Business development

Course of business and economic situation

Key figures

in € million	1–3 | 2022	1–3 | 2021	Change
Revenue	386.2	348.7	10.7 %
EBITDA	96.6	88.4	9.3 %
EBITDA margin in %	25.0	25.3	- 0.3 pp
EBIT	53.7	46.3	15.9 %
EBIT margin in %	13.9	13.3	0.6 pp
Profit after tax and minority interests	22.8	21.3	7.0 %
ROCE in %	9.5	8.7	0.8 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, it must be assumed that the economic environment and economic development in Ukraine will deteriorate further. Moreover, it is still not possible to determine the impact on the global economy with any certainty. Consequently, effects may arise that could have a negative influence on the results of operations, net assets and financial position of the HHLA Group. The potential for future revaluations cannot be ruled out.

Within the Port Logistics and Real Estate subgroups, both the key economic indicators for the first quarter of 2022 and HHLA's actual economic performance were largely in line with the performance forecast in the 2021 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 results of operations, net assets and financial position. Results of operations, net assets and financial position

Earnings position

Container throughput at the HHLA container terminals increased moderately year-on-year by 3.7 % to 1,740 thousand TEU (previous year: 1,677 thousand TEU). The positive development at the terminals in Hamburg 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 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 in March 2022 as a result of the sanctions imposed by the EU.

Throughput volumes at the international terminals fell significantly in the reporting period. This was due to the significant decline in cargo volumes at the terminal in Odessa after operations there were suspended by the authorities at the end of February following the Russian invasion.

Container transport also increased moderately by 3.1 % to 431 thousand TEU (previous year: 418 thousand TEU). A significant drop in road transport was opposed by substantial growth in rail transport.

HHLA Group **revenue** rose by 10.7 % to € 386.2 million in the reporting period (previous year: € 348.7 million). All segments contributed to this growth, which was stronger than the increases in the performance data. This was caused by a further rise in storage fees in the Container segment as a result of the backlog in the supply chain and by a further increase in the share of rail transport within the Intermodal segment.

Other operating income rose by 41.2 % to € 12.4 million (previous year: € 8.8 million). This increase was largely due to a refund of traction energy costs and additional route costs for rail transportation.

The 10.8 % rise in **operating expenses** to € 346.6 million (previous year: € 312.9 million) was virtually on a par with revenue growth. However, the degree of increase varied widely across the different types of expenses: whereas depreciation and amortisation were up only slightly, personnel expenses rose considerably as a result of higher container volumes and in particular the increase in personnel necessitated by maximum storage capacity utilisation. There was a significant increase in the cost of materials and other operating expenses. In addition to rising electricity and energy prices, the cost of materials was impacted by interruptions due to storm damage and disruptions to rail transport chains. Other operating expenses were influenced by increased costs for consultancy and services for ongoing projects.

The **operating result (EBIT)** rose by € 7.4 million or 15.9 % to € 53.7 million in the reporting period (previous year: € 46.3 million). The **EBIT margin** amounted to 13.9 % (previous year: 13.3 %). In the Port Logistics subgroup, EBIT rose by 13.6 % to € 49.2 million (previous year: € 43.3 million). In the Real Estate subgroup, EBIT climbed 51.1 % to € 4.4 million (previous year: € 2.9 million).

Net expenses from the **financial result** increased by € 0.8 million or 11.5 % to € 7.6 million (previous year: € 6.8 million).

Profit after tax was up 9.7 %, from € 28.2 million to € 30.9 million. **Profit after tax and minority interests** rose significantly to € 22.8 million (previous year: € 21.3 million). **Earnings per share** amounted to € 0.30 (previous year: € 0.29). The listed Port Logistics subgroup achieved earnings per share of € 0.28 (previous year: € 0.27). Earnings per share of the non-listed Real Estate subgroup were up strongly year-on-year at € 0.93 (previous year: € 0.63). The **return on capital employed (ROCE)** amounted to 9.5 % (previous year: 8.7 %).

Financial position

Compared to year-end 2021, the HHLA Group's **balance sheet total** increased by € 79.1 million to € 2,881.0 million as of 31 March 2022 (31 December 2021: € 2,801.9 million).

Balance sheet structure

in € million	31.03.2022	31.12.2021
Assets		
Non-current assets	2,306.2	2,294.0
Current assets	574.8	507.9
	2,881.0	**2,801.9**
Equity and liabilities		
Equity	766.9	705.2
Non-current liabilities	1,707.3	1,730.2
Current liabilities	406.8	366.5
	2,881.0	**2,801.9**

On the assets side of the balance sheet, **non-current assets** rose by € 12.2 million to € 2,306.2 million (31 December 2021: € 2,294.0 million). The increase was mainly due to property, plant and equipment, which also grew as a result of the first-time consolidation of the new companies. The decrease in deferred taxes had an opposing effect. **Current assets** climbed by € 67.0 million to € 574.8 million (31 December 2021: € 507.9 million). This was mainly attributable to the increase in trade receivables, receivables from related parties and cash, cash equivalents and short-term deposits.

On the liabilities side, **equity** rose by € 61.7 million to € 766.9 million compared to year-end 2021 (31 December 2021: € 705.2 million). The increase was mainly due to the interest rate-related change in actuarial gains including tax effects outside profit or loss and the positive result for the reporting period of € 30.9 million. The equity ratio increased to 26.6 % (31 December 2021: 25.2 %).

Non-current liabilities fell by € 22.9 million to € 1,707.3 million (31 December 2021: € 1,730.2 million). The decline resulted primarily from the interest rate-related change in pension provisions. The increase in non-current financial liabilities had the opposite effect. The rise in **current liabilities** of € 40.3 million to € 406.8 million (31 December 2021: € 366.5 million) is primarily a result of the increase in trade liabilities and other non-financial liabilities.

