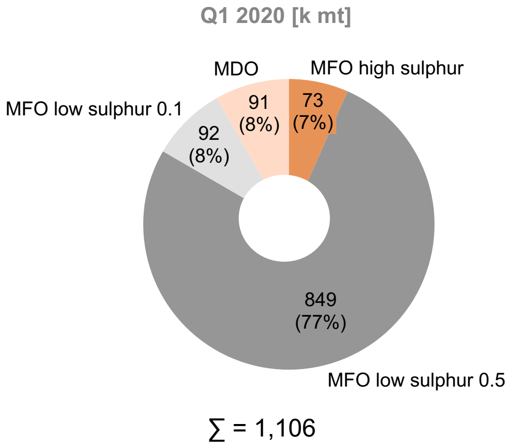
3.7. UNIT COSTS

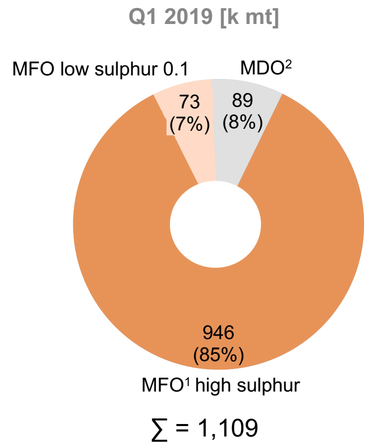
USD / TEU	Q1 2020	Q1 2019	YoY change
Transport expenses	**–954.5**	**–908.5**	**5%**
thereof			
Bunker	–214.4	–153.0	40%
Handling and haulage	–453.8	–462.4	–2%
Equipment and repositioning	–101.1	–110.4	–8%
Vessel and voyage (excl. bunker)	–173.2	–191.3	–9%
Pending transport expenses	–12.0	8.6	n.m.
Depreciation, amortisation and impairment (D&A)	**–111.7**	**–106.9**	5%
Transport expenses incl. D&A	**–1,066.2**	**–1,015.4**	5%

Transport cost per unit (incl. D&A) increased by USD 51 / TEU in the first quarter of 2020 compared to the prior year period. This increase was mainly driven by higher "Bunker" costs (increase of 40% or USD 61 / TEU as compared to prior year period) due to the switch to more expensive low-sulphur fuel in relation to the implementation of the IMO 2020 regulation on 1 January, 2020. The increase in bunker costs per TEU also includes a negative effect from the devaluation of bunker stock at the end of Q1 2020 in the amount of USD 64.4 million or USD 21 / TEU respectively. Costs for "Handling and haulage" decreased by 2% (USD 9 / TEU) mainly due to less inland business compared to prior year period. The stronger USD against the EUR additionally had a supportive effect. Costs for "Equipment and repositioning" decreased substantially by 8% (USD 9 / TEU) due to positive exchange rate effects as well as an improved imbalance situation (less import volumes in Region Europe and North America) and reduced repositioning costs in China as a consequence of the COVID-19 outbreak. Costs for "Vessel and voyage" decreased by 9% (USD 18 / TEU) due to an improvement in vessel utilization driven by a consequent capacity management (blank sailings and other structural improvements). This effect was partly offset by an increase of 5% (USD 5 / TEU) in depreciation mainly for chartered vessels due to a higher number of ships chartered on a medium-term basis compared with the previous year.

Bunker consumption development
Bunker consumption totalled approximately 1.1 million tonnes in the first 3 month of 2020 and was therefore on a par with the previous year. In contrast to the same period last year around 93% (Q1 2020: approximately 15%) of this comprised bunker with a low proportion of sulphur (MFO low sulphur [0.1% and 0.5%], MDO). The reason for this change is the implementation of the new IMO 2020 regulation on 1 January 2020.

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 2.55 tonnes (Q1 2019: 2.65 tonnes). In terms of transported TEU, bunker consumption decreased to 0.36 tonnes per TEU compared with the previous year (Q1 2019: 0.38 tonnes per TEU).





