Business development

Course of business and economic situation

Key figures

in € million	1–3 | 2021	1–3 | 2020	Change
Revenue	348.7	335.7	3.9 %
EBITDA	88.4	77.5	14.1 %
EBITDA margin in %	25.3	23.1	2.2 pp
EBIT	46.3	36.7	26.4 %
EBIT margin in %	13.3	10.9	2.4 pp
Profit after tax and minority interests	21.3	10.1	110.5 %
ROCE in %	8.7	7.0	1.7 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 took place on the acquisition date of 19 January 2021. The company was included in HHLA's consolidated group as a fully consolidated company on 31 March 2021.

Within the Port Logistics and Real Estate subgroups, both the key economic indicators for the first quarter of 2021 and HHLA's actual economic performance were largely in line with the performance forecast in the 2020 Combined Management Report.

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 earnings position, net assets and financial position. Earnings position, net assets and financial position

Earnings position

In the first three months of 2021, **container throughput** decreased significantly by 6.6 % year-on-year to 1,677 thousand TEU (previous year: 1,796 thousand TEU). This decrease was primarily recorded at the Hamburg container terminals and largely due to the loss of a Far East service in mid-May 2020, as well as to lower feeder volumes. By contrast, there was only a minor decrease in handling volumes at the international terminals.

In the reporting period, **container transport** grew strongly by 10.7 % to 418 thousand TEU (previous year: 378 thousand TEU). Rail transportation in particular continued its recovery started in the second half of 2020.

The HHLA Group's **revenue** increased by 3.9 % to € 348.7 million in the reporting period (previous year: € 335.7 million). In addition to higher container transport volumes, this increase was largely due to temporary spikes in storage fees, as well as to the acquisition of shares and associated first-time consolidation of two new companies.

Other operating income totalled € 8.8 million (previous year: € 8.3 million).

Operating expenses rose by 1.3 % to € 312.9 million (previous year: € 309.0 million). This increase was primarily attributable to the first-time consolidation of the two new companies. There was also a minor increase in depreciation and amortisation.

There was a strong increase in the **operating result (EBIT)** of 26.4 % to € 46.3 million during the reporting period (previous year: € 36.7 million). The increase was mainly driven by high storage fees and container transport volumes. The **EBIT margin** amounted to 13.3 % (previous year: 10.9 %). In the Port Logistics subgroup, EBIT rose by 33.4 % to € 43.3 million (previous year: € 32.5 million). Due in part to pandemic-related revenue shortfalls, EBIT in the Real Estate subgroup declined by 28.4 % to € 2.9 million (previous year: € 4.1 million).

Net expenses from the **financial result** fell by € 4.2 million or 37.9 % to € 6.8 million (previous year: € 10.9 million).

There was a strong year-on-year increase in **profit after tax and minority interests** to € 21.3 million (previous year: € 10.1 million). **Earnings per share** amounted to € 0.29 (previous year: € 0.14). The listed Port Logistics subgroup achieved earnings per share of € 0.27 (previous year: € 0.11). Earnings per share of the non-listed Real Estate subgroup were down on the prior-year figure at € 0.63 (previous year: € 0.91). **Return on capital employed (ROCE)** amounted to 8.7 % (previous year: 7.0 %).

Financial position

Balance sheet analysis

Compared with year-end 2020, the HHLA Group's **balance sheet total** rose by a total of € 130.0 million to € 2,721.1 million as of 31 March 2021 (31 December 2020: € 2,591.1 million).

Balance sheet structure

in € million	31.03.2021	31.12.2020
Assets		
Non-current assets	2,252.9	2,150.9
Current assets	468.2	440.2
	2,721.1	**2,591.1**
Equity and liabilities		
Equity	603.3	567.0
Non-current liabilities	1,777.6	1,724.7
Current liabilities	340.2	299.4
	2,721.1	**2,591.1**

On the assets side of the balance sheet, the increase in **non-current assets** of € 102.0 million to € 2,252.9 million, which was mainly in property, plant and equipment due to the first-time consolidation of two new companies (31 December 2020: € 2,150.9 million). **Current assets** rose by € 27.9 million to € 468.2 million (31 December 2020: € 440.2 million). This was mainly attributable to the increase in trade receivables, as well as in cash, cash equivalents and short-term deposits.

