Business development

Course of business and economic situation

Key figures

in € million	1–3 | 2020	1–3 | 2019	Change
Revenue	335.7	347.6	- 3.4 %
EBITDA	77.5	98.4	- 21.3 %
EBITDA margin in %	23.1	28.3	- 5.2 pp
EBIT	36.7	59.7	- 38.6 %
EBIT margin in %	10.9	17.2	- 6.3 pp
Profit after tax and minority interests	10.1	29.4	- 65.6 %
ROCE in %	7.0	12.0	- 5.0 pp

Significant events and transactions

The impact of the coronavirus pandemic on HHLA's earnings position in the first quarter of the financial year was significant but had no material impact on the recognition or measurement of the Group's assets and liabilities as of 31 March 2020.

Within the Port Logistics subgroup, both the key economic indicators reported for the first three months of 2020 and HHLA's actual economic performance were largely in line with the performance forecast in the 2019 Annual Report. With regard to the Real Estate subgroup, the development outlined in the 2019 Annual Report for the first three months of 2020 is not yet visible. 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 in the first quarter of 2020 was already affected by the global coronavirus pandemic. **Container throughput** decreased moderately by 3.7 % year-on-year to 1,796 thousand TEU (previous year: 1,865 thousand TEU). This decline was mitigated by strong throughput at the start of the year and was limited to the container terminals in Hamburg. Throughput at the international terminals was at about the same level as last year, although there were strong regional variations in the first quarter. **Container transport** decreased significantly by 5.1 % to 378 thousand TEU (previous year: 398 thousand TEU). The drop in road transport was severe, whereas for rail transport it was more moderate.

The 3.4 % decrease in the HHLA Group's **revenue** to € 335.7 million (previous year: € 347.6 million) was slightly less than the fall in performance data. One reason for this was that the coronavirus pandemic had not yet affected revenue of the Real Estate segment.

Other operating income amounted to € 8.3 million (previous year: € 8.4 million).

Operating expenses rose by 3.7 % to € 309.0 million (previous year: € 298.1 million). This opposing trend to the performance data and revenue was due to the development of union wage rates, as well as an increase in headcount and depreciation charges.

There was a strong decrease in the **operating result (EBIT)** of € 23.0 million or 38.6 % to € 36.7 million during the reporting period (previous year: € 59.7 million). The **EBIT margin** amounted to 10.9 % (previous year: 17.2 %). In the Port Logistics subgroup, EBIT declined by 41.7 % to € 32.5 million (previous year: € 55.7 million). The Real Estate subgroup achieved EBIT growth of 6.0 % to € 4.1 million (previous year: € 3.9 million).

Net expenses from the **financial result** increased by € 3.0 million, or 38.0 %, to € 10.9 million (previous year: € 7.9 million).

Profit after tax and minority interests was significantly lower than the previous year at € 10.1 million (previous year: € 29.4 million). **Earnings per share** amounted to € 0.14 (previous year: € 0.40). The listed Port Logistics subgroup achieved earnings per share of € 0.11 (previous year: € 0.39). Earnings per share of the non-listed Real Estate subgroup were up on the prior-year figure at € 0.91 (previous year: € 0.83). **Return on capital employed (ROCE)** reached 7.0 % (previous year: 12.0 %).

Financial position

Balance sheet analysis

Compared with year-end 2019, the HHLA Group's **balance sheet total** declined by € 2.6 million to € 2,607.4 million as of 31 March 2020 (31 December 2019: € 2,610.0 million).

Balance sheet structure

in € million	31.03.2020	31.12.2019
Assets		
Non-current assets	2,108.0	2,124.3
Current assets	499.4	485.7
	2,607.4	**2,610.0**
Equity and liabilities		
Equity	617.3	578.9
Non-current liabilities	1,678.7	1,749.8
Current liabilities	311.4	281.3
	2,607.4	**2,610.0**

On the assets side of the balance sheet, **non-current assets** decreased by € 16.3 million to € 2,108.0 million, primarily due to adjustments in deferred taxes (31 December 2019: € 2,124.3 million). **Current assets** increased by € 13.7 million to € 499.4 million (31 December 2019: € 485.7 million). This was largely attributable to the increase in trade receivables.

