

Interim management report

Economic environment

Macroeconomic development

According to the International Monetary Fund (IMF), the global economic climate has increasingly deteriorated over the course of 2022 following its tentative recovery in 2021. Global output shrank in the second quarter due to decreases in China and Russia, while consumer spending in the USA was below expectations. Several factors had an impact on a global economy already weakened by the pandemic: unexpectedly high inflation all over the world – in particular in the United States and major European economies – which prompted a worsening of the financial environment, an unexpectedly strong downturn in China as a result of COVID-19 outbreaks and associated strict lockdown measures, and the negative effects of the war in Ukraine.

While the Chinese economy grew by 4.4 % in the first quarter of 2022, the country's zero-COVID policy and property crisis brought economic growth in the world's second-biggest economy to an almost complete standstill in the second quarter. Between April and June, China's GDP rose by just 0.4 % year-on-year. Overall, Beijing reported an increase in GDP of 2.5 % for the first six months of 2022. The IMF believes that the Russian economy shrank by less than previously assumed in the second quarter, as crude oil and non-energy exports as well as domestic demand proved to be more robust than expected. By contrast, the effects of the war in Ukraine on the major European economies were more negative than anticipated. According to the IMF, this was due to higher energy prices, weaker consumer confidence and a slower production rate due to the disrupted supply chains.

The disruptions to supply chains are also reflected in Germany's foreign trade: while exports rose by 11.2 % year-on-year between January and May 2022, exports in May 2022 were down 0.5 % on the previous month. Imports in the first five months were up 27.5 % year-on-year. Compared with the previous month of April, imports increased by 2.7 % in May 2022.

Sector development

According to estimates of the market research institute Drewry, **global container throughput** was weaker than expected in the first half of 2022. In the first quarter of 2022, global container throughput shrank by 0.5 % compared with the previous year's quarter, which had exhibited strong catch-up effects. In June, Drewry still assumed a slight recovery in throughput volumes for the second quarter.

At **European ports**, the disruptions to supply chains and the associated congestion at container terminals in the first two months of 2022 were further exacerbated by particularly bad weather conditions, resulting in lower productivity and therefore

volume losses at some Northern European ports. The **Europe shipping region** thus recorded a decrease in volumes of 3.5 % in the first quarter. Despite the noticeable decline in throughput volumes, the Northern European hubs continue to be congested with export containers. Drewry cites the closure of Shanghai and the associated cancellation of approximately a third of scheduled departures as the reason for this container backlog. During this time, forwarders stored export containers in particular at the terminal operators' storage facilities. In the second quarter, further pressure was put on capacities by the long-term storage of numerous Russian-bound containers blocked by customs. Drewry believes that such congestion means that it will take a long time before processes at the terminals return to normal. In June, however, Drewry expected that the development of throughput in the second quarter would be generally positive.

Development of container throughput by region

in %	Q2 22	Q1 22
World	2.8	- 0.5
Europe as a whole	4.6	- 1.2
North-West Europe	3.7	- 3.5
Scandinavia and the Baltic region	- 0.6	- 3.9
Western Mediterranean	4.5	- 3.2
Eastern Mediterranean and the Black Sea	8.1	5.7

Source: Drewry Maritime Research, June 2022

The throughput figures for the **North Range ports** reported so far though have not been a clear confirmation of the trend reversal forecast by Drewry for the second quarter. Rotterdam reported a stronger decline of 4.4 % to 7.3 million TEU in the first half-year. After container volumes in Antwerp plummeted by 11.6 % in the first quarter, the pace of the decrease slowed to 6.2 % for the first six months. A total of 6.8 million TEU had passed through the port as of 30 June 2022. At the time of reporting, comparable data for the first half of 2022 was not yet available for all of the ports in the German Bight. In the first quarter, container throughput in the German Bight was on a par with the previous year, with a marginal decline in total throughput volume of 0.2 % to 3.7 million TEU. The Port of Hamburg recorded an increase of 1.8 % to 2.2 million TEU in the first quarter.