On the liabilities side, **equity** rose by € 36.3 million to € 603.3 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 € 28.2 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 two new companies. There was an opposing effect in connection with the first-time consolidation from the reclassification to financial liabilities of the potential obligation from a put option. The equity ratio increased slightly to 22.2 % (31 December 2020: 21.9 %).

Non-current liabilities rose by € 52.9 million to € 1,777.6 million (31 December 2020: € 1,724.7 million). The increase is primarily due to the rise in non-current financial liabilities totalling € 70.2 million. The interest-related decrease in pension provisions had an opposing effect. The rise in **current liabilities** of € 40.8 million to € 340.2 million (31 December 2020: € 299.4 million) is primarily a result of the increase in trade payables and other non-financial liabilities.

Investment analysis

Capital expenditure in the reporting period totalled € 42.7 million, well below the prior-year figure of € 51.0 million. In the first quarter of 2021, capital expenditure focused mainly on the acquisition of large-scale equipment for horizontal transport, storage cranes and container gantry cranes at HHLA's container terminals in the Port of Hamburg, the expansion of the hinterland terminals and the purchase of container wagons in the METRANS Group, as well as the development of the Speicherstadt historical warehouse district in Hamburg.

Liquidity analysis

Cash flow from operating activities declined by € 10.7 million to € 68.2 million as of 31 March 2021 (previous year: € 78.9 million). This was largely due to higher tax payments compared to the same period last year. The year-on-year increase in EBIT had an opposing effect.

Investing activities led to a net cash outflow of € 42.4 million (previous year: € 64.3 million). This development was primarily the result of lower payments for investments in property, plant and equipment, and lower payments for short-term deposits. Increased payments for the acquisition of shares in consolidated companies had an opposing effect.

Cash flow from financing activities of € 24.0 million was € 5.1 million up on the prior-year figure of € 18.9 million. This was primarily due to higher payments for the redemption of (financial) loans than in the previous year.

Financial funds totalled € 170.8 million as of 31 March 2021 (31 March 2020: € 202.1 million). Including all short-term deposits, the Group's available liquidity at the end of the first quarter of 2021 amounted to € 211.8 million (31 March 2020: € 257.1 million).

Liquidity analysis

in € million	1–3 | 2021	1–3 | 2020
Financial funds as of 01.01.	**168.8**	**208.0**
Cash flow from operating activities	68.2	78.9
Cash flow from investing activities	- 42.4	- 64.3
Free cash flow	**25.8**	**14.6**
Cash flow from financing activities	- 24.0	- 18.9
Change in financial funds	2.0	- 5.9
Financial funds as of 31.03.	**170.8**	**202.1**
Short-term deposits	41.0	55.0
Available liquidity	211.8	257.1

HHLA segments

Container segment

Key figures

in € million	1–3 | 2021	1–3 | 2020	Change
Revenue	198.1	195.6	1.3 %
EBITDA	57.6	49.8	15.7 %
EBITDA margin in %	29.1	25.4	3.7 pp
EBIT	32.7	25.8	26.6 %
EBIT margin in %	16.5	13.2	3.3 pp
Container throughput in thousand TEU	1,677	1,796	- 6.6 %

During the first three months of 2021, total **throughput volume** at **HHLA's container terminals** decreased year-on-year by 6.6 % to 1,677 thousand standard containers (TEU) (previous year: 1,796 thousand TEU).

At 1,533 thousand TEU, throughput volume at the three **Hamburg container terminals** was down 7.2 % on the same period last year (previous year: 1,652 thousand TEU). This was mainly due to the loss of a Far East service in mid-May 2020. Cargo volumes for Far East services subsequently decreased slightly, while volumes for Middle East services fell strongly. There was also a strong year-on-year decline in the UK shipping region. Feeder traffic in the Baltic region was also down significantly. The proportion of seaborne handling by feeders was down 1.2 percentage points to 19.7 % (previous year: 20.9 %).

