

Interim management report

Economic environment

Macroeconomic development

According to estimates of the International Monetary Fund (IMF), gross domestic product (GDP) made surprisingly good progress on the whole during the first quarter of 2021, especially in Asia and Latin America. However, the upturn in industrial output and global trade was hampered by supply constraints and logistical issues. In Europe, the recovery was additionally restrained by high infection rates and measures taken to prevent the spread of the coronavirus. Experts forecast that the recovery will continue to gather pace in the second quarter – particularly in those economies in which infection rates are under control and vaccination rates are enabling an easing of pandemic-related restrictions.

While the Chinese economy displayed strong growth of 18.3 % driven by catch-up effects in the first quarter of 2021, growth returned to a more normal rate of 7.9 % in the second quarter. Overall, Beijing reported an increase in GDP of 12.7 % for the first six months of 2021. Russia continues to suffer from low oil prices and reported a decrease in economic output of 0.7 %. In comparison to the same quarter in 2020, which was still largely unaffected by the pandemic, Eurostat estimates that GDP in the eurozone fell slightly by 1.3 % in the first three months of 2021. Trends varied widely in the different countries. While Estonia registered strong GDP growth of 5.0 % and Eastern European countries such as Slovenia and Slovakia also performed well, the economies of Hungary (- 1.6 %), the Czech Republic (- 1.8 %) and Germany (- 3.1 %) were only able to cushion the negative consequences of the pandemic.

According to the German Federal Statistical Office (Destatis), exports in Germany during May 2021 were 0.3 % below the pre-pandemic level of February 2020, while imports were up significantly by 9.4 %. Compared to the previous quarter, exports increased by 0.3 % and imports by 3.4 % in May 2021.

Sector development

According to estimates of the market research institute Drewry, **global container throughput** made a strong recovery in the first half of 2021: Growth of 10.0 % was recorded in the first quarter of 2021. Even compared with the pre-pandemic levels of Q1 2019, growth still amounted to 7.5 %. For the second quarter of 2021, experts expect a further increase in global container throughput of 16.6 %.

Development of container throughput by region

in %	Q2 21	Q1 21
World	16.6	10.0
Europe as a whole	12.1	3.2
North-West Europe	14.8	5.9
Scandinavia and the Baltic region	1.1	3.3
Western Mediterranean	18.4	2.7
Eastern Mediterranean and the Black Sea	6.6	- 1.3

Source: Drewry Maritime Research, July 2021

In the shipping region **Europe**, the recovery of container throughput was slightly weaker than the global average. Although the pace of growth was still modest in the first quarter of 2021, Drewry expects a 12.1 % jump in volumes handled by European ports in the second quarter. Significant momentum is expected above all from the North-West Europe and Western Mediterranean shipping regions. According to forecasts, however, Scandinavia and the Baltic region will have difficulty recovering and matching the growth trajectory of the other shipping regions.

In the **North Range**, Rotterdam benefitted of the economic recovery with throughput of 7.6 million TEU in the reporting period, 8.7 % more containers than in the first half of 2020. As of 30 June 2021, 5.1 % more containers passed over the quay-side in Antwerp than in the same period of the previous year. At the time of reporting, no comparable data for the first half of 2021 was yet available for all port in the German Bay. A total of 3.7 million TEU were handled in Hamburg, the Bremen ports and Wilhelmshaven in the first quarter of 2021. This corresponds to a year-on-year increase of 6.1 %. If the recovery continues, a further increase in throughput volume is expected for the second quarter. The ports of Bremen reported a volume increase of 11.1 % to 2.6 million TEU for the first half-year. At 3.1 million TEU, throughput at HHLA's three Hamburg container terminals was up by 0.5 % year-on-year in the first six months of 2021.

