# HAMBURGER HAFEN UND LOGISTIK AG

## INTERIM RESULTS JANUARY – MARCH 2014

Analyst Conference Call, 14 May 2014

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# Agenda

- **Business Development** — Klaus-Dieter Peters, CEO
- **Financial Performance** — Dr. Roland Lappin, CFO
- **Outlook** — Klaus-Dieter Peters, CEO

# Trends and Challenges 2014

Economic momentum still restrained, competition remains tough

**GDP Development Q1 2014**

| | |
|---|---|
| China | + 7.4 % |
| Eurozone | + 0.4 % |
| CEE | + 2.4 % |
| Germany | + 0.7 % |
| World trade | + 3.6 % |

Source: IMF

**Economic Environment**

- Global economic growth still stabilising at a low level
- Modest development in HHLA's key markets continues (Asia, Central and Eastern Europe)
- Global container throughput expected to be slightly higher than world economic growth

**Container Throughput Q1 2014 in the North Range**

| | |
|---|---|
| Northern Europe | + 1.3 % |
| Rotterdam | + 0.3 % |
| Bremen/Bremerhaven | - 0.4 % |
| Antwerp | + 0.9 % |
| HHLA | + 2.4 % |

Source: Drewry

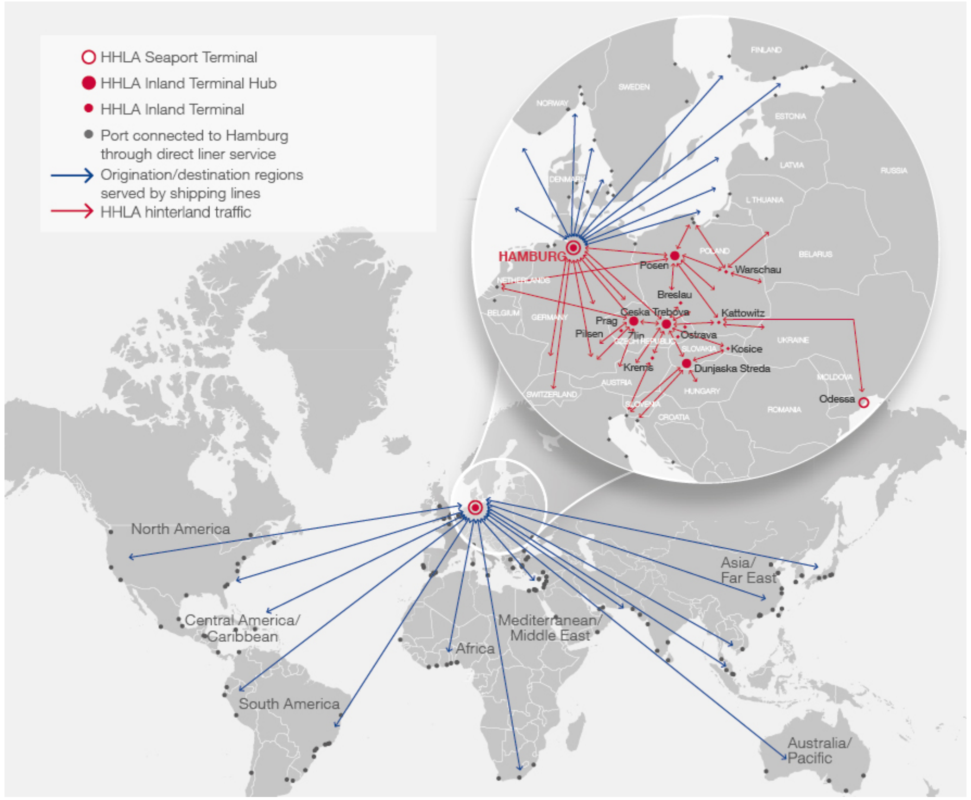
**Sector Development**

- Throughput in the North Range does not follow global dynamics
- Growing number of ever-larger vessels
- Idle capacity at ports in the North Range
- Hamburg continues to face infrastructural deficits (especially the delay in dredging the river Elbe, temporary restrictions on use of the Kiel Canal)

# Good Performance in a Challenging Environment

## Volume gains in a stagnating market environment




### Container Throughput

- HHLA terminals increase throughput by 2.4 % to 1.9 million TEU
- Rise in growth in Far East volumes of existing liner services (+ 8.1 %), Europe and America volumes stable
- Slight decrease in feeder ratio to 26.9 %
- Volume decline in Odessa only partly due to political crisis in Ukraine, yet

