Business development

Course of business and economic situation

Key figures

in € million	1–9 | 2022	1–9 | 2021	Change
Revenue	1,172.7	1,078.9	8.7 %
EBITDA	292.7	290.1	0.9 %
EBITDA margin in %	25.0	26.9	- 1.9 pp
EBIT	160.1	162.1	- 1.2 %
EBIT margin in %	13.7	15.0	- 1.3 pp
Profit after tax and minority interests	69.8	79.4	- 12.0 %
ROCE in %	9.4	10.2	- 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, the economic environment and economic developments in Ukraine have deteriorated. Even now, it is still not possible to determine the further impact on the global economy in the future with any certainty. Consequently, effects may arise that could have a negative influence on the future results of operations, net assets and financial position of the HHLA Group.

There were interest rate-related reductions in provisions, which in the case of pension obligations led to a significant increase in equity without affecting profit and loss. Corresponding effects occurred with deferred taxes. There were no other material effects on the recognition or measurement of the Group's assets and liabilities as of 30 September 2022.

Within the Port Logistics and Real Estate subgroups, the key economic indicators for the first nine months of 2022 and HHLA's actual economic performance were largely in line with the performance forecast in the 2021 combined management report, which outlined the possible effects of the Russian invasion based on the information available at the time. However, as segment performance in the third quarter was uneven, the forecast for the 2022 financial year has been adjusted compared to the expectations stated in the half-yearly financial report.

The EBIT expectations for the Port Logistics subgroup and the Group remain unchanged, however, within the ranges mentioned. Changes in business forecast

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. Earnings position, net assets and financial position

Earnings position

Container throughput at the HHLA container terminals decreased year-on-year by 5.7 % to 4,869 thousand TEU (previous year: 5,165 thousand TEU). This is largely due to the discontinuation of seaborne handling at the terminal in Odessa since 24 February 2022 as a result of the Russian invasion of Ukraine. At the container terminals in Hamburg, the development was affected on the one hand by limited handling capacity due to the high utilisation of warehouse capacity owing to the marked rise in dwell times for import and export containers. On the other hand, container throughput was also impacted by reduced cargo volumes from the North America and, above all, Far East shipping regions – with the exception of China.

There were significant decreases at the international terminals. Increased cargo volumes at HHLA TK Estonia and HHLA PLT Italy were unable to offset the loss in handling volume from the Odessa container terminal.

Container transport rose slightly by 0.9 % to 1,266 thousand TEU (previous year: 1,254 thousand TEU). In a consistently challenging market environment, the significant decrease in road transport was offset by moderate growth in rail transport – due in part to a rise in routes to and from Poland.

The HHLA Group's **revenue** rose by 8.7 % to € 1,172.7 million in the reporting period (previous year: € 1,078.9 million). All segments contributed to this growth. The positive development was largely due to the further rise in storage fees at the container terminals caused by supply chain bottlenecks, as well as further increases in the rail share of HHLA's intermodal transport and temporary surcharges to compensate proportionally for the significant rise in energy prices.

In its Container, Intermodal and Logistics segments, the listed Port Logistics subgroup generated revenue of € 1,145.8 million in the reporting period (previous year: € 1,057.5 million). This increase was largely in line with the trend for the Group as a whole. The non-listed Real Estate subgroup posted revenue of € 32.9 million (previous year: € 27.6 million).

Other operating income increased by 20.3 % to € 34.8 million (previous year: € 28.9 million). The refund of energy costs in the rail sector and of additional track costs for rail transport had a positive impact on this development.

Operating expenses rose by 10.7 % to € 1,054.1 million (previous year: € 952.1 million). While depreciation and amortisation and personnel expenses rose moderately, there was a strong increase in material expenses and other operating expenses. The cost of materials was not only affected by higher energy prices but also by operational interruptions to rail transport due to storm damage in February and construction work on the German rail infrastructure, as well as the disruptions to international transport chains. Among other things, other operating expenses were burdened by increased costs for consultancy and services for ongoing projects. Personnel expenses were primarily impacted by the very high storage load at the container terminals and the collective wage increases agreed in the third quarter. Furthermore, in the previous year, allocations to the restructuring provision were higher than in the reporting period, during which restructuring provisions were partially reversed in particular due to interest rates. The increase in depreciation and amortisation was linked to the valuation allowance required in the area of new business activities.

