Course of Business and Economic Situation

Key Figures

in € million	1–6 | 2018	1–6 | 2017	Change
Revenue	633.0	622.8	1.6 %
EBITDA	157.7	158.5	- 0.5 %
EBITDA margin in %	24.9	25.5	- 0.6 pp
EBIT	99.9	98.8	1.1 %
EBIT margin in %	15.8	15.9	- 0.1 pp
Profit after tax and minority interests	52.4	52.6	- 0.5 %
ROCE in %	14.7	14.9	- 0.2 pp

Notes on the Reporting

During the reporting period, HHLA increased its level of investment in METRANS a.s., Prague, Czech Republic, and now holds 100 % of shares in the company. On 26 March 2018, HHLA also signed an agreement to acquire 100 % of shares in Transiidikeskuse AS, a terminal operator based in Tallinn, Estonia. Upon fulfilment of the conditions precedent, HHLA acquired control on 27 June 2018.

There were no other particular events or transactions during the period under review, 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. Both the available key economic indicators and HHLA's actual economic performance were largely in line with the performance forecast in the 2017 Annual Report. ▶ See results of operations, page 5, net assets and financial position, page 6

There is normally no long-term order backlog for handling and transport services, and thus no use is made of this particular reporting figure.

Earnings Position

The economic development of HHLA in the first half of 2018 was encouraging. HHLA recorded a slight increase in **container throughput** of 1.2 % to 3,631 thousand TEU in the first half of the year (previous year: 3,586 thousand TEU). This growth was based on strong volumes in Far East services.

Transport volumes declined moderately by 4.2 % to 713 thousand TEU (previous year: 744 thousand TEU). This development is attributable to the realignment of rail transport in Poland and the fall in freight volume for road transport in Hamburg.

Revenue for the HHLA Group amounted to € 633.0 million in the reporting period and was thus up slightly by 1.6 % on the prior-year figure (previous year: € 622.8 million). This increase is partly due to a lower feeder ratio in container throughput and longer transport distances in the Intermodal segment.

In its Container, Intermodal and Logistics segments, the listed Port Logistics subgroup generated revenue of € 617.1 million in the reporting period (previous year: € 607.3 million). This 1.6 % increase almost matched the trend for the Group as a whole. At € 19.3 million, revenue at the non-listed Real Estate subgroup climbed by 3.0 % year-on-year (previous year: € 18.7 million).

As in the same period last year, **changes in inventories** of € 0.5 million (previous year: € 0.3 million) had no noticeable impact on the consolidated profit. **Own work capitalised** amounted to € 3.0 million (previous year: € 2.8 million).

Other operating income amounted to € 21.2 million (previous year: € 22.0 million).

Operating expenses rose in line with revenue by 1.6 % to € 557.7 million.

The **cost of materials** declined by 3.2 % in the reporting period to € 178.7 million (previous year: € 184.6 million). The cost of materials ratio decreased to 28.2 % (previous year: 29.6 %), due in part to falling volumes in the material-intensive Intermodal segment.

There was a year-on-year increase of 4.4 % in **personnel expenses**, taking the figure to € 237.6 million (previous year: € 227.5 million). In addition to wage increases, this was also due to greater use of employees from Gesamthafenbetriebs-Gesellschaft (GHB) at the Hamburg terminals and the growth in headcount following the opening of the terminal in Budapest. The personnel expense ratio rose to 37.5 % (previous year: 36.5 %).

Other operating expenses rose considerably in the reporting period by 8.2 % to € 83.7 million (previous year: € 77.3 million). The ratio of expenses to revenue rose from 12.4 % in the previous year to 13.2 %. There was a particularly strong increase in external maintenance services.

On the basis of these developments, the Group achieved an **operating result before depreciation and amortisation (EBITDA)** of € 157.7 million (previous year: € 158.5 million). The EBITDA margin amounted to 24.9 % in the reporting period (previous year: 25.5 %).