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

3.8. EARNINGS POSITION

In the first 3 months of the financial year 2020, earnings before interest and taxes (EBIT) amounted to USD 176.1 million and thus 27% below earnings in prior year period (USD 242.7 million). Without the devaluation of the bunker stock EBIT would have been at last year's level.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 517.2 million in the first 3 months of 2020 (prior year period: USD 555.6 million).

EBIT and EBITDA margin

million USD	Q1 2020	Q1 2019	YoY change
Revenue	3,684.0	3,477.6	6%
EBIT	176.1	242.7	–27%
EBITDA	517.2	555.6	–7%
EBIT margin	4.8%	7.0%	–2.2 ppt
EBITDA margin	**14.0%**	**16.0%**	**–2.0 ppt**

The interest result for the first 3 months of the 2020 financial year was USD –136.9 million (prior year period: USD –120.6 million). The increase in interest expenses compared with the first 3 months of the 2019 financial year was primarily due to the valuation of the embedded derivative of the bond in the amount of USD –28.2 million (prior year period: income of USD 9.8 million) and the interest swap valuation in the amount of USD –9.1 million (prior year period: USD –1.5 million) which had a negative impact on the interest result.

Income tax expense rose by USD 3.7 million to USD 16.7 million compared to the previous year. The increase in expenses is almost entirely due to exchange rate effects on deferred tax assets.

A Group profit of USD 27.3 million was achieved in the first 3 months of 2020 (prior year period: USD 109.3 million). This includes expenses for valuation effects for bunker reserves in the amount of USD 64.4 million and expenses for valuation effects for the embedded derivative in the amount of USD 28.2 million.

4. GROUP NET ASSET POSITION

Group net asset position

million USD	31.3.2020	31.12.2019
Assets		
Non-current assets	15,379.7	15,501.0
of which fixed assets	15,306.1	15,393.6
Current assets	3,249.9	2,680.7
of which cash and cash equivalents	1,030.1	574.1
Total assets	**18,629.6**	**18,181.7**
Equity and liabilities		
Equity	7,469.3	7,430.3
Borrowed capital	11,160.3	10,751.4
of which non-current liabilities	6,250.5	6,269.4
of which current liabilities	4,909.8	4,482.0
of which financial debt and lease liabilities	7,584.2	7,179.6
of which non-current financial debt and lease liabilities	5,808.5	5,786.6
of which current financial debt and lease liabilities	1,775.6	1,393.0
Total equity and liabilities	**18,629.6**	**18,181.7**

4.1. GROUP NET ASSET POSITION

As at 31 March 2020, the Group's balance sheet total was USD 18,629.6 million, which is USD 447.9 million higher than the figure at year-end 2019. This was mainly driven by an increase in cash and cash equivalents due the drawdown of revolving credit lines in the amount of USD 400.0 million.

Within non-current assets, the carrying amounts of fixed assets decreased by a total of USD 87.5 million to USD 15,306.1 million (31 December 2019: USD 15,393.6 million). The decline was primarily due to the amortization and depreciation of intangible and tangible assets respectively totalling USD 341.1 million. This figure includes an amount of USD 135.9 million for the amortisation of capitalised rights of use relating to lease assets. This effect was partly offset by newly received rights of use for lease assets in the amount of USD 182.7 million as well as further investments totalling USD 85.7 million relating primarily to containers and ship equipment.

Cash and cash equivalents of USD 1,030.1 million increased by USD 456.0 million compared to the end of 2019 (USD 574.1 million). The main reason for this was the drawdown of revolving credit lines in the amount of USD 400.0 million. The increase in cash and cash equivalents was made for reasons of prudence in order to minimize risks from increased financial market volatility due to COVID-19.

On the liabilities side, equity (including non-controlling interests) grew by USD 39.0 million to a total of USD 7,469.3 million. The increase was mainly due to the measurement of pension provisions through other comprehensive income in the amount of USD 58.0 million and the Group profit of USD 27.3 million. The changes in the reserves for hedging relationships in the amount of USD 35.8 million had an offsetting effect. The equity ratio was 40.1% as at 31 March of the current year (31 December 2019: 40.9%).