The **operating result (EBIT)** decreased by € 2.0 million or 1.2 % to € 160.1 million in the reporting period (previous year: € 162.1 million). The **EBIT margin** amounted to 13.7 % (previous year: 15.0 %). In the Port Logistics subgroup, EBIT declined by 4.0 % to € 145.3 million (previous year: € 151.3 million). In the Real Estate subgroup, EBIT increased by 38.7 % to € 14.6 million (previous year: € 10.5 million).

Net expenses from the **financial result** rose by € 1.0 million or 5.0 % to € 21.8 million (previous year: € 20.8 million).

At 32.1 %, the Group's **effective tax rate** was higher than in the previous year (previous year: 28.7 %).

Profit after tax decreased by 6.8 %, from € 100.7 million to € 93.9 million. **Profit after tax and minority interests** was significantly lower than in the previous year at € 69.8 million (previous year: € 79.4 million). **Earnings per share** amounted to € 0.93 (previous year: € 1.06). Earnings per share of the listed Port Logistics subgroup were € 0.85 (previous year: € 1.02). Earnings per share of the non-listed Real Estate subgroup were up year-on-year at € 3.16 (previous year: € 2.34). The **return on capital employed (ROCE)** amounted to 9.4 % (previous year: 10.2 %).

Financial position

Balance sheet analysis

Compared with year-end 2021, the HHLA Group's **balance sheet total** declined by € 33.2 million to € 2,768.7 million as of 30 September 2022 (31 December 2021: € 2,801.9 million).

Balance sheet structure

in € million	30.09.2022	31.12.2021
Assets		
Non-current assets	2,262.2	2,294.0
Current assets	506.6	507.9
	2,768.7	**2,801.9**
Equity and liabilities		
Equity	846.7	705.2
Non-current liabilities	1,557.9	1,730.2
Current liabilities	364.1	366.5
	2,768.7	**2,801.9**

On the assets side of the balance sheet, **non-current assets** decreased by € 31.8 million to € 2,262.2 million (31 December 2021: € 2,294.0 million). The change is mainly attributable to the decrease in deferred tax assets associated with the interest rate-related change in actuarial gains. **Current assets** decreased by € 1.3 million to € 506.6 million (31 December 2021: € 507.9 million). The change was mainly due to a decrease in cash, cash equivalents and short-term deposits and receivables from related parties, as well as an increase in trade receivables.

On the liabilities side, **equity** rose by € 141.5 million to € 846.7 million compared to the year-end figure for 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 € 93.9 million. The equity ratio increased to 30.6 % (31 December 2021: 25.2 %).

Non-current liabilities fell by € 172.3 million to € 1,557.9 million (31 December 2021: € 1,730.2 million). The decline resulted primarily from the interest rate-related change in pension provisions. The decrease in **current liabilities** of € 2.3 million to € 364.1 million (31 December 2021: € 366.5 million) was primarily due to the decrease in current financial liabilities. There was an opposing effect from the increase in trade liabilities.

Investment analysis

Capital expenditure in the reporting period totalled € 139.5 million and was thus well above last year's figure of € 124.0 million.

In the first nine months of 2022, capital expenditure 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 and wagons 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 declined by € 30.9 million to € 224.2 million as of 30 September 2022 (previous year: € 255.1 million). This was largely due to the year-on-year decrease in provisions for pensions owing to higher interest rates, the increase in trade receivables and higher income tax payments.

Investing activities led to a cash outflow of € 85.1 million (previous year: € 133.8 million). This was largely due to proceeds (previous year: payments) from short-term deposits.

Cash flow from financing activities amounted to € 133.3 million, representing an increase of € 43.8 million compared with the prior-year figure of € 89.5 million. This was primarily due to higher payments for dividends and settlement obligations, as well as higher payments for the redemption of financial loans. The year-on-year increase in new financial loans had an opposing effect.

Financial funds totalled € 178.6 million as of 30 September 2022 (previous year: € 201.3 million). Including all short-term deposits, the Group's available liquidity at the end of the third quarter of 2022 amounted to € 198.6 million (previous year: € 251.3 million). As of 30 September 2022, available liquidity comprised cash pooling receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement amounting to € 68.0 million (previous year: € 65.8 million) as well as cash, cash equivalents and short-term deposits of € 130.6 million (previous year: € 185.5 million).