Course of business and economic situation

Key figures

in € million	1–6 2021	1–6 2020	Change
Revenue	709.2	628.4	12.8 %
EBITDA	176.2	140.1	25.8 %
EBITDA margin in %	24.9	22.3	2.6 pp
EBIT	90.5	55.5	63.2 %
EBIT margin in %	12.8	8.8	4.0 pp
Profit after tax and minority interests	38.8	14.1	175.1 %
ROCE in %	8.5	5.4	3.1 pp

Significant events and transactions

The first-time consolidation of 50.01 % of shares in Piattaforma Logistica Trieste S.r.l., Trieste, Italy (renamed HHLA PLT Italy S.r.l.), took place on the acquisition date of 7 January 2021. The company was included in HHLA's consolidated group as a fully consolidated company on 31 March 2021.

The first-time consolidation of 80.0 % of shares in Mülheim an der Ruhr-based iSAM AG and its three subsidiaries took place on the acquisition date of 19 January 2021. The companies were included in HHLA's consolidated group as fully consolidated companies on 31 March 2021.

Within the Port Logistics and Real Estate subgroups, both the key economic indicators for the first half of 2021 and HHLA's actual economic performance were largely in line with the performance forecast in the 2020 combined management report. However, expectations for container transport and revenue were raised for the Port Logistics subgroup and the Group. **Business forecast**

There were no other particular events or transactions during the reporting period, either in HHLA's operating environment or within the Group, that had a significant impact on its results of operations, net assets and financial position. **Earnings position, financial position**

Earnings position

HHLA's performance data benefited from the economic recovery to varying degrees in the first half of 2021. **Container throughput** increased slightly by 0.7 % year-on-year to 3,369 thousand TEU (previous year: 3,345 thousand TEU) due to moderate growth in cargo volumes for Far East services, which more than offset the pandemic-related volume shortfalls in the previous year and the loss of a Far East service in May 2020. The international terminals recorded moderate growth in throughput volumes during the reporting period.

Container transport increased strongly by 16.0 % to 832 thousand TEU (previous year: 718 thousand TEU). Rail continued to benefit more than road from the recovery in freight volumes that already began in the second half of 2020.

The HHLA Group's **revenue** rose by 12.8 % to € 709.2 million in the reporting period (previous year: € 628.4 million). This was mainly the result of a temporary spike in storage fees in the Container segment caused by ongoing ship delays and the blocking of the Suez Canal, as well by the pandemic-related low comparative base of the previous year.

In its Container, Intermodal and Logistics segments, the listed Port Logistics subgroup generated revenue of € 695.1 million in the reporting period (previous year: € 614.2 million). This increase was largely in line with the trend for the Group as a whole. The non-listed Real Estate subgroup posted revenue of € 18.4 million (previous year: € 18.0 million).

Changes in inventories of € 1.6 million (previous year: € 0.6 million) largely resulted from the first-time consolidation of iSAM AG. During the reporting period, **own work capitalised** amounted to € 2.1 million (previous year: € 2.2 million).

Other operating income decreased by 12.2 % to € 19.6 million (previous year: € 22.3 million). In the previous year, a liability from a contingent consideration agreed as part of the acquisition of Bionic Production GmbH was derecognised in profit and loss as a result of a new agreement with the seller. This amount had a significant effect on the decrease in other operating income.

Operating expenses rose by 7.3 % to € 641.9 million (previous year: € 598.0 million). There were significant differences in the development of the various expenses: while depreciation and amortisation showed a slight increase, there was a significant rise in the cost of materials and personnel expenses and a strong increase in other operating expenses.

The **cost of materials** rose by 8.5 % to € 202.0 million during the reporting period (previous year: € 186.1 million). In addition to higher volumes in container transport, the increase also resulted from the consolidation of HHLA PLT Italy and iSAM AG, as well as the increased storage load in the Container segment. The cost of materials ratio fell to 28.5 % (previous year: 29.6 %).

There was a significant year-on-year increase of 7.1 % in **personnel expenses** to € 278.4 million (previous year: € 260.0 million). This was due to the increase in headcount caused by the expansion of operations in rail transport and new activities. The personnel expense ratio decreased to 39.3 % (previous year: 41.4 %).

Other operating expenses rose strongly by 12.6 % to € 75.8 million in the reporting period (previous year: € 67.3 million). This was due to an increase in expenses for consultancy and services for ongoing projects, primarily the restructuring of the Container segment and new activities in the Logistics segment. The ratio of expenses to revenue remained unchanged at 10.7 %.