Course of business and economic situation

Key figures

in € million	1–6 2022	1–6 2021	Change
Revenue	779.5	709.2	9.9 %
EBITDA	191.3	176.2	8.5 %
EBITDA margin in %	24.5	24.9	- 0.4 pp
EBIT	101.3	90.5	11.9 %
EBIT margin in %	13.0	12.8	0.2 pp
Profit after tax and minority interests	43.9	38.8	13.1 %
ROCE in %	8.9	8.5	0.4 pp

Significant events and transactions

The first-time consolidation of 100 % of shares in the companies CL EUROPORT s.r.o., based in Plzen, Czech Republic, and CL EUROPORT Sp. z o.o., based in Malaszewicze, Poland, took place on the acquisition date of 4 January 2022. The companies were included in HHLA's consolidated group as fully consolidated companies as of 31 March 2022.

With the invasion by Russian troops on 24 February 2022, the economic environment and economic developments in Ukraine have deteriorated. At the moment, it is still not possible to determine the further impact on the global economy in the future with any certainty. Consequently, effects may arise that could have a negative influence on the future results of operations, net assets and financial position of the HHLA Group.

There were interest rate-related reductions in provisions, which in the case of pension obligations led to a significant increase in equity without affecting profit and loss. Corresponding effects occurred with deferred taxes. There were no other material effects on the recognition or measurement of the Group's assets and liabilities as of 30 June 2022.

Within the Port Logistics and Real Estate subgroups, the key economic indicators for the first half of 2022 and HHLA's actual economic performance were largely in line with the performance forecast in the 2021 combined management report, which outlined the possible effects of the Russian invasion based on the information available at the time. However, the expectations for container throughput as well as earnings expectations in the Intermodal segment were gradually revised downwards. By contrast, the expectations for revenue and EBIT in the Real Estate subgroup were upgraded. The EBIT expectations for the Port Logistics subgroup and the Group remain unchanged within the ranges mentioned. **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. **Results of operations, net assets and financial position**

Earnings position

The development of HHLA's performance data varied slightly in the first half of 2022. At 3,368 thousand TEU, **container throughput** was stable compared with the previous year (previous year: 3,369 thousand TEU), even though seaborne handling at the terminal in Odessa has been suspended since 24 February 2022. This trend was made possible by strong volume growth at the TK Estonia container terminal and a slight increase in container throughput at the container terminals in Hamburg.

Container transport rose slightly by 2.2 % to 851 thousand TEU (previous year: 832 thousand TEU). While road transport fell significantly as a result of the ongoing challenges in the market environment, rail transport increased moderately due to a rise in traffic from the North German seaports and in Polish traffic.

The HHLA Group's **revenue** rose by 9.9 % to € 779.5 million in the reporting period (previous year: € 709.2 million). This resulted, on the one hand, from the significant increase in storage fees at the container terminals in Hamburg, Tallinn and Trieste due to longer dwell times caused by supply chain backlogs and, on the other hand, from the further increase in the rail share of HHLA's intermodal transport and temporary surcharges to compensate proportionally for the significant rise in energy prices.

In its Container, Intermodal and Logistics segments, the listed Port Logistics subgroup generated revenue of € 761.9 million in the reporting period (previous year: € 695.1 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 € 21.5 million (previous year: € 18.4 million).

During the reporting period, **changes in inventories** amounted to € 2.6 million (previous year: € 1.6 million) and **own work capitalised** to € 2.2 million (previous year: € 2.1 million).

Other operating income increased by 20.6 % to € 23.6 million (previous year: € 19.6 million)

Operating expenses rose by 10.1 % to € 706.7 million (previous year: € 641.9 million). The increase varied widely across the different types of expenses. While other operating expenses and the cost of materials rose strongly, depreciation and amortisation increased significantly and personnel expenses rose moderately.

The **cost of materials** went up by 16.8 % to € 235.8 million during the reporting period (previous year: € 202.0 million). In addition to higher prices for electricity and fuel, the increase resulted primarily from operational interruptions to rail transport due to storm damage in February and construction work on the German rail infrastructure and from the disruptions to international transport chains. The costs of materials ratio rose to 30.2 % (previous year: 28.5 %).