The Group's borrowed capital has risen by USD 408.9 million to USD 11,160.3 million since the 2019 financial statements were prepared, which was mainly due to an increase in financial debt and lease liabilities of USD 404.6 million to USD 7,584.2 million as at 31 March 2020. The main reason for the increase in financial debt was the utilisation of revolving credit facilities in the amount of USD 400.0 million as a precautionary measure. In addition, the payments from new financing in the amount of USD 91.7 million and the ABS programme in the amount of USD 60.0 led to an increase. Redemption payments totalling USD 289.2 million including repayments of lease liabilities in the amount of USD 139.6 million reduced financial debt.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 31 March 2020 was USD 6.554,0 million (31 December 2019: USD 6.605,4 million).

5. GROUP FINANCIAL POSITION

5.1. DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Development of liquidity reserve

million USD	Q1 2020	Q1 2019
Cash and cash equivalents beginning of the period	574.1	752.4
Unused credit lines beginning of the period	585.0	545.0
Liquidity reserve beginning of the period	**1,159.1**	**1,297.4**
EBITDA	517.2	555.6
Working capital	–88.7	73.9
Others	–9.1	–20.7
Operating cash flow	**419.4**	**608.8**
Investments	–127.8	–165.4
thereof vessel	–36.5	–18.3
thereof container	–80.7	–142.6
thereof other	–10.6	–4.5
Cash received from acquisitions	–	–
Disinvestments	10.1	11.2
Dividends received	–	0.2
Payments made for Investments in financial assets	–	–
Payments made for the issuing of loans	–	–
Investing cash flow	**–117.7**	**–154.0**
Capital increase	–	–
Payments for capital increase	–	–
Debt intake	552.4	274.2
Debt repayment	–149.6	–536.4
Repayment of Finance Lease liabilities	–139.6	–109.5
Dividends paid	–1.0	–3.7
Payments made for leasehold improvements	–15.7	–
Interest	–90.6	–128.5
Payments made from hedges for financial debts	–1.6	–59.2
Change in restricted cash	–	0.2
Financing cash flow	**154.3**	**–562.9**
Changes due to exchange rate fluctuations	–	–
Liquidity reserve end of the period	**1,215.1**	**1,229.3**
Cash and cash equivalents end of the period	1,030.1	644.3
Unused credit lines end of the period	185.0	585.0

5.2. GROUP FINANCIAL POSITION

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 419.4 million in the first 3 months of the 2020 financial year (prior year period: USD 608.8 million). The reduction in the cash flow from operating activities was primarily due to lower quarterly earnings in 2020 and the development of working capital at the end of the quarter.

Cash flow from investing activities

In the first 3 months of the 2020 financial year, the cash outflow from investing activities totalled USD 117.7 million (prior year period: USD 154.0 million) and related to payments for investments of USD 127.8 million (prior year period: USD 165.4 million), primarily in containers and ship equipment associated with adherence to the new IMO 2020 regulations. The aforementioned investment amount included payments in the amount of USD 55.8 million for containers acquired in the previous year. This contrasted with cash inflows of USD 10.1 million (prior year period: USD 11.2 million), which were primarily due to the sale of containers.

Cash flow from financing activities

Financing activities resulted in a net cash inflow of USD 154.4 million in the current reporting period (previous year: cash outflow of USD 562.9 million). The net inflow was essentially caused by the utilisation of revolving credit lines in the amount of USD 400.0 million (previous year: USD 45.3 million). The drawing of credit lines was made as a preventive measure, in order to minimize the risks from increased financial market volatility through COVID-19. The borrowed funds were invested with banks with high ratings. Other significant cash inflows resulted from the expansion of the existing ABS programme in the amount of USD 60.0 million (previous year: USD 100.0 million) and from the financing of containers using Japanese operating leases (JOLs) in the amount of USD 57.0 million (previous year: USD 128.5 million).