The **operating result before depreciation and amortisation (EBITDA)** increased by 25.8 % to € 176.2 million (previous year: € 140.1 million). This was mainly influenced by the temporary increase in storage fees. The EBITDA margin rose to 24.9 % during the reporting period (previous year: 22.3 %).

Depreciation and amortisation increased slightly to € 85.7 million (previous year: € 84.6 million), while its ratio to revenue decreased to 12.1 % (previous year: 13.5 %).

There was a strong increase in the **operating result (EBIT)** of € 35.0 million or 63.2 % to € 90.5 million during the reporting period (previous year: € 55.5 million). The **EBIT margin** amounted to 12.8 % (previous year: 8.8 %). In the Port Logistics subgroup, EBIT rose by 70.4 % to € 83.8 million (previous year: € 49.1 million). In the Real Estate subgroup, EBIT climbed 7.1 % to € 6.6 million (previous year: € 6.1 million).

Net expenses from the **financial result** fell by € 4.1 million or 23.1 % to € 13.6 million (previous year: € 17.7 million). This was mainly due to the decrease in interest expenses.

At 31.8 %, the Group's **effective tax rate** was up on the prior-year figure (previous year: 30.9 %).

Profit after tax increased by 101.0 %, from € 26.1 million to € 52.5 million. There was a strong year-on-year increase in **profit after tax and minority interests** to € 38.8 million (previous year: € 14.1 million). **Earnings per share** amounted to € 0.52 (previous year: € 0.19). The listed Port Logistics subgroup achieved earnings per share of € 0.49 (previous year: € 0.15). Earnings per share of the non-listed Real Estate subgroup were also up year-on-year to € 1.45 (previous year: € 1.27). The **return on capital employed (ROCE)** amounted to 8.5 % (previous year: 5.4 %).

Financial position

Balance sheet analysis

Compared with year-end 2020, the HHLA Group's **balance sheet total** grew by a total of € 160.9 million to € 2,752.0 million as of 30 June 2021 (31 December 2020: € 2,591.1 million).

Balance sheet structure

in € million	30.06.2021	31.12.2020
Assets		
Non-current assets	2,249.7	2,150.9
Current assets	502.3	440.2
	2,752.0	2,591.1
Equity and liabilities		
Equity	594.4	567.0
Non-current liabilities	1,784.4	1,724.7
Current liabilities	373.2	299.4
	2,752.0	2,591.1

On the assets side of the balance sheet, the increase in **non-current assets** of € 98.8 million to € 2,249.7 million was mainly in property, plant and equipment due to the first-time consolidation of the new companies (31 December 2020: € 2,150.9 million). **Current assets** rose by € 62.1 million to € 502.3 million (31 December 2020: € 440.2 million). This was mainly attributable to the increase in cash, cash equivalents and short-term deposits of € 37.4 million as well as the increase in trade receivables of € 23.8 million.

On the liabilities side, **equity** rose by € 27.4 million to € 594.4 million compared to the year-end figure for 2020 (31 December 2020: € 567.0 million). The increase was mainly due to the positive result for the reporting period of € 52.5 million, the interest-related change in actuarial gains including tax effects outside profit or loss, as well as the increase in non-controlling interests as a result of the first-time consolidation of the new companies. There was an opposing effect in connection with the first-time consolidation of HHLA PLT Italy S.r.l. from the reclassification to financial liabilities of the potential obligation from a put option, as well as from the reclassification to liabilities of the dividend obligation for the 2020 financial year. The equity ratio decreased slightly to 21.6 % (31 December 2020: 21.9 %).

Non-current liabilities rose by € 59.7 million to € 1,784.4 million (31 December 2020: € 1,724.7 million). The increase is primarily due to the rise in non-current financial liabilities totalling € 94.7 million. There was an opposing effect in particular from the decrease in pension provisions and from the reduction in liabilities to related parties. **Current liabilities** rose by € 73.8 million to € 373.2 million (31 December 2020: € 299.4 million), primarily as a result of the increase in other non-financial liabilities, trade payables and liabilities to related parties.