Liquidity analysis

in € million	1–9 | 2022	1–9 | 2021
Financial funds as of 01.01.	**173.0**	**168.8**
Cash flow from operating activities	224.2	255.1
Cash flow from investing activities	- 85.1	- 133.8
Free cash flow	**139.1**	**121.3**
Cash flow from financing activities	- 133.3	- 89.5
Change in financial funds	5.6	32.5
Financial funds as of 30.09.	**178.6**	**201.3**
Short-term deposits	20.0	50.0
Available liquidity	198.6	251.3

Segment performance

Container segment

Key figures

in € million	1–9 | 2022	1–9 | 2021	Change
Revenue	653.2	620.0	5.4 %
EBITDA	196.6	182.9	7.5 %
EBITDA margin in %	30.1	29.5	0.6 pp
EBIT	121.7	107.9	12.8 %
EBIT margin in %	18.6	17.4	1.2 pp
Container throughput in thousand TEU	4,869	5,165	- 5.7 %

During the first nine months of 2022, **container throughput** at **HHLA's container terminals** decreased by 5.7 % to 4,869 thousand standard containers (TEU) (previous year: 5,165 thousand TEU).

At 4,605 thousand TEU, throughput volume at the **Hamburg container terminals** was down 2.3 % on the same period last year (previous year: 4,712 thousand TEU).

This was mainly driven by limited handling capacity due to the high utilisation of storage capacity owing to the marked rise in dwell times for import and export containers at the Port of Hamburg. On the other hand, container throughput was also impacted by reduced cargo volumes from the North America and, above all, Far East shipping regions – with the exception of China.

In terms of feeder traffic, the collapse in volumes to and from Russia since March 2022 and a decrease in volumes to and from the UK was offset by the acquisition of two new feeder services and a significant rise in volumes to and from Poland and Scandinavia. In total, the proportion of seaborne handling accounted for by feeders grew slightly year-on-year to 20.5 % (previous year: 20.0 %).

The **international container terminals** reported a strong decline in throughput volume of 41.7 % to 264 thousand TEU (previous year: 453 thousand TEU). This was due to the significant decline in cargo volumes at the terminal in Odessa after seaborne handling there was suspended by the authorities at the end of February following the Russian invasion. This could only be partly offset by strong increases in volumes at the TK Estonia container terminal, resulting from the increased use of the terminal as an alternative to the Russian ports, and additional throughput volumes since the first container ship was handled last December by PLT Italy.

Despite the drop in volumes, **segment revenue** rose significantly year-on-year by 5.4 % to € 653.2 million (previous year: € 620.0 million). The principal reason for this was the strong rise in storage fees at the container terminals in Hamburg, Tallinn and Trieste. The increase in storage fees was due to longer dwell times caused by disruptions to the supply chain. Furthermore, additional revenue from RoRo and break bulk handling at PLT Italy had a positive effect.

EBIT costs increased by 3.8 % year-on-year during the reporting period. The additional expenses resulted on the one hand from a much higher cost of materials as a result of higher electricity consumption and rising fuel costs, as well as from extra personnel expenses owing to the very high storage load and the collective wage increases agreed in the third quarter of 2022. Expenses associated with services and consulting also rose strongly. EBIT costs for the terminal in Trieste also rose considerably as a result of the comprehensive start-up of business operations as compared with the same period of the previous year. Lower maintenance costs and volumes owing to capacity utilisation had an opposing effect.

Against the backdrop of a temporary increase in average revenue caused by the spike in storage fees, the **operating result (EBIT)** increased by 12.8 % to € 121.7 million in the reporting period (previous year: € 107.9 million). The international terminals TK Estonia and PLT Italy also contributed to this positive development of the operating result. The EBIT margin rose by 1.2 percentage points to 18.6 % (previous year: 17.4 %).