The inflow in the first 3 months of the financial year contrasted with the interest and redemption payments from lease liabilities as per IFRS 16 in the amount of USD 159.0 million (prior year period: USD 129.2 million). Additional cash outflows resulted from the scheduled repayment of financial liabilities in the amount of USD 149.6 million (previous year: USD 536.4 million primarily due to the repayment of a bond in the amount of USD 192.3 million and the repayment of the ABS programme in the amount of USD 200 million) and from interest payments in the amount of USD 71.1 million (previous year: USD 108.8 million).

5.3. FINANCIAL SOLIDITY

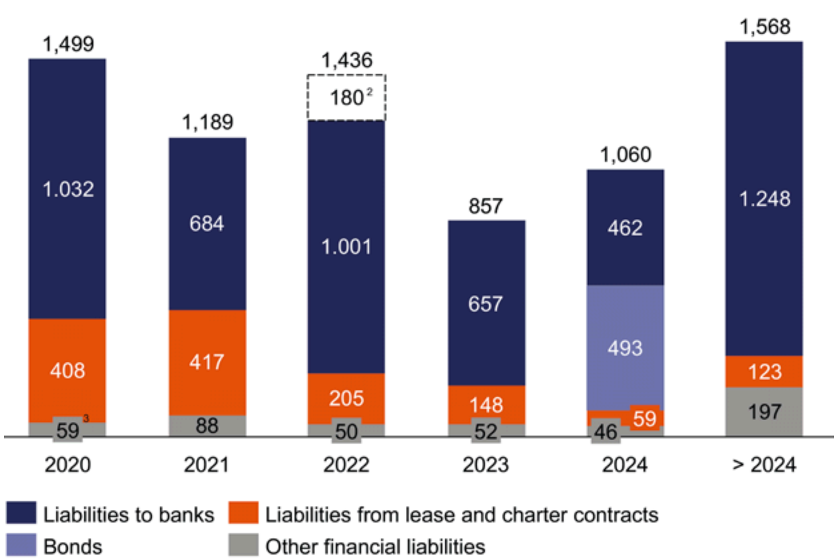
The Group's net debt amounted to USD 6,554.0 million as at 31 March 2020. This was a decline of USD 51.4 million compared to net debt of USD 6,605.4 million as at 31 December 2019. The reason for the decline was the relatively higher increase in cash compared to the rise of financial debt and lease liabilities. Drawings on the revolving credit lines only increased gross debt, as the funds raised were invested as overnight deposits with banks with high ratings, increasing cash on hand as of 31 March 2020. Consequently, net debt remained unaffected by the credit lines drawn on as a precautionary measure.

The equity ratio decreased by 0.8 percentage points, from 40.9% as at 31 December 2019 to 40.1%. The reduction was primarily due to an increase in current financial liabilities from the drawing on the revolving credit lines in the amount of USD 400.0 million and a rise in contract liabilities in the amount of USD 67.0 million. Gearing – the ratio of net debt to balance sheet equity – decreased slightly from 88.9% to 87.7%.

Financial solidity

million USD	31.3.2020	31.12.2019
Financial debt	7,584.2	7,179.6
Cash and cash equivalents	1,030.1	574.1
Restricted Cash	–	–
Net debt	**6,554.0**	**6,605.4**
Unused credit lines	185.0	585.0
Liquidity reserve	1,215.1	1,159.1
Equity	7,469.3	7,430.3
Gearing (net debt / equity) (%)	**87.7**	**88.9**
Equity ratio (%)	**40.1**	**40.9**

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



[1] As of January 2018 financial debt profile has been changed to the statement of repayment amounts. Deviation from the total financial debt as shown in the balance sheet as per 31.03.2020 consists of transaction costs and accrued interest
[2] ABS program prolongated until 2022
[3] Liabilities from lease and charter contracts consist of USD 64 million liabilities from former finance lease contracts and USD 1,294 USD million from lease contracts presented as on-balance financial liability due to first-time application of IFRS 16

The total repayment amount of USD 7,609.0 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from lease and on-balance charter contracts and (4) other financial liabilities.