Investment analysis

Capital expenditure in the reporting period totalled € 90.3 million, and was thus slightly above the prior-year figure of € 89.0 million. Property, plant and equipment accounted for € 84.9 million (previous year: € 85.5 million) of capital expenditure and intangible assets for € 5.5 million (previous year: € 3.5 million). The majority of capital expenditure was for expansion work.

Capital expenditure in the first half of 2021 focused mainly on the procurement of large-scale equipment for horizontal transport, storage cranes and container gantry cranes at HHLA's container terminals, primarily in the Port of Hamburg. Investments were also made in the expansion of the hinterland terminals and the purchase of container wagons in the METRANS Group, as well as in the development of the Speicherstadt historical warehouse district in Hamburg.

Liquidity analysis

Cash flow from operating activities declined by € 9.8 million to € 150.0 million as of 30 June 2021 (previous year: € 159.8 million). This was due to a year-on-year increase in trade receivables and other assets, as well as higher tax payments. There was an opposing effect from the year-on-year increase in EBIT and the stronger rise in trade payables and other liabilities.

Investing activities led to a net cash outflow of € 86.7 million (previous year: € 77.2 million). This primarily resulted from the year-on-year increase in payments for the acquisition of shares in consolidated companies and lower proceeds from the disposal of intangible assets and property, plant and equipment. The year-on-year decrease in payments for investments in property, plant and equipment and higher payments for short-term deposits had an opposing effect.

Cash flow from financing activities of € 28.8 million was € 9.6 million below the prior-year figure of € 38.4 million. This was primarily due to new financial loans as compared with the previous year. Higher payments for the redemption of financial loans had an opposing effect.

Financial funds as of 30 June 2021 totalled € 203.8 million (30 June 2020: € 251.1 million). Including all short-term deposits, the Group's available liquidity at the end of the first half of 2021 amounted to € 238.8 million (30 June 2020: € 296.1 million). As of 30 June 2021, available liquidity comprises cash pooling receivables from HGV amounting to € 74.5 million (30 June 2020: € 93.0 million) as well as cash, cash equivalents and short-term deposits of € 164.3 million (30 June 2020: € 203.1 million).

Liquidity analysis

in € million	1–6 2021	1–6 2020
Financial funds as of 01.01.	168.8	208.0
Cash flow from operating activities	150.0	159.8
Cash flow from investing activities	- 86.7	- 77.2
Free cash flow	63.3	82.6
Cash flow from financing activities	- 28.8	- 38.4
Change in financial funds	34.9	43.0
Financial funds as of 30.06.	203.8	251.1
Short-term deposits	35.0	45.0
Available liquidity	238.8	296.1

Segment performance

Container segment

Key figures

in € million	1–6 2021	1–6 2020	Change
Revenue	404.9	363.4	11.4 %
EBITDA	113.6	84.2	35.0 %
EBITDA margin in %	28.1	23.2	4.9 pp
EBIT	63.4	36.8	72.1 %
EBIT margin in %	15.6	10.1	5.5 pp
Container throughput in thousand TEU	3,369	3,345	0.7 %

In the first half of 2021, **container throughput** at **HHLA's container terminals** increased slightly year-on-year by 0.7 % to 3,369 thousand standard containers (TEU) (previous year: 3,345 thousand TEU).

At 3,073 thousand TEU, throughput volume at the three **Hamburg container terminals** was up 0.5 % on the same period last year (previous year: 3,058 thousand TEU). This was in particular due to the moderate increase in cargo volumes for Far East services, which more than offset the pandemic-related volume shortfalls in the previous year and the loss of a Far East service in May 2020. There was a moderate decline in feeder traffic, particularly in the Baltic region. The proportion of seaborne handling by feeders was down by 0.8 percentage points to 19.8 % (previous year: 20.6 %).

Throughput volumes at the **international container terminals** in Odessa and Tallinn rose moderately by 3.4 % to 296 thousand TEU (previous year: 286 thousand TEU). Only RoRo ships – and no container ships to date – were processed at the Trieste container terminal during the first six months of 2021.