There was a moderate year-on-year increase of 4.0 % in **personnel expenses** to € 289.5 million (previous year: € 278.4 million). The increase resulted from a higher headcount due to the expansion of operations in rail transport and new activities and from additional expenses due to the very high storage load at the container terminals. The personnel expense ratio decreased to 37.1 % (previous year: 39.3 %). In the previous year, allocations to the restructuring provision were higher than in the reporting period, during which restructuring provisions were partially reversed due in particular to interest rates.

Other operating expenses rose significantly by 20.5 % to € 91.4 million in the reporting period (previous year: € 75.8 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 rose to 11.7 % (previous year: 10.7 %).

The **operating result before depreciation and amortisation (EBITDA)** increased by 8.5 % to € 191.3 million (previous year: € 176.2 million). The main cause was the significant rise in storage fees at the container terminals. However, the EBITDA margin decreased slightly to 24.5 % (previous year: 24.9 %).

Within **depreciation and amortisation**, there was an increase of 5.0 % to € 90.0 million (previous year: € 85.7 million), which was related to the valuation allowance required in the area of new business activities. The share as a percentage of revenue decreased to 11.5 % (previous year: 12.1 %).

There was a strong increase in the **operating result (EBIT)** of € 10.8 million or 11.9 % to € 101.3 million during the reporting period (previous year: € 90.5 million). The **EBIT margin** amounted to 13.0 % (previous year: 12.8 %). In the Port Logistics subgroup, EBIT rose by 9.4 % to € 91.7 million (previous year: € 83.8 million). In the Real Estate subgroup, EBIT increased by 43.7 % to € 9.4 million (previous year: € 6.6 million).

Net expenses from the **financial result** rose by € 1.8 million or 13.1 % to € 15.4 million (previous year: € 13.6 million). This was mainly due to the rise in interest expenses as a result of interest rate increases.

At 31.4 %, the Group's **effective tax rate** was slightly lower than in the previous year (previous year: 31.8 %).

Profit after tax was up 12.3 %, from € 52.5 million to € 58.9 million. There was a strong year-on-year increase in **profit after tax and minority interests** to € 43.9 million (previous year: € 38.8 million). **Earnings per share** amounted to € 0.58 (previous year: € 0.52). Earnings per share of the non-listed Port Logistics subgroup were € 0.53 (previous year: € 0.49). Earnings per share of the non-listed Real Estate subgroup were also up year-on-year at € 2.03 (previous year: € 1.45). The **return on capital employed (ROCE)** amounted to 8.9 % (previous year: 8.5 %).

Financial position

Balance sheet analysis

Compared with year-end 2021, the HHLA Group's **balance sheet total** decreased marginally by € 0.7 million to € 2,801.2 million as of 30 June 2022 (31 December 2021: € 2,801.9 million).

Balance sheet structure

in € million	30.06.2022	31.12.2021
Assets		
Non-current assets	2,274.9	2,294.0
Current assets	526.3	507.9
	2,801.2	2,801.9
Equity and liabilities		
Equity	786.0	705.2
Non-current liabilities	1,619.5	1,730.2
Current liabilities	395.7	366.5
	2,801.2	2,801.9

On the assets side of the balance sheet, **non-current assets** decreased by € 19.1 million to € 2,274.9 million (31 December 2021: € 2,294.0 million), primarily due to the decline in deferred tax assets. **Current assets** climbed by € 18.4 million to € 526.3 million (31 December 2021: € 507.9 million). This was largely attributable to the increase of € 37.5 million in trade receivables. There was an opposing effect from a decrease in receivables from related parties as well as in cash, cash equivalents and short-term deposits.

On the liabilities side, **equity** rose by € 80.8 million to € 786.0 million compared to the year-end figure for 2021 (31 December 2021: € 705.2 million). The increase was mainly due to the positive result for the reporting period of € 58.9 million and the interest rate-related change in actuarial gains including tax effects outside profit or loss. The distribution of dividends had the opposite effect. The equity ratio increased to 28.1 % (31 December 2021: 25.2 %).