Liabilities to banks comprise loans to finance the existing fleet of vessels and containers. Furthermore, liabilities to banks include the ABS programme (USD 180 million), a revolving line collateralized by receivables.

Hapag-Lloyd had one bond outstanding as per 31 March 2020: EUR 450 million 5.125% Senior Notes due July 2024.

6. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Measures to strengthen the liquidity reserve

By drawing on the credit lines under the receivables securitisation programme and newly concluded sale-and-lease-back transactions for investments already made, Hapag-Lloyd strengthened its liquid funds by USD 187.7 million in April. In addition, liquid funds of USD 230.0 million are available from the credit line of the securitisation programme. Furthermore, future cash and cash equivalents of USD 262.3 million could be secured through committed financing for investments already made. An inflow of the above-mentioned funds is expected in the second quarter of 2020.

Taking into account all the aforementioned measures to strengthen the Group's liquidity, Hapag-Lloyd has a pro-forma liquidity reserve of around USD 1.9 billion.

Measures to secure investments made and future investments

In May, several commitment agreements for the financing of past or future investments in containers were secured in the form of sale-and-lease-back transactions. The transactions will correspond in their economic content to credit financing with assignment of the containers as collateral. The refinancing volume associated with the commitment agreements amounts to USD 240.0 million. An inflow of these funds is expected over the remaining year 2020 and Q1 2021, in line with the investments to be refinanced.

7. OUTLOOK

General economic outlook and outlook for industry environment

The general economic and sector-specific conditions which are of importance to container shipping have deteriorated significantly since the 2019 annual report was published. Due to the rapid spread of COVID-19 since the start of 2020, almost every country in the world has implemented extensive measures to control the pandemic. Restrictions on travel and movement led to a sharp decline in economic activity in the first quarter, initially in China and subsequently in Europe and North America in particular. Since the start of the second quarter and earlier, all of the world's major economies have been subject to severe restrictions on freedom of movement and travel, with direct implications for the international movement of goods. Based on the premise that the pandemic will peak in the second quarter and the situation will gradually return to normal in the second half of the year (base scenario), the International Monetary Fund (IMF) has predicted in its forecast updated in April that global economic output will fall by around 3% in 2020, having initially forecast growth of 3.3% in January. At the same time, the IMF has indicated that the course of the pandemic is highly uncertain and that more severe consequences for the global economy cannot be ruled out if recovery takes longer. The international movement of goods is likely to be affected by the pandemic to an even greater extent. In its base scenario, the IMF has predicted a decline in the volume of trade of around 11% for 2020 (previously: growth of 2.9%). This would represent an unprecedented decrease in global economic output, the extent of which would be significantly greater than during the 2008/2009 financial and economic crisis.

To reduce the economic impact of the pandemic, more than 190 countries as well as national and supranational central banks have now 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. Nevertheless, the uncertainty on the financial markets has led to significant risk premiums, providing companies with little relief in terms of interest rates. The fiscal measures include direct subventions, (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 in the first quarter 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 50% to less than USD 30 by the end of March. In response to the sharp price decrease, key oil producers jointly announced a significant cut in oil production in April of around 10 million barrels per day, or 10% of the daily production volume. Nevertheless, the price of oil remained at a historically low level at the start of May 2020.

While industry experts expected the global container transport volume to increase at the start of the year (Seabury, December 2019: 3.1%), it is now forecast to decrease substantially as a result of the extreme restrictions on global economic activities and the associated fall in the demand for container transport services. For example, the industry experts at Clarksons (April 2020) now expect the global container transport volume to fall by 10.6% in 2020.