Handling volumes at the **international container terminals** in Odessa and Tallinn fell slightly by 0.3 % to 143.8 thousand TEU (previous year: 144.3 thousand TEU). The container terminal in Trieste did not yet process any container ships in the first quarter.

Revenue increased year-on-year by 1.3 % to € 198.1 million in the first quarter of 2021 (previous year: € 195.6 million). Volume shortfalls were more than offset by an increase in revenue quality. The average revenue per container handled at the quayside rose significantly by 8.5 % year-on-year. This was due to an advantageous modal split with a high proportion of hinterland volumes and a temporary increase in storage fees resulting from longer dwell times caused by pandemic-related delays to sailings.

EBIT costs decreased by 2.5 % year-on-year during the reporting period, due in particular to the volume-related decline in material and personnel expenses. Adjustments were made primarily in the use of external staff.

The year-on-year increase in the **operating result (EBIT)** of 26.6 % to € 32.7 million (previous year: € 25.8 million), primarily attributable to the improved revenue quality. The EBIT margin rose by 3.3 percentage points to 16.5 %.

In the first quarter of 2021, HHLA continued to invest in climate-friendly handling equipment. For example, HHLA Container Terminal Tollerort (CTT) and HHLA Container Terminal Burchardkai (CTB) took delivery of eight and six new hybrid transport vehicles respectively, with much lower consumption than diesel-powered equipment. With the expansion and partial retrofit of its existing block storage system (YCS, yard crane system), the Container Terminal Burchardkai (CTB) helped to further modernise and boost the efficiency of our terminals. At the HHLA Container Terminal Altenwerder (CTA), the fleet was expanded with additional lower-emission battery-powered automated guided vehicles (AGVs) with electric charging function. The HHLA terminals abroad also invested in site expansion and more energy-efficient equipment.

Intermodal segment

Key figures

in € million	1–3 | 2021	1–3 | 2020	Change
Revenue	124.7	116.8	6.8 %
EBITDA	32.9	28.3	16.4 %
EBITDA margin in %	26.4	24.2	2.2 pp
EBIT	21.6	17.2	25.4 %
EBIT margin in %	17.3	14.7	2.6 pp
Container transport in thousand TEU	418	378	10.7 %

In the highly competitive market for container traffic in the hinterland of major seaports, HHLA's transport companies recorded a significant increase in volumes during the first three months of 2021. **Container transport** increased by 10.7 % to 418 thousand TEU (previous year: 378 thousand TEU). Rail continued to benefit more than road from the recovery in freight volumes that began in the second half of 2020. Rail transport increased by 12.1 % year-on-year to 336 thousand TEU (previous year: 300 thousand TEU). There was a significant increase in traffic from both the North German and Adriatic seaports. However, the strong year-on-year growth was mainly attributable to the rise in continental traffic. The upward trend of the previous quarters continued for road transport. In a persistently challenging market environment, transport volumes increased year-on-year by 5.4 % to 82 thousand TEU (previous year: 78 thousand TEU).

At € 124.7 million, **revenue** was significantly up by 6.8 % on the prior-year figure (previous year: € 116.8 million). However, this increase failed to match the strong rise in transport volumes. This was due to the fact that, despite a slight increase in the rail share of HHLA's total intermodal transportation from 79.4 % to 80.4 %, average revenue per TEU decreased as a result of changes to the structure of freight flows.

The **operating result (EBIT)** rose by 25.4 % to € 21.6 million in the reporting period (previous year: € 17.2 million). This strong increase was primarily due to the positive trend in volume and revenue.

Logistics segment

Key figures

in € million	**1–3 | 2021**	1–3 | 2020	Change
Revenue	17.9	14.2	25.9 %
EBITDA	1.1	1.1	5.0 %
EBITDA margin in %	6.3	7.6	- 1.3 pp
EBIT	- 0.7	- 0.6	neg.
EBIT margin in %	- 3.9	- 4.2	neg.
At-equity earnings	1.1	0.4	187.7 %

The consolidated companies reported **revenue** of € 17.9 million in the first quarter, up 25.9 % on the prior-year figure (previous year: € 14.2 million). The first-time consolidation of iSAM AG, an automation technology specialist, in the first quarter of 2021 made a particularly significant contribution to this positive trend. The vehicle logistics division was also able to boost its revenue due to increased volumes, while consultancy activities fell short of the strong prior-year performance.