HHLA continued to **invest** in climate-friendly handling equipment and container terminals in 2022. Container Terminal Altenwerder (CTA) finished setting up the electric charging station infrastructure at the quayside by acquiring four more fully automated electric charging stations for AGVs. The fleet is now powered by green electricity from 18 electric charging points. A field test also investigated the potential for the AGVs' power stores to contribute to grid stability. In line with the strategy to fully electrify terminal operations, seven additional battery-powered tractor units have been ordered. The technology used by the OCR (optical character recognition) gates in the entrance to the terminal that digitally record containers arriving by truck was also updated. The new technology provides better data quality and helps to save energy. A further eight hybrid transport vehicles were ordered for the Container Terminal Tollerort (CTT). These consume significantly less fuel than diesel-powered vehicles. The coal shipping port was converted to create additional yards during the third quarter and the additional storage space went into operation. 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 future efficiency of the terminals.

Intermodal segment

Key figures

in € million	**1–9 | 2022**	1–9 | 2021	Change
Revenue	431.4	383.2	12.6 %
EBITDA	100.2	114.2	- 12.3 %
EBITDA margin in %	23.2	29.8	- 6.6 pp
EBIT	64.0	79.5	- 19.5 %
EBIT margin in %	14.8	20.8	- 6.0 pp
Container transport in thousand TEU	1,266	1,254	0.9 %

In the highly competitive market for container traffic in the hinterland of major seaports, HHLA's transport companies recorded a slight increase in volumes in the first nine months of 2022. **Container transport** increased in total by 0.9 % to 1,266 thousand standard containers (TEU) (previous year: 1,254 thousand TEU).

Rail transport increased by 3.3 % year-on-year to 1,054 thousand TEU (previous year: 1,021 thousand TEU). In addition to moderate growth for traffic with the North German seaports, a strong increase in Polish traffic and a significant rise in the German-speaking market contributed to this development. Transport with the Adriatic seaports, however, was slightly down on last year.

Following the recovery in the second half of 2021, road transport fell significantly in the first nine months of 2022. Transport volumes decreased year-on-year by 9.4 % to 211 thousand TEU (previous year: 233 thousand TEU).

With a year-on-year increase of 12.6 % to € 431.4 million (previous year: € 383.2 million), **revenue** growth was much stronger than the increase in transport volumes. This was due to the further increase in the rail share of HHLA's total intermodal transport volumes from 81.4 % to 83.3 %, as well as temporary surcharges for rail transport that were required in order to partially offset the spike in energy prices.

The **operating result (EBIT)** amounted to € 64.0 million in the reporting period (previous year: € 79.5 million), thus decreasing by 19.5 %. The EBIT margin fell by 6.0 percentage points to 14.8 % (previous year: 20.8 %). The decline in EBIT was primarily the result of operational interruptions due to ongoing disruptions to supply chains and the strong rise in energy prices, which could only be passed on to the market after some delay. There was also a higher subsidy for route prices of approximately € 11 million granted retroactively in the third quarter of the previous year.

Logistics segment

Key figures

in € million	1–9 | 2022	1–9 | 2021	Change
Revenue	56.8	51.7	9.8 %
EBITDA	2.5	4.0	- 37.8 %
EBITDA margin in %	4.4	7.8	- 3.4 pp
EBIT	- 7.5	- 2.4	neg.
EBIT margin in %	- 13.3	- 4.7	neg.
At-equity earnings	2.6	2.2	19.5 %

The consolidated companies reported **revenue** of € 56.8 million in the first nine months, up 9.8 % on the prior-year figure (previous year: € 51.7 million). This positive development was largely due to consulting activities and vehicle logistics.

The **operating result (EBIT)** amounted to € - 7.5 million in the reporting period (previous year: € - 2.4 million). With partially opposing developments in earnings, EBIT was burdened in particular by an impairment in the field of new activities.

At-equity earnings in the Logistics segment amounted to € 2.6 million in the reporting period (previous year: € 2.2 million). The previous year was adversely affected by the valuation allowance for an investment.

Real Estate segment

Key figures

in € million	1–9 | 2022	1–9 | 2021	Change
Revenue	32.9	27.6	19.0 %
EBITDA	20.4	16.0	27.6 %
EBITDA margin in %	62.1	57.9	4.2 pp
EBIT	14.6	10.5	38.7 %
EBIT margin in %	44.3	38.0	6.3 pp

Despite the numerous risk factors for the economy, the Hamburg market for office space remained highly robust in the third quarter. According to Grossmann & Berger's latest market report, 465,000 m^2 of office space was let as of September 2022 – representing a return to the record level of 2017. The prior-year figure was thus exceeded by approximately 29 %. With slightly more space available, the vacancy rate in Hamburg remained constant at last year's level of 3.8 %.