Non-current liabilities fell by € 110.7 million to € 1,619.5 million (31 December 2021: € 1,730.2 million). The decline resulted primarily from the interest rate-related change in pension provisions. **Current liabilities** rose by € 29.2 million to € 395.7 million (31 December 2021: € 366.5 million), primarily as a result of the increase in trade liabilities, current financial liabilities and other non-financial liabilities. There was an opposing effect from a decrease in current liabilities to related parties.

Investment analysis

Capital expenditure in the reporting period totalled € 86.4 million and was thus slightly below the prior-year figure of € 90.3 million. Property, plant and equipment accounted for € 80.6 million (previous year: € 84.9 million) of capital expenditure and intangible assets for € 5.8 million (previous year: € 5.5 million). The majority of capital expenditure was for expansion work.

Capital expenditure in the first half of 2022 focused mainly on the procurement of large-scale equipment for horizontal transport and storage 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 locomotives and wagons for 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 € 22.7 million to € 127.3 million as of 30 June 2022 (previous year: € 150.0 million). This was mainly due to the bigger increase in trade receivables and other assets compared with the prior-year period, a smaller increase in trade liabilities and other liabilities, and the decrease (previous year: increase) in provisions. The higher EBIT compared with the prior-year period had the opposite effect.

Investing activities led to a cash outflow of € 52.1 million (previous year: € 86.7 million). This development was primarily the result of higher proceeds from short-term deposits compared with the prior-year period and lower payments for investments in property, plant and equipment.

Cash flow from financing activities (outflow) of € 70.4 million was € 41.6 million up on the prior-year figure of € 28.8 million. This was primarily due to the payment of dividends to the parent company's shareholders. A year-on-year increase in new financial loans and lower payments for the redemption of financial loans had the opposite effect.

Financial funds totalled € 177.9 million as of 30 June 2022 (30 June 2021: € 203.8 million). Including all short-term deposits, the Group's available liquidity at the end of the first half of 2022 amounted to € 217.9 million (30 June 2021:

€ 238.8 million). As of 30 June 2022, available liquidity comprises cash pooling receivables from HGV amounting to € 71.0 million (30 June 2021: € 74.5 million) as well as cash, cash equivalents and short-term deposits of € 146.9 million (30 June 2021: € 164.3 million).

Liquidity analysis

in € million	1–6 2022	1–6 2021
Financial funds as of 01.01.	173.0	168.8
Cash flow from operating activities	127.3	150.0
Cash flow from investing activities	- 52.1	- 86.7
Free cash flow	75.2	63.3
Cash flow from financing activities	- 70.4	- 28.8
Change in financial funds	4.9	34.9
Financial funds as of 30.06.	177.9	203.8
Short-term deposits	40.0	35.0
Available liquidity	217.9	238.8

Segment performance

Container segment

Key figures

in € million	1–6 2022	1–6 2021	Change
Revenue	438.8	404.9	8.4 %
EBITDA	130.4	113.6	14.7 %
EBITDA margin in %	29.7	28.1	1.6 pp
EBIT	80.2	63.4	26.6 %
EBIT margin in %	18.3	15.6	2.7 pp
Container throughput in thousand TEU	3,368	3,369	- 0.0 %

In the first half of 2022, **container throughput** at **HHLA's container terminals** remained unchanged from last year's level of 3,368 thousand standard containers (TEU) (previous year: 3,369 thousand TEU).

At 3,167 thousand TEU, throughput volume at the three **Hamburg container terminals** was up 3.1 % on the same period last year (previous year: 3,073 thousand TEU). This positive development was essentially driven by an increase in the Far East shipping region – China in particular. In addition, the acquisition of a feeder service for the Baltic Sea region in the third quarter of 2021 and another two services in the first quarter of 2022 led to strong growth in feeder traffic volumes. This more than offset the collapse in volumes to and from Russia since March 2022 as a result of the sanctions imposed by the EU. Feeder services accounted for 20.9 % of seaborne handling in the first six months of 2022, which was slightly higher than in the previous year (previous year: 19.8 %).