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