Depreciation and amortisation of € 57.8 million was recorded in the first half of the year (previous year: € 59.7 million). As a result, its ratio to revenue fell to 9.1 % (previous year: 9.6 %).

At Group level, the **operating result (EBIT)** improved slightly by 1.1 % to € 99.9 million (previous year: € 98.8 million) with an EBIT margin of 15.8 % (previous year: 15.9 %). The Port Logistics subgroup generated EBIT of € 91.4 million (previous year: € 90.6 million) with an EBIT margin of 14.8 %. The Real Estate subgroup reported EBIT of € 8.4 million (previous year: € 8.0 million).

Net expenses from the **financial result** increased by € 2.3 million to € 7.6 million (previous year: € 5.3 million), mainly due to exchange rate effects.

The Group's **effective tax rate** amounted to 25.5 % (previous year: 24.8 %).

Profit after tax decreased by 2.2 %, from € 70.3 million to € 68.8 million. With a slight decline of 0.5 %, profit after tax and minority interests of € 52.4 million, was more or less on a par with the previous year (€ 52.6 million). At € 0.72, earnings per share were also unchanged from the previous year (€ 0.72). The listed Port Logistics subgroup reported a 1.6 % decrease in earnings per share to € 0.68 (previous year: € 0.69). Earnings per share of the non-listed Real Estate subgroup were up by 10.8 % year-on-year to € 1.87 (previous year: € 1.69). The return on capital employed (ROCE) declined by 0.2 percentage points to 14.7 % (previous year: 14.9 %).

Financial Position

Balance Sheet Analysis

Compared with year-end 2017, the HHLA Group's **balance sheet total** decreased slightly as of the reporting date to € 1,797.7 million.

Balance Sheet Structure

in € million	30.06.2018	31.12.2017
Assets		
Non-current assets	1,412.0	1,348.0
Current assets	385.7	487.3
	1,797.7	1,835.3
Equity and liabilities		
Equity	572.5	602.4
Non-current liabilities	1,012.3	993.8
Current liabilities	212.9	239.1
	1,797.7	1,835.3

Non-current assets rose by 4.7 % to € 1,412.0 million (31 December 2017: € 1,348.0 million). The increase is chiefly attributable to the first-time consolidation of Transiidikeskuse AS and the associated increase in property, plant and equipment of € 62.3 million, as well as the increase in intangible assets (including goodwill) of € 19.3 million. There was an opposing effect from the scheduled depreciation of property, plant and equipment. Financial assets also decreased by € 6.2 million.

At € 385.7 million as of 30 June 2018, **current assets** were € 101.6 million below the corresponding figure as of 31 December 2017 (€ 487.3 million). This decline resulted partly from a reduction of € 103.7 million in cash and cash equivalents, as well as a drop of € 42.2 million in receivables from related parties due to a reduction in overnight deposits available on demand. The decrease in cash and cash equivalents and the aforementioned overnight deposits available on demand is mainly due to the acquisition of Transiidikeskuse AS and the takeover of the remaining shares in the METRANS Group. This was offset by a rise of € 25.3 million in trade receivables, as well as an increase of € 18.9 million in other financial receivables.

Equity declined by € 29.9 million to € 572.5 million as of the reporting date (31 December 2017: € 602.4 million). This decrease resulted mainly from the payment for the acquisition of further shares in METRANS a.s. amounting to € 49.9 million, as well as the payment of dividends totalling € 52.3 million. Net profit in the reporting period of € 68.8 million made a positive contribution to equity. The equity ratio decreased to 31.8 % in total (31 December 2017: 32.8 %).

The € 18.5 million increase in **non-current liabilities** to € 1,012.3 million compared to the the year-end figure (31 December 2017: € 993.8 million) is chiefly due to an increase in pension provisions of € 15.1 million and an increase of € 5.6 million in non-current financial liabilities.

Current liabilities fell by € 26.2 million to € 212.9 million (31 December 2017: € 239.1 million). This was mainly due to the decrease in current financial liabilities of € 32.5 million and the decrease in other current provisions of € 13.3 million. There was an opposing effect from the increase in other liabilities of € 13.7 million, as well as from an increase in trade liabilities of € 8.7 million.