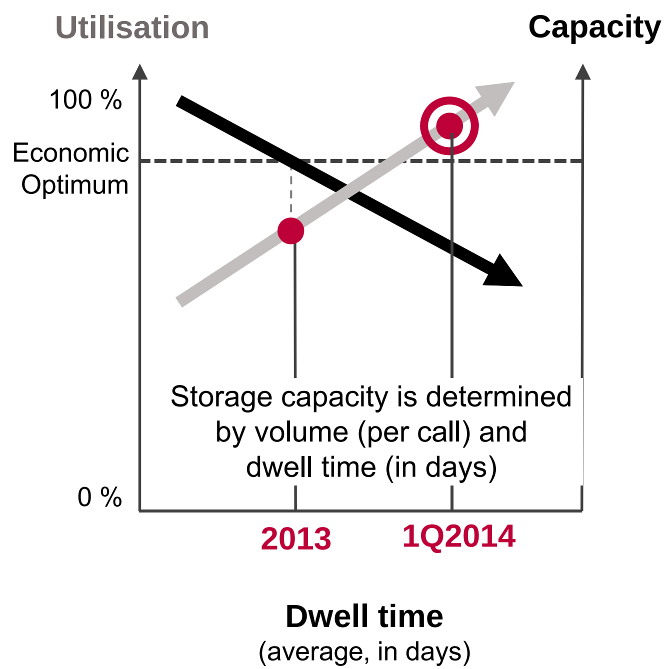
### Container Transport

- Volume increase by 5.1 % to 305 TTEU
- Higher frequency of established connections with Slovakia and the Czech Republic as well as growth in new relations in and with Germany, Austria and Switzerland (D.A.CH. strategy)

# Exceptional Storage Utilisation in Q1 2014

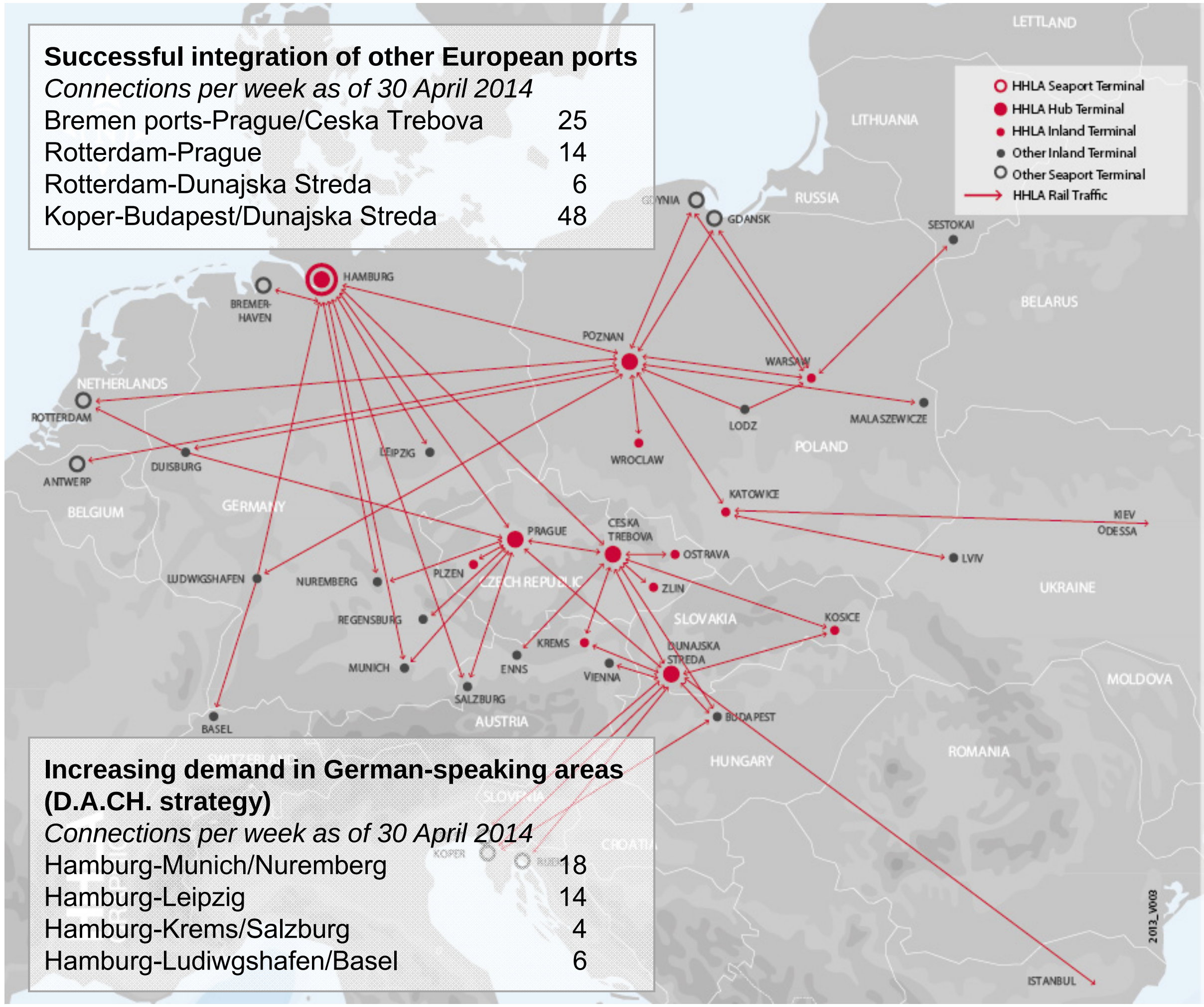
Sharp increase in dwell times led to peak storage utilisation