HHLA's properties in the Speicherstadt historical warehouse district and the fish market area maintained their positive trend with almost full occupancy in the third quarter of the current financial year.

Revenue rose strongly by 19.0 % to € 32.9 million in the reporting period (previous year: € 27.6 million). In addition to the growth in earnings from revenue-based rent agreements, the increase was due in particular to rising rental income from newly developed properties in the Speicherstadt historical warehouse district.

The cumulative **operating result (EBIT)** rose by 38.7 % to € 14.6 million in the reporting period (previous year: € 10.5 million). This further positive development in earnings was primarily driven by revenue growth, while maintenance volumes were slightly lower.

Events after the balance sheet date

By way of a resolution dated 21 October 2022, the Lüneburg Local Court was ordered to initiate insolvency proceedings against Bionic Production GmbH, Lüneburg, at the company's own request.

HHLA AG and COSCO SHIPPING Ports Limited (CSPL), a terminal operator listed in Hong Kong and member of the COSCO Shipping Group, signed an agreement on 21 September 2021 – subject to various approvals relating to competition law and foreign trade law (conditions precedent) – regarding a non-controlling interest of CSPL amounting to 35.0 % in HHLA Container Terminal Tollerort GmbH (CTT), a wholly owned subsidiary of HHLA AG. With a cabinet resolution on 26 October 2022, the German government approved the acquisition of this non-controlling interest under certain conditions. These conditions include, in particular, limiting the voting rights to under 25.0 % and ensuring that CSPL does not acquire effective participation in the control of CTT in any other way that would exceed the influence gained by holding a share of voting rights below 25.0 %.

There were no other significant events after the balance sheet date of 30 September 2022.

Changes in business forecast

The development of HHLA's earnings as of 30 September 2022 was generally in line with expectations. However, as segment performance in the third quarter was uneven, the forecast for the 2022 financial year has been adjusted compared to the expectations stated in the half-year report 2022.

For the **Port Logistics subgroup**, a significant year-on-year decrease in container throughput is expected (previously: on a par with the previous year), as well as a slight increase in container transport (previously: moderate increase). This is mainly due to ongoing disruptions to the supply chain.

In view of the positive trend for 2022 so far, a significant increase in revenue is now expected for the year as a whole (previously: moderate increase). Owing to inflation, a strong increase in revenue (previously: moderate increase) is now expected for the Intermodal segment, while a moderate rise is still expected for the Container segment due to the delayed levelling off of average revenue.

The operating result (EBIT) for the Port Logistics subgroup is still expected to be within the range of € 160 million to € 195 million. As a result of the temporary increase in average revenue caused by the spike in storage fees, the Container segment can expect to see a result on a par with last year (previously: strong decrease). By contrast, a significant decrease is expected for the Intermodal segment (previously: on a par with last year) due to the ongoing supply chain disruptions and their impact on operations.

For the **Real Estate subgroup**, the significantly improved revenue performance is likely to result in a strong year-on-year increase in revenue and EBIT (previously: significant increase in both revenue and EBIT).

Overall, HHLA now expects a significant increase in revenue at Group level (previously: moderate increase), while an operating result (EBIT) in the range of € 175 million to € 210 million is still anticipated. As additions to non-current assets planned for the 2022 financial year are now being postponed to the following year, capital expenditure has been restated accordingly. At Group level, HHLA now expects capital expenditure to be in the range of € 210 million to € 260 million (previously: € 300 million to € 350 million). The Port Logistics subgroup will account for around € 180 million to € 230 million of this amount (previously: € 270 million to € 320 million).

Risk and opportunity report

With regard to the HHLA Group's risk and opportunity position, the statements made in the 2021 combined management report continue to apply, unless otherwise indicated in this report. The risks identified still do not threaten the ongoing existence of the Group. As far as the future is concerned, there are also no discernible risks at present that could jeopardise the continued existence of the company.

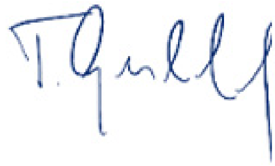
Hamburg, 2 November 2022

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Angela Titzrath

Jens Hansen

Dr. Roland Lappin



Torben Seebold