Investment Analysis

Capital expenditure in the reporting period totalled € 44.2 million, well below last year's figure of € 63.6 million. Property, plant and equipment accounted for € 37.8 million (previous year: € 61.4 million) of capital expenditure, while investments in intangible assets made up € 6.4 million (previous year: € 2.2 million). The majority of this capital expenditure was for replacement investments.

Capital expenditure in the first half of 2018 focused on the procurement of large-scale equipment for horizontal transport, the expansion of infrastructure at the HHLA container terminals in the Port of Hamburg and the acquisition of new wagons at METRANS.

Liquidity Analysis

Cash flow from operating activities declined by € 52.2 million to € 95.9 million as of 30 June 2018 (previous year: € 148.1 million). The changes in trade receivables and in other financial receivables led to a decrease in operating cash flow.

Liquidity Analysis

in € million	1–6 | 2018	1–6 | 2017
Financial funds as of 01.01.	255.5	232.4
Cash flow from operating activities	95.9	148.1
Cash flow from investing activities	- 84.8	- 56.3
Free cash flow	11.1	91.8
Cash flow from financing activities	-140.1	- 93.6
Change in financial funds	- 128.1	- 2.3
Financial funds as of 30.06.	127.4	230.1
Short-term deposits	0.0	10.0
Available liquidity	127.4	240.1

Investing activities led to cash outflows of € 84.8 million (previous year: € 56.3 million). The increase in payment volumes of € 28.5 million was primarily attributable to the acquisition of all shares in Transiidikeskuse AS, which totalled € 72.0 million excluding acquired cash and cash equivalents. This was offset by reduced investments in property, plant and equipment, as well as increased proceeds from short-term deposits.

Free cash flow, which is the total cash flow from operating and investing activities, amounted to € 11.1 million at the end of the reporting period (previous year: € 91.8 million) and was therefore down by € 80.7 million year-on-year.

The cash outflow from **financing activities** amounted to € 140.1 million as of 30 June 2018 (previous year: € 93.6 million), an increase of € 46.5 million. A payment was made to acquire minority interests in METRANS a.s., Prague, Czech Republic, in the current reporting year. However, proceeds from new loans had the opposing effect in the reporting period.

As of the reporting date, the changes described above resulted in **financial funds** of € 127.4 million (30 June 2017: € 230.1 million), which were thus considerably lower than at the beginning of the year (31 December 2017: € 255.5 million). The Group's available liquidity as of 30 June 2018 totalled € 127.4 million (30 June 2017: € 240.1 million, including short-term deposits).

Segment Performance

Container Segment

Key Figures

in € million	1–6 | 2018	1–6 | 2017	Change
Revenue	380.3	372.3	2.2 %
EBITDA	106.9	109.9	- 2.7 %
EBITDA margin in %	28.1	29.5	- 1.4 pp
EBIT	68.2	68.2	0.0 %
EBIT margin in %	17.9	18.3	- 0.4 pp
Container throughput in thousand TEU	3,631	3,586	1.2 %

In the first half of 2018, HHLA's container terminals handled a total of 3,631 thousand standard containers (TEU). This is 1.2 % more than in the previous year (previous year: 3,586 thousand TEU). **Container throughput** at HHLA's three container terminals was raised by 0.9 % to 3,473 thousand TEU (previous year: 3,441 thousand TEU). This slight growth was mainly driven by the 4.1 % increase in Asia traffic. The rate of decline in feeder traffic was lower than in the first quarter. Compared with the same period last year, container throughput at the North Sea and Baltic Sea ports fell by 4.8 %. There was a corresponding decline in the feeder ratio of 1.4 percentage points to 23.6 % (previous year: 25.0 %). Container throughput at the Container Terminal Odessa continued to make good progress with year-on-year growth of 8.3 % to 158 thousand TEU in the first half of 2018 (previous year: 146 thousand TEU).