- Unusual long vessel delays in Q1 2014 led to a sharp rise in dwell times of export containers and to peak storage utilisation
- Terminal productivity adversely affected by operation of storage facilities above economic optimum
- Spill-over of operational bottlenecks on pre- and onward carriage
- Counteractions:
  - ▶ Temporary ramp-up of additional storage space
  - ▶ Vessel handling adjusted (first discharging, then loading / transfer to other terminals)
  - ▶ Postponing of maintenance work
  - ▶ Deployment of extra personnel and equipment
- Normalisation of situation since end of March 2014



# Intermodal Strategy Successfully Continued

## Growth in a competitive environment




**Successful integration of other European ports**
*Connections per week as of 30 April 2014*

| | |
|---|---|
| Bremen ports-Prague/Ceska Trebova | 25 |
| Rotterdam-Prague | 14 |
| Rotterdam-Dunajska Streda | 6 |
| Koper-Budapest/Dunajska Streda | 48 |

**Increasing demand in German-speaking areas (D.A.CH. strategy)**
*Connections per week as of 30 April 2014*

| | |
|---|---|
| Hamburg-Munich/Nuremberg | 18 |
| Hamburg-Leipzig | 14 |
| Hamburg-Krems/Salzburg | 4 |
| Hamburg-Ludiwgshafen/Basel | 6 |

**Enhancing the quality and productivity of existing connections by**

- Increasing utilisation levels
- Higher frequency and optimised schedules

**Increasing the profitability by rising the depth of added value**

- Use of own facilities
- Use of own rolling stock

**Proven concept of own hinterland terminals**

Second Czech terminal (officially opened in May 2013) outperformed its blueprint Prague

# Key Figures

## January to March 2014

| | HHLA Group | | Subgroup Port Logistics | |
|---|---|---|---|---|
| in € million | **1-3 \| 2014** | **Change** | **1-3 \| 2014** | **Change** |
| Revenue | 293.5 | 6.8 % | 286.4 | 6.8 % |
| EBIT | 39.3 | 4.8 % | 35.5 | 5.1 % |
| EBIT margin in % | 13.4 | - 0.3 pp | 12.4 | - 0.2 pp |
| Profit after tax and minorities | 10.5 | - 27.2 % | 8.4 | - 34.0 % |
| Capital expenditure | 39.4 | 8.2 % | 32.5 | - 7.0 % |
| Employees as of 31.03. | 5.027 | 0.7 %* | 4.990 | 0.6 %* |
| ROCE in % | 11,8 | 0.8 pp | – | – |