On the liabilities side, **equity** rose by € 38.4 million to € 617.3 million compared to the year-end figure for 2019 (31 December 2019: € 578.9 million). The increase was largely due to interest rate adjustments to pension provisions and to the positive result for the reporting period. There was an opposing effect from foreign currency translation differences. The equity ratio rose by 1.5 percentage points to 23.7 % (31 December 2019: 22.2 %).

Non-current liabilities decreased by € 71.1 million to € 1,678.7 million (31 December 2019: € 1,749.8 million). Primarily as a result of the interest rate adjustment, pension provisions decreased by € 41.4 million compared to 31 December 2019. Furthermore, non-current financial liabilities decreased by € 21.1 million and non-current liabilities to related parties by € 9.6 million. **Current liabilities** increased by € 30.1 million to € 311.4 million, primarily as a result of the increase in trade liabilities, other liabilities and current financial liabilities (31 December 2019: € 281.3 million).

Investment analysis

Capital expenditure in the reporting period totalled € 51.0 million, well above the prior-year figure of € 35.4 million. The acquisition by METRANS of locomotives and container wagons, the procurement of container gantry cranes, storage cranes and large-scale equipment for horizontal transport at the HHLA container terminals in the Port of Hamburg and Odessa, as well as the development of the Hamburg Speicherstadt historical warehouse district accounted for a major share of capital expenditure in the first quarter of 2020.

Liquidity analysis

Cash flow from operating activities declined by € 15.5 million to € 78.9 million as of 31 March 2020 (previous year: € 94.4 million). This was primarily due to the decrease in EBIT.

Investing activities led to cash outflow of € 64.3 million (previous year: € 47.9 million). This development was primarily the result of the year-on-year increase in payments for investments in property, plant and equipment, with lower payments for short-term deposits having an opposing effect.

Cash flow from financing activities was virtually unchanged with cash outflows of € 18.9 million (previous year: € 18.7 million).

Financial funds totalled € 202.1 million as of 31 March 2020 (31 March 2019: € 282.3 million). Including all short-term deposits, the Group's available liquidity at the end of the first quarter of 2020 amounted to € 257.1 million (31 March 2019: € 322.3 million).

Liquidity analysis

in € million	**1–3 | 2020**	1–3 | 2019
Financial funds as of 01.01.	**208.0**	**254.0**
Cash flow from operating activities	78.9	94.4
Cash flow from investing activities	- 64.3	- 47.9
Free cash flow	**14.6**	**46.5**
Cash flow from financing activities	- 18.9	- 18.7
Change in financial funds	- 5.9	28.3
Financial funds as of 31.03.	**202.1**	**282.3**
Short-term deposits	55.0	40.0
Available liquidity	257.1	322.3

HHLA segments

Container segment

Key figures

in € million	**1–3 | 2020**	1–3 | 2019	Change
Revenue	195.6	200.9	- 2.6 %
EBITDA	49.8	61.9	- 19.5 %
EBITDA margin in %	25.4	30.8	- 5.4 pp
EBIT	25.8	37.8	- 31.7 %
EBIT margin in %	13.2	18.8	- 5.6 pp
Container throughput in thousand TEU	1,796	1,865	- 3.7 %

During the first three months of 2020, the **throughput volume** at **HHLA's container terminals** decreased by 3.7 % to 1,796 thousand standard containers (TEU) (previous year: 1,865 thousand TEU).

At the three **Hamburg container terminals**, throughput volume was down 4.1 % on the same period last year at 1,652 thousand TEU (previous year: 1,722 thousand TEU). Ship delays resulting from the severe storms over Northern Europe and the first wave of blank sailings resulting from the coronavirus pandemic led to a moderate decrease in cargo volumes from the Far East. Feeder traffic with the Baltic region decreased markedly and could not be offset by growth in the German shipping region. There was a corresponding decline in the proportion of seaborne handling by feeders of 2.6 percentage points to 20.9 % (previous year: 23.5 %). Handling volumes at the **international container terminals** in Odessa and Tallinn were on a par with the previous year at 144 thousand TEU (previous year: 143 thousand TEU).