The **operating result (EBIT)** recorded a loss of € 0.7 million in the reporting period (previous year: € - 0.6 million). This was caused by scheduled start-up losses of new activities.

The companies included in **at-equity earnings** posted a strong overall increase in revenue for the first three months of 2021. At-equity earnings improved to € 1.1 million, primarily as a result of bulk cargo handling (previous year: € 0.4 million).

Real Estate segment

Key figures

in € million	**1–3 | 2021**	1–3 | 2020	Change
Revenue	9.1	10.1	- 10.2 %
EBITDA	4.7	5.8	- 19.5 %
EBITDA margin in %	51.7	57.7	- 6.0 pp
EBIT	2.9	4.1	- 28.4 %
EBIT margin in %	32.1	40.3	- 8.2 pp

In the first quarter of 2021, Hamburg's office rental market stabilised again following the drop in revenue in the prior-year quarter caused by the coronavirus pandemic. According to the Grossmann & Berger's latest market report, 130,000 m^2 of office space was let, exceeding the prior-year figure by 36.8 % and thus almost matching the figure for the first quarter of 2019 of 135,000 m^2. Despite a slight increase in rental space available, the vacancy rate in Hamburg increased noticeably year-on-year from 3.0 % to 3.8 %.

By contrast, HHLA's properties in the Speicherstadt historical warehouse district and the Fischmarkt area were largely unaffected by these market fluctuations and still boasted almost full occupancy at the end of the first quarter of 2021.

Despite the high occupancy rate, however, **revenue** of € 9.1 million at 31 March 2021 was 10.2 % below the prior-year level (previous year: € 10.1 million). In addition to the partial waiving of rent deferrals, the decrease was primarily due to uncollectible revenue-based rent as a result of public orders.

While maintenance volumes remained constant, the cumulative **operating result (EBIT)** fell short of last year's figure by 28.4 % at € 2.9 million (previous year: € 4.1 million).

Changes in business forecast

Macroeconomic and sector outlook

In April 2021, the International Monetary Fund (IMF) largely confirmed its macroeconomic forecast issued at the beginning of the year and still anticipates a significantly positive economic trend for 2021 on the whole.

Growth expectations for GDP 2021

Growth expectation in %	Forecast January	Forecast March
World	5.5	6.0
Advanced economies	4.3	5.1
USA	5.1	6.4
Emerging economies	6.3	6.7
China	8.1	8.4
Russia	3.0	3.8
Eurozone	4.2	4.4
Central and Eastern Europe (emerging european economies)	4.0	4.4
Germany	3.5	3.6
World trade	8.1	8.4

Source: International Monetary Fund

By contrast, the market research institute Drewry recently significantly upgraded its sector outlook for 2021 as compared with December 2020. While the forecast for China was raised by 3.3 percentage points, the outlook for throughput in the European shipping regions has worsened considerably.

Expected container throughput by shipping region 2021

Growth expectation in %	Forecast December	Forecast March
World	8.9	8.7
Asia	9.0	9.7
China	9.1	12.4
Europe as a whole	7.7	4.0
North-West Europe	8.1	0.3
Scandinavia and the Baltic region	10.5	4.1
Western Mediterranean	9.3	7.3
Eastern Mediterranean and the Black Sea	4.8	7.7

Source: Drewry Maritime Research

HHLA already took this sector trend into account in its guidance issued in March 2021.

Expected Group performance

There were no new events of material importance in the reporting period.

The disclosures made in the 2020 Annual Report regarding the expected course of business in 2021 continue to apply.

Hamburg, 3 May 2021

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

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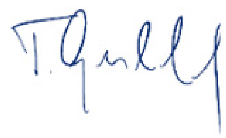

Torben Seebold