* compared to 31.12.2013

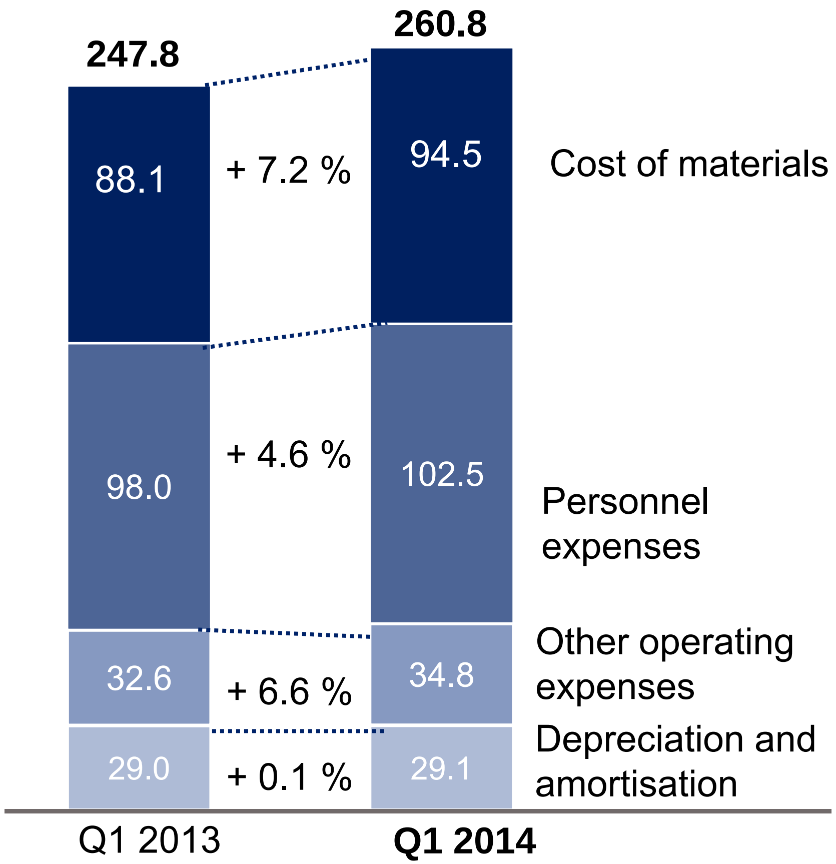
Figures of listed
Port Logistics subgroup

# Operating Expenses

## Cost trend largely in line with volume development of continued operations

**Total Operating Expenses:** + 5.3%

**in € million**




**Throughput/Transport Growth:** + 2.4 % / + 5.1 %

**Cost of materials**
- Mainly variable expenses
- Increase in line with volume trend
- Rise especially in the material-intensive Intermodal segment

**Personnel expenses**
- Collective pay increases and additional operational expenditure for peak load conditions and high level of utilisation
- Increase of headcount in the Intermodal segment as a result of expanded operations

**Other operating expenses**
- Higher lease expenses for handling equipment due to higher volumes in the Intermodal segment

