Business development

Course of business and economic situation

Key figures

in € million	1–9 | 2020	1–9 | 2019	Change
Revenue	959.9	1,044.6	- 8.1 %
EBITDA	231.5	295.1	- 21.6 %
EBITDA margin in %	24.1	28.3	- 4.2 pp
EBIT	107.1	175.4	- 38.9 %
EBIT margin in %	11.2	16.8	- 5.6 pp
Profit after tax and minority interests	37.2	83.8	- 55.7 %
ROCE in %	6.9	11.5	- 4.6 pp

Significant events and transactions

The coronavirus pandemic had a significant impact on HHLA's earnings position in the first nine months of the financial year. Having said this, it has not yet resulted in any material effects on the recognition or measurement of the Group's assets and liabilities as of 30 September 2020.

Within the Port Logistics and Real Estate subgroups, both the key economic indicators for the first nine months of 2020 and HHLA's actual economic performance were largely in line with the performance forecast in the 2019 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

The development of HHLA's performance data in the first nine months of 2020 was significantly affected by the global coronavirus pandemic. **Container throughput** decreased strongly by 11.2 % year-on-year to 5,086 thousand TEU (previous year: 5,730 thousand TEU). This decline, which primarily affected the Hamburg container terminals, began in the middle of the first quarter and gathered considerable pace during the second quarter before dropping off slightly in the third quarter. All in all, throughput at the international terminals in the first nine months was moderately below the prior-year level. In the reporting period, **container transport** decreased moderately by 4.6 % to 1,129 thousand TEU (previous year: 1,184 thousand TEU). The drop in road transport was significant, whereas for rail transport it was more moderate.

Revenue for the HHLA Group decreased by 8.1 % to € 959.9 million during the reporting period (previous year: € 1,044.6 million). This drop was primarily due to changes in volume. Other factors which negatively impacted revenue included the lower proportion of longer transport distances in the Intermodal segment. Factors increasing revenue included the advantageous modal split and a temporary increase in storage fees in the Container segment.

Other operating income amounted to € 30.6 million (previous year: € 27.9 million). One 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. The amount had a significant effect on the increase in other operating income.

Despite an impairment charge on the goodwill of Bionic Production GmbH and increased service and maintenance costs in the Container segment, **operating expenses** were reduced by 1.8 % to € 886.8 million (previous year: € 903.3 million). In addition to the cost of materials declining in line with revenue, this was mainly due to much lower staffing requirements.

There was a strong decrease in the **operating result (EBIT)** of 38.9 % to € 107.1 million during the reporting period (previous year: € 175.4 million). The **EBIT margin** amounted to 11.2 % (previous year: 16.8 %). In the Port Logistics subgroup, EBIT fell by 40.7 % to € 96.6 million (previous year: € 162.7 million). In the Real Estate subgroup, EBIT decreased by 17.3 % to € 10.3 million (previous year: € 12.5 million).

Net expenses from the **financial result** increased by € 0.5 million, or 1.9 %, to € 25.6 million (previous year: € 25.1 million).

Profit after tax and minority interests was significantly lower than in the previous year at € 37.2 million (previous year: € 83.8 million). **Earnings per share** amounted to € 0.51 (previous year: € 1.15). The listed Port Logistics subgroup achieved earnings per share of € 0.45 (previous year: € 1.09). Earnings per share of the non-listed Real Estate subgroup were down on the prior-year figure at € 2.19 (previous year: € 2.69). **Return on capital employed (ROCE)** amounted to 6.9 % (previous year: 11.5 %).

Financial position

Balance sheet analysis

Compared with year-end 2019, the HHLA Group's **balance sheet total** declined by a total of € 37.3 million to € 2,572.7 million as of 30 September 2020 (31 December 2019: € 2,610.0 million).