Investment analysis

The investment volume in the reporting period totalled € 53.3 million, well above last year's figure of € 42.7 million. Capital expenditure in the first three months of 2022 focused mainly on the procurement of large-scale equipment for horizontal transport and storage cranes and on the expansion of storage space 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 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** rose by € 20.9 million to € 89.1 million as of 31 March 2022 (previous year: € 68.2 million). This was mainly due to the year-on-year increase in EBIT and in trade liabilities and other liabilities, as well as to lower income tax payments. There was an opposing effect from the year-on-year rise in trade receivables and other assets.

Investing activities led to a net cash outflow of € 30.8 million (previous year: € 42.4 million). This was largely due to proceeds (previous year: payments) from short-term deposits. There was an opposing effect from the year-on-year increase in payments for investments in property, plant and equipment.

Cash flow from financing activities amounted to € 1.0 million, representing a change of € 25.0 million compared with the prior-year figure of € - 24.0 million. This was primarily due to new financial loans of € 20.0 million, compared to the same period last year, and lower payments for the redemption of financial loans.

Financial funds totalled € 232.2 million as of 31 March 2022 (previous year: € 170.8 million). Including all short-term deposits, the Group's available liquidity at the end of the first quarter of 2022 amounted to € 272.2 million (previous year: € 211.8 million). As of 31 March 2022, available liquidity comprised cash pooling receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement amounting to € 102.3 million (previous year: € 77.5 million) as well as cash, cash equivalents and short-term deposits of € 170.0 million (previous year: € 134.3 million).

Liquidity analysis

in € million	1–3 | 2022	1–3 | 2021
Financial funds as of 01.01.	**173.0**	**168.8**
Cash flow from operating activities	89.1	68.2
Cash flow from investing activities	- 30.8	- 42.4
Free cash flow	**58.3**	**25.8**
Cash flow from financing activities	1.0	- 24.0
Change in financial funds	59.1	2.0
Financial funds as of 31.03.	**232.2**	**170.8**
Short-term deposits	40.0	41.0
Available liquidity	272.2	211.8

HHLA segments

Container segment

Key figures

in € million	1–3 | 2022	1–3 | 2021	Change
Revenue	216.4	198.1	9.2 %
EBITDA	62.8	57.6	9.1 %
EBITDA margin in %	29.0	29.1	- 0.1 pp
EBIT	37.8	32.7	15.5 %
EBIT margin in %	17.4	16.5	0.9 pp
Container throughput in thousand TEU	1,740	1,677	3.7 %

In the first quarter of 2022, **container throughput** at **HHLA's container terminals** increased moderately year-on-year by 3.7 % to 1,740 thousand standard containers (TEU) (previous year: 1,677 thousand TEU).

At 1,618 thousand TEU, throughput volume at the **Hamburg container terminals** was up 5.5 % on the same period last year (previous year: 1,533 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 in March 2022 as a result of the sanctions imposed by the EU. Feeder services accounted for 21.2 % of seaborne handling in the first quarter of 2022, which was significantly higher than in the previous year (previous year: 19.7 %).

Although TK Estonia recorded significant volume growth of around 30 % in the first quarter and PLT Italy achieved additional throughput volume after handling its first container ship in December, total throughput volume at the **international container terminals** decreased by 15.3 % to 122 thousand TEU (previous year: 144 thousand TEU). This was due to the significant decline in cargo volumes at the terminal in Odessa after operations there were suspended by the authorities at the end of February following the Russian invasion.

Segment **revenue** rose significantly year-on-year by 9.2 % to € 216.4 million in the first three months of 2022 (previous year: € 198.1 million). Moderate volume growth was outpaced by a significant increase in average revenue. The latter resulted from additional revenue from RoRo and bulk cargo handling at PLT Italy and in particular from the significant rise in storage fees at the container terminals in Hamburg and Tallinn. The increase in storage fees was due to longer dwell times caused by backlogs in the supply chain.

EBIT costs increased significantly by 8.0 % year-on-year during the reporting period. The additional costs resulted from higher expenses for consultancy and services as well as from a strong rise in the cost of materials due to increased electricity and fuel prices prompted by the additional throughput volume. EBIT costs at the terminal in Trieste also rose considerably due to the terminal becoming fully operational compared with the first quarter of the previous year.

The **operating result (EBIT)** increased by 15.5 % to € 37.8 million (previous year: € 32.7 million). This was attributable to the above mentioned rise in average revenue and the positive volume trend. The negative developments at the Container Terminal Odessa (CTO) and their impact on earnings were more than offset by the other terminals. The EBIT margin rose by 0.9 percentage points to 17.4 %.

HHLA has continued to **invest** in climate-friendly handling equipment and container terminals in 2022. At the Container Terminal Altenwerder (CTA), the fleet was expanded with the addition of four more lower-emission, battery-powered automated guided vehicles (AGVs). Another six vehicles are due to arrive this year. This will complete the process of switching to battery-powered electric AGVs. In addition, the procurement process is underway for two more battery-powered tractor units. A field test was conducted to examine the potential for the AGVs' electricity storage devices to contribute to grid stability. A further eight hybrid transport vehicles were ordered for the Container Terminal Tollerort (CTT). These consume significantly less fuel than diesel-powered vehicles. The conversion of the coal shipping port to create additional storage space is to be completed before the end of 2022. A hydrogen fuel station will be built on part of the site in future. The Container Terminal Burchardkai (CTB) continued to drive the expansion of the block storage system and the development of the AGV area, thus also contributing to ongoing efforts to modernise and enhance the efficiency of the terminals.