**Depreciation and amortisation**
- Depreciation expenses on previous year's level

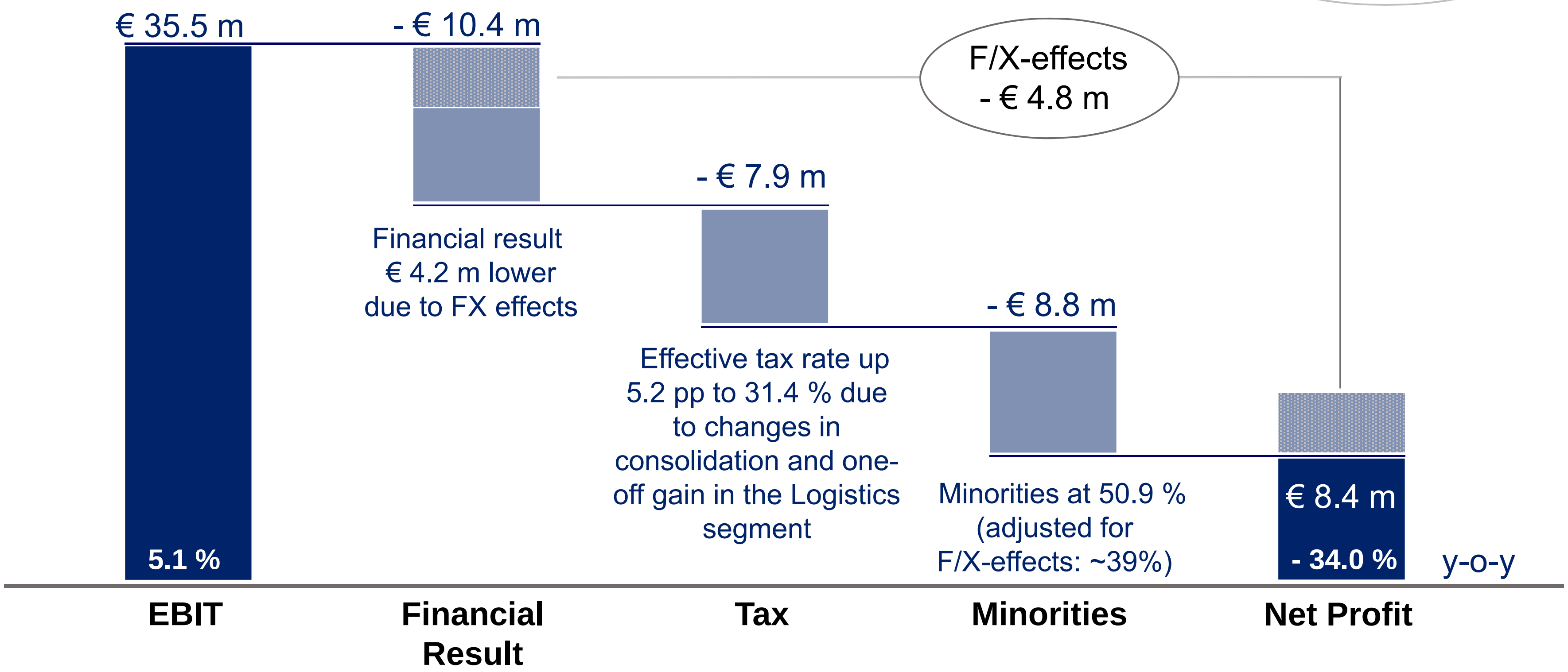
  

# Earnings Bridge

Net profit adversely affected by F/X-effects

Figures of listed Port Logistics subgroup

EPS of 0.12 €




**Adjusted net profit above previous year in line with EBIT development**

# Financial Position

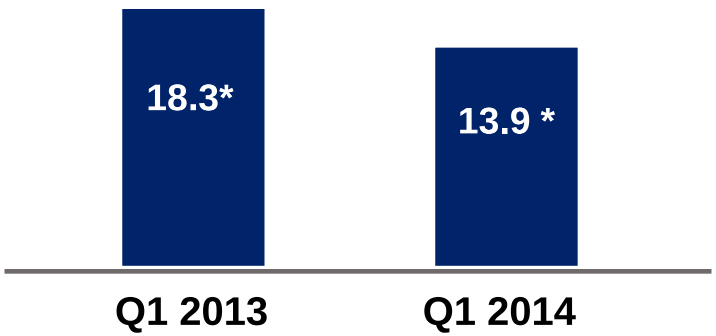
Solid Financial Fundament

Figures of listed Port Logistics subgroup

## Free Cash Flow

**in € million**

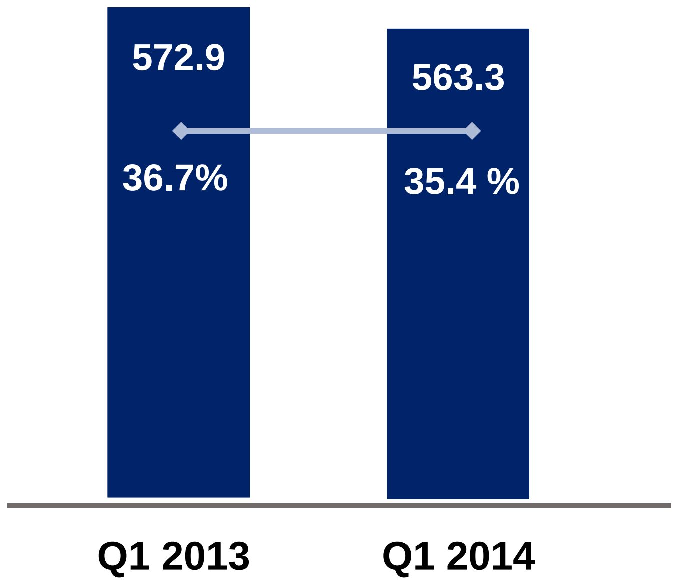
- Reported free cash flow distorted by transfer of liquid funds into short-term deposits
- **Liquidity reserves of € 241.8 million** on the reporting date




## Equity as of 31.03.2014

**in € million /** Equity ratio in %

- Equity ratio down to 35.4 % mainly due to FX-effects




* adjusted for transfer of liquid funds into short-term deposits (3M14: € 20 m, 3M13: € 10 m)