Balance sheet structure

in € million	30.09.2020	31.12.2019
Assets		
Non-current assets	2,117.0	2,124.3
Current assets	455.7	485.7
	2,572.7	**2,610.0**
Equity and liabilities		
Equity	579.1	578.9
Non-current liabilities	1,712.9	1,749.8
Current liabilities	280.7	281.3
	2,572.7	**2,610.0**

On the assets side of the balance sheet, **non-current assets** decreased by € 7.3 million to € 2,117.0 million, primarily due to the decrease in property, plant and equipment (31 December 2019: € 2,124.3 million). **Current assets** decreased by € 30.0 million to € 455.7 million (31 December 2019: € 485.7 million). This was largely due to the decline in cash, cash equivalents and short-term deposits of € 30.6 million.

On the liabilities side, **equity** rose slightly by € 0.2 million to € 579.1 million compared to the year-end figure for 2019 (31 December 2019: € 578.9 million). Major factors with an increasing effect were the contribution in kind as part of a capital increase from scrip dividend rights in subscribed capital and capital reserves amounting to € 25.2 million and the positive result for the reporting period of € 57.2 million. Meanwhile, the distribution of dividends, the rise in pension provisions brought about by interest rates and the difference from foreign currency translation all had an opposing effect. The equity ratio increased slightly to 22.5 % (31 December 2019: 22.2 %).

Non-current liabilities fell by € 36.9 million to € 1,712.9 million (31 December 2019: € 1,749.8 million). This decrease is primarily due to the decline in non-current financial liabilities of € 43.6 million and the decrease in liabilities to related parties. The increase in pension provisions had an opposing effect. **Current liabilities** decreased slightly by € 0.6 million to € 280.7 million (31 December 2019: € 281.3 million), primarily due to the decrease in current financial liabilities. The increase in trade liabilities and other liabilities had an opposing effect.

Investment analysis

Capital expenditure in the reporting period totalled € 136.0 million and was thus below the prior-year figure of € 156.8 million. The acquisition by the METRANS Group of locomotives, container wagons and maintenance equipment, as well as the procurement of container gantry cranes, storage cranes and large-scale equipment for horizontal transport at the Hamburg HHLA container terminals, and the development of the Hamburg Speicherstadt historical warehouse district accounted for a major share of capital expenditure in the first nine months of 2020.

Liquidity analysis

Cash flow from operating activities declined by € 56.6 million to € 203.5 million as of 30 September 2020 (previous year: € 260.1 million). This was mainly due to the decrease in EBIT, a rise in trade receivables and other assets, as well as a smaller increase in trade liabilities and other liabilities than in the previous year. Lower tax payments as compared to the same period last year had an opposing effect.

Investing activities led to a net cash outflow of € 92.0 million (previous year: € 117.5 million). This was largely due to proceeds from short-term deposits (previous year: payments). 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 of € 123.7 million was € 22.2 million below the prior-year figure of € 145.9 million. This was primarily due to lower payments for cash dividends than in the previous year.

Financial funds totalled € 193.5 million as of 30 September 2020 (30 September 2019: € 252.7 million). Including all short-term deposits, the Group's available liquidity at the end of the third quarter of 2020 amounted to € 213.5 million (30 September 2019: € 292.7 million).

Liquidity analysis

in € million	1–9 | 2020	1–9 | 2019
Financial funds as of 01.01.	**208.0**	**254.0**
Cash flow from operating activities	203.5	260.1
Cash flow from investing activities	- 92.0	- 117.5
Free cash flow	**111.5**	**142.6**
Cash flow from financing activities	- 123.7	- 145.9
Change in financial funds	- 14.5	- 1.4
Financial funds as of 30.09.	**193.5**	**252.7**
Short-term deposits	20.0	40.0
Available liquidity	213.5	292.7

Segment performance

Container segment

Key figures

in € million	1–9 | 2020	1–9 | 2019	Change
Revenue	548.4	605.5	- 9.4 %
EBITDA	139.1	186.1	- 25.3 %
EBITDA margin in %	25.4	30.7	- 5.3 pp
EBIT	68.7	112.6	- 39.0 %
EBIT margin in %	12.5	18.6	- 6.1 pp
Container throughput in thousand TEU	5,086	5,730	- 11.2 %

During the first nine months of 2020, the **throughput volume** at **HHLA's container terminals** decreased by 11.2 % to 5,086 thousand standard containers (TEU) (previous year: 5,730 thousand TEU).