Following a rise in transport capacities (following scrapping and delays in deliveries) of approximately 0.8 million TEU to 22.9 million TEU in 2019, Drewry now only forecasts an increase in nominal transport capacities of approximately 0.4 million TEU for the current year (March 2020). In relation to the total capacity of the global trading fleet, this represents an increase of around 1.9%. At the beginning of the year, Drewry expected an increase of approximately 0.8 million TEU (approximately 3.7%). Drewry believes that the lower demand for container transport services is likely to cause orders to be postponed and scrapping to remain at a low level for the time being. Due to the substantial drop in demand emerging in the second quarter of the current financial year, all 3 alliances, which are responsible for around 80% of the world's container ship transport, have announced significant capacity changes. On the major shipping routes to and from Asia, capacities are likely to be reduced by at least 20% in May and June. If weak demand continues beyond the second quarter, all market participants are expected to implement further capacity measures. These measures, combined with ships spending extended periods in shipyards due to the installation of scrubbers in connection with IMO 2020, will lead to a further reduction in the capacity actually available during the year. This is likely to be reflected in a corresponding reduction in capacity growth.

Expected business development of Hapag-Lloyd

Against the background of the general economic and sector specific conditions described above, Hapag-Lloyd currently expects both, transport volumes and average bunker consumption prices to fall short of the previous year's level for the overall year 2020.

In anticipation of the expected decline in the demand for transport capacity and the associated transport volume decline, Hapag-Lloyd has specified a comprehensive package of measures to secure its profitability and liquidity.

In cooperation with the other THE Alliance partners, the schedules for the major East–West routes have been revised and some departures in May and June have been amalgamated or cancelled. These measures should allow the alliance partners to ensure adequate utilisation of their ships, thereby reducing costs.

Following its merger with UASC, Hapag-Lloyd approved a cost-cutting programme which is expected to deliver an annual earnings contribution of around USD 350–400 million by 2021. Much of the targeted savings were already achieved in the 2019 financial year. Building on this success, Hapag-Lloyd has identified additional cost-cutting measures that should reduce container handling and transport costs, equipment costs (primarily for containers) and ship system and overhead costs during the COVID-19 crisis. The capacity and cost saving measures aim at reducing costs by a mid-triple-digit million US dollar amount.

In order to maintain its current strong liquidity position, the Company is aiming to further improve its global cash pooling and working capital management. Additional liquidity reserves exist as part of a programme to securitise trade accounts receivable and the mortgaging potential of unmortgaged ships and containers. The capital expenditure budget will also be evaluated again, and planned capital expenditure will be prioritised. Hapag-Lloyd has not ordered any newbuilds at present, nor has it signed any binding agreement for their construction. Any purchasing of large new container ships or additional containers will only occur if there is contractually secured financing for them. The budgeted capital expenditure is spread across numerous measures, some of which are smaller in scale. This will provide Hapag-Lloyd with a certain degree of latitude in terms of postponing or cancelling planned capital expenditure. For necessary capital expenditure, financing that conserves liquidity, such as chartering/leasing, will also be examined. Another key component of the liquidity measures is to identify and examine suitable government programmes to support companies in order to be appropriately prepared should the crisis worsen further.

Taking into account the prevailing uncertainties and building on the capacity and cost cutting measures described above as well as based on the premise that the pandemic will peak in the second quarter and give way to a gradual recovery in the global economy in the second half of the year, the Executive Board has substantiated its earnings forecast from the start of the year. This means that Hapag-Lloyd admittedly still continues to expect EBITDA of EUR 1.7 – 2.2 billion and EBIT of EUR 0.5 – 1.0 billion for the current financial year. However, unless there is a recovery in demand for container transport services earlier and stronger than expected in the market studies described above, the upper end of the forecast ranges is barely achievable from today's perspective. The earnings forecast is based on the assumption of an average exchange rate of USD 1.11 / EUR.

In an industry environment dominated by volatile freight rates and stiff competition, business developments at Hapag-Lloyd are subject to far-reaching 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.) that can be found on the company's website. 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 of the annual report 2019. Discrepancies and in particular supplementary information relating to the economic consequences of the spread of COVID-19 are presented in the risk and opportunity report of the quarterly financial report Q1 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 Q1 2020 please find below the respective exchange rates:

Exchange rates

	Closing Rate			Average rate		
per EUR	**31.3.2020**	31.12.2019	31.3.2019	Q1 2020	FY 2019	Q1 2019
US dollars	1.0965	1.1223	1.1231	1.1019	1.1195	1.1354

DISCLAIMER

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

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

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

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

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

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