# Container Segment

## January to March 2014

| in € million | Q1 2014 | Q1 2013 | Change |
|---|---|---|---|
| Container throughput[1] | 1,862 | 1,818 | + 2.4 % |
| Revenue | 186.1 | 175.9 | + 5.8 % |
| EBITDA | 59.2 | 53.8 | + 10.0 % |
| EBITDA margin | 31.8 % | 30.6 % | + 1.2 pp |
| EBIT | 37.3 | 31.8 | + 17.3 % |
| EBIT margin | 20.0 % | 18.1 % | + 1.9 pp |

[1] In thousand TEU

- Container throughput growth mainly driven by Far East container traffic
- Feeder ratio slightly down by 0.8 pp to 26.9 %
- For the time being no significant effects on volume due to the political situation in Ukraine/Russia
- Decrease of Odessa volumes originates from changes in the disposition of shipping services
- Revenue development above volume growth mainly caused by a temporary increase of storage fees in Hamburg due to longer container dwell times caused by massive weather-related delays of shipping services

# Intermodal Segment

## January to March 2014

| in € million | Q1 2014 | Q1 2013 | Change |
|---|---|---|---|
| Container transport[1] | 305 | 290 | + 5.1 % |
| Revenue | 82.9 | 73.4 | + 12.9 % |
| EBITDA | 11.0 | 10.3 | + 7.1 % |
| EBITDA margin | 13.3 % | 14.0 % | - 0.7 pp |
| EBIT | 5.8 | 5.4 | + 8.1 % |
| EBIT margin | 7.0 % | 7.3 % | - 0.3 pp |

[1] In thousand TEU

- Transport volume increased by 5.1 % due to higher frequency of services with CEE as well as growth in the German-speaking areas
- Revenue growth above volume trend because of rising average transport distances due to a decrease in transport volumes by truck
- EBIT temporarily burdened by operational disturbances due to massive shipping delays
- Margin development diluted by rising ratio of traffic to and within the German-speaking markets with a higher share of purchased services than CEE-connections
- Progress made with the restructuring of Polzug's operations by improved purchasing of services

# Logistics Segment

## January to March 2014

| in € million | Q1 2014 | Q1 2013 | Change |
|---|---|---|---|
| Revenue | 15.0 | 16.1 | - 7.1 % |
| EBITDA | - 0.5 | 3.0 | neg. |
| EBITDA margin | - 3.4 % | 18.6 % | - 22.0 pp |
| EBIT | - 0.8 | 2.7 | neg. |
| EBIT margin | - 5.3 % | 17.0 % | - 22.3 pp |
| At equity | 0.8 | 0.8 | + 7.3 % |

*Changed consolidation of at equity companies lead to adjustments of previous years' figures*

- Business activities developed diversely in the different areas
- Strong earnings decrease mainly driven by new consolidation and a one-off gain in the previous year deducted by restructuring measures in project and contract logistics
- Logistics EBIT additionally burdened by very modest volume and revenue trend
- Adjusted for restructuring effects, EBIT was lower than in the previous year
- At-equity companies showed a good earnings development up 7.3 % to € 0.8 million

# Business Forecast for 2014

Figures of listed Port Logistics subgroup

## Market Environment

| | |
|---|---|
| Global economy (GDP) | 3.6 % |
| Global trade | 4.3 % |
| Container throughput, global | 4.4 % |
| Container throughput, Northern Europe | 1.2 % |
| Transport volume, Germany | 1.9 % |

Source: IMF, Drewry, Federal Office for Freight Transport

- Uncertainty surrounding the political situation in Ukraine and Russia
- Increasing peak loads in all parts of the transport chain

## Performance of the Port Logistics subgroup

### Volumes
- Container throughput: slight increase on previous year (2013: 7.5 million TEU)
- Container transport: moderate increase on previous year (2013: 1.2 million TEU)

### Revenue
- Following the Group target[1]: slight increase on the previous year's adjusted figure (2013 Group revenue adjusted: approx. € 1,140 million[2])

### EBIT
- EBIT in a range of € 125 million to € 145 million (2013 adjusted: approx. € 140 million[2])

### Investments
- Investments in the region of € 140 million (2013: € 102.5 million)

[1] Real estate subgroup revenue in 2014 expected at the same level of 2013 (2013: € 33 million)
[2] Due to changes in IFRS regulations: From 2014 onwards, joint ventures have to be consolidated at-equity instead of pro rata consolidation. Joint ventures is no longer permitted.

# Financial Calendar

**14 May 2014**
Interim Report January-March 2014

**19 June 2014**
Annual General Meeting

**14 Aug 2014**
Interim Report January-June 2014

**13 Nov 2014**
Interim Report January-September 2014

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