At 4,654 thousand TEU, throughput volume at the three **Hamburg container terminals**, was down 11.8 % on the same period last year (previous year: 5,275 thousand TEU). This was mainly due to the loss of a Far East service and blank sailings as a result of the coronavirus pandemic. Feeder traffic with the Baltic region also decreased and could not be offset by growth in the German and British shipping regions. There was a corresponding decline in the proportion of seaborne handling by feeders of 2.6 percentage points to 20.1 % (previous year: 22.7 %).

The **international container terminals** in Odessa and Tallinn recorded a moderate decrease in throughput volume of 5.0 % to 432 thousand TEU (previous year: 454 thousand TEU). The decreases in volume due to the coronavirus pandemic could not be offset by the additional traffic in the first quarter.

Revenue decreased year-on-year by 9.4 % to € 548.4 million in the first three quarters of 2020 (previous year: € 605.5 million). This was primarily due to the decreases in volume caused by the coronavirus pandemic. Average revenue per container handled at the quayside rose by 2.0 % year-on-year. This resulted from an advantageous modal split with a high proportion of hinterland volumes and a temporary increase in storage fees due to longer dwell times brought about by weather-related delays and blank sailings caused by the pandemic.

EBIT costs decreased by 2.7 % year-on-year during the reporting period. Lower material and personnel expenses, partly caused by the reductions in volume, were offset by increased service and maintenance costs. The personnel savings resulted from reduced staffing requirements due to lower volumes.

As a result of falling volumes, the **operating result (EBIT)** declined by € 43.9 million, or 39.0 %, year-on-year to € 68.7 million (previous year: € 112.6 million). The EBIT margin decreased by 6.1 percentage points to 12.5 %.

HHLA continued to pursue its long-term modernisation and expansion programme in the first three quarters of 2020 in order to further boost capacity and productivity at its terminals. In the first nine months of 2020, HHLA Container Terminal Burchardkai (CTB) put three new large container gantry cranes into operation. The expansion of the block storage system also progressed in line with schedule. The other HHLA terminals in Germany and abroad made similar investments in site expansion and new equipment in order to push ahead with the automation of their handling processes. Moreover, HHLA made further progress with the implementation of its sustainability strategy. For example, the Container Terminal Altenwerder (CTA) stepped up its switch to battery-powered vehicles for operations at the terminal.

Intermodal segment

Key figures

in € million	1–9 | 2020	1–9 | 2019	Change
Revenue	348.7	367.9	- 5.2 %
EBITDA	94.8	105.8	- 10.4 %
EBITDA margin in %	27.2	28.8	- 1.6 pp
EBIT	62.4	76.1	- 18.0 %
EBIT margin in %	17.9	20.7	- 2.8 pp
Container transport in thousand TEU	1,129	1,184	- 4.6 %

In the highly competitive market for container traffic in the hinterland of major seaports, HHLA's transport companies recorded a moderate decrease in volumes during the first nine months of 2020. **Container transport** decreased by 4.6 % to 1,129 thousand standard containers (TEU) (previous year: 1,184 thousand TEU). The decrease in road transport was much more marked than that of rail transport. Rail transport declined year-on-year by 3.7 % to 895 thousand TEU (previous year: 930 thousand TEU). The significant – and for certain routes dramatic – fall in maritime traffic from the North German seaports was partially offset by strong growth in continental traffic. The strong recovery in transport volumes in the third quarter helped minimise the impact of decreases across all routes in the first half of the year. In the third quarter, road transport also showed signs of a strong recovery as compared with the previous quarter. However, due to further weak growth in the Hamburg region and a persistently challenging market environment, road transport volumes in the first nine months decreased by 8.0 % year-on-year to 234 thousand TEU (previous year: 254 thousand TEU).

With a significant 5.2 % year-on-year decline to € 348.7 million (previous year: € 367.9 million), **revenue** performed somewhat worse than transport volume. Despite a slight increase in the rail share of HHLA's total intermodal transportation from 78.5 % to 79.3 %, average revenue per TEU decreased as a result of the disproportionately strong decrease in freight flows with longer transport distances.

The **operating result (EBIT)** fell by 18.0 % to € 62.4 million in the reporting period (previous year: € 76.1 million). In addition to falling volumes and revenue, this marked decrease was mainly due to increased fluctuations in import and export cargo with a resulting fall in capacity utilisation of rail systems.

Logistics segment

Key figures

in € million	1–9 | 2020	1–9 | 2019	Change
Revenue	37.9	43.9	- 13.5 %
EBITDA	5.4	6.0	- 9.2 %
EBITDA margin in %	14.4	13.7	0.7 pp
EBIT	- 3.6	1.7	neg.
EBIT margin in %	- 9.5	3.9	neg.
At-equity earnings	1.7	3.1	- 45.8 %

The consolidated companies reported **revenue** of € 37.9 million in the reporting period, down 13.5 % on the prior-year figure (previous year: € 43.9 million). The vehicle logistics division recorded a strong decline in revenue as a result of falling volumes, while consultancy revenue was also down considerably on the previous year. Additive manufacturing technologies were first included in the group of consolidated companies in the same quarter last year.

The **operating result (EBIT)** for the first nine months of the year includes the expected start-up losses in new growth areas. Vehicle logistics and consultancy were also well below the corresponding prior-year figures. Following a positive result of € 1.7 million in the previous year, the Logistics segment posted a loss of € 3.6 million in the reporting period.

Revenues of those companies included in **at-equity earnings** decreased sharply in the reporting period. At-equity earnings of € 1.7 million were still positive in the first nine months of the year but well below the prior-year level (previous year: € 3.1 million).

Real Estate segment

Key figures

in € million	1–9 | 2020	1–9 | 2019	Change
Revenue	28.2	29.9	- 5.7 %
EBITDA	15.6	18.0	- 13.3 %
EBITDA margin in %	55.2	60.1	- 4.9 pp
EBIT	10.3	12.5	- 17.3 %
EBIT margin in %	36.5	41.6	- 5.1 pp

Despite a slight upswing in the market during the third quarter, Hamburg's office rental market recorded a decline in revenue as compared with the same period last year. The main reason is the prevailing uncertainty with regard to the future course of the Covid-19 crisis. According to Grossmann & Berger's latest market report, 250,000 m² of office space was let – approximately 43 % less than the prior-year figure of 435,000 m². The market trend is expected to remain negative for the rest of the year.

Contrary to market expectations, the vacancy rate in Hamburg remained largely unchanged from the previous quarter at 3.3 %. The prior-year figure of 2.9 % was thus exceeded by 0.4 percentage points. A further increase in vacancies is anticipated in the months ahead as a result of the rising amount of space available.

By contrast, HHLA's properties in the Speicherstadt historical warehouse district and the fish market area remained largely unaffected by this negative market trend with almost full occupancy in the third quarter.

Despite the high occupancy rate, however, **revenue** of € 28.2 million at 30 September 2020 was significantly below the prior-year level (previous year: € 29.9 million). The decline was primarily the result of a revenue correction for expected rent losses as a consequence of the coronavirus pandemic.

While maintenance volumes remained constant, the significant year-on-year decline in the cumulative **operating result (EBIT)** of 17.3 % to € 10.3 million (previous year: € 12.5 million) was therefore largely due to these expected rent losses.

Changes in business forecast

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

Based on performance in the first nine months of the year, the Executive Board now expects to see a significant decrease in container transport and revenue (previously: strong decrease) in the Intermodal segment.

All other disclosures made in the 2019 Annual Report regarding the expected course of business in 2020 continue to apply.

Hamburg, 3 November 2020

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Angela Titzrath	Jens Hansen
Dr. Roland Lappin	Torben Seebold