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).

The slight volume growth of 1.2 % led to a 2.2 % increase in **revenue** to € 380.3 million compared with the first six months of 2017 (previous year: € 372.3 million). The slightly disproportional increase in relation to the volume trend is mainly attributable to increases in individual handling rates and to the lower feeder ratio. By contrast, the share of local cargo increased, especially rail-dependent throughput. Shorter container dwell times due to the improved punctuality of overseas services led to a slight fall in storage fees, which had risen significantly in the previous year due to the reorganisation of service structures. The average revenue per container handled at the quayside rose in total by 0.9 % year-on-year.

The segment's EBIT costs increased by 2.6 %, thus also outstripping throughput volume. This was caused by the additional use of resources due to ship delays, as well as the considerable variation in capacity utilisation at the container terminals in Hamburg. Nevertheless, the **operating result (EBIT)** of € 68.2 million was on a par with the previous year. The EBIT margin decreased slightly to 17.9 % (previous year: 18.3 %).

Intermodal Segment

Key Figures

in € million	1–6 | 2018	1–6 | 2017	Change
Revenue	208.0	206.2	0.9 %
EBITDA	51.5	46.9	9.8 %
EBITDA margin in %	24.8	22.7	2.1 pp
EBIT	38.6	34.9	10.7 %
EBIT margin in %	18.6	16.9	1.7 pp
Container transport in thousand TEU	713	744	- 4.2 %

In the first half of 2018, HHLA's transport companies posted a moderate decline of 4.2 % in the highly competitive market for container traffic in the hinterland of major seaports. **Transport volumes** declined from 744 thousand standard containers (TEU) in the same period last year to 713 thousand TEU. In addition to rail transport, there was also a marked decline in road transport. Rail transport was adversely affected by multiple factors, including the scheduled realignment of POLZUG activities as part of its integration into the METRANS organisation. Compared with the second quarter of 2017, rail transport was down slightly by 1.7 % to 558 thousand TEU (previous year: 568 thousand TEU). Due to a significant decrease in freight volume in the greater Hamburg area, road transport fell by 12.0 % year-on-year to 155 thousand TEU (previous year: 176 thousand TEU).

At € 208.0 million, **revenue** was up 0.9 % against the prior-year figure (previous year: € 206.2 million) and thus performed much better than transport volume. This stable revenue trend resulted from a slight increase in rail's share of HHLA's total intermodal transportation from 76.3 % to 78.3 %, in combination with longer transport distances.

The **operating result (EBIT)** increased year-on-year to € 38.6 million (previous year: € 34.9 million). In addition to a decrease in the cost of materials, this trend was due in particular to changes in the route mix. The terminal in Budapest, which started operations in mid-2017, also had a positive impact on the efficiency of HHLA's intermodal network.

Logistics Segment

Key Figures

in € million	1–6 | 2018	1–6 | 2017	Change
Revenue	25.2	24.7	2.0 %
EBITDA	3.3	2.8	15.3 %
EBITDA margin in %	13.0	11.5	1.5 pp
EBIT	1.0	0.7	58.0 %
EBIT margin in %	4.2	2.7	1.5 pp
At-equity earnings	2.3	2.6	- 10.9 %

The key financial figures for the Logistics segment include the vehicle logistics and consultancy divisions. The results from dry bulk and fruit logistics are included in at-equity earnings.

The companies of the Logistics segment once again made varying progress in the first half of 2018. The consolidated companies reported **revenue** of € 25.2 million, up 2.0 % on the prior-year figure (previous year: € 24.7 million). This was due in particular to increases in volume and revenue in the vehicle logistics division.

The **operating result (EBIT)** of the Logistics segment amounted to € 1.0 million in the reporting period, compared to € 0.7 million in the prior-year period. This improvement resulted from the vehicle logistics division.

At-equity earnings declined by a total of 10.9 % to € 2.3 million in the first half of 2018. Both dry bulk handling and fruit logistics were down on their prior-year performance.

Real Estate Segment

Key Figures

in € million	1–6 | 2018	1–6 | 2017	Change
Revenue	19.3	18.7	3.0 %
EBITDA	10.9	10.5	3.5 %
EBITDA margin in %	56.5	56.2	0.3 pp
EBIT	8.4	8.0	4.9 %
EBIT margin in %	43.6	42.8	0.8 pp

The Hamburg office rental market performed modestly in the first half of 2018. According to Grossmann & Berger's latest market report, 250,000 m^2 of office space was let in the first half of 2018 – 17 % less than in the previous year (previous year: 300,000 m^2). The decline in available space, and the resulting decrease in the vacancy rate, is regarded as a key reason for the drop in turnover. Due to high demand, the vacancy rate in Hamburg fell to 3.9 % (previous year: 4.9 %) – and was thus below the 4 % mark for the first time. In view of the expected completions in the medium term, there are no signs of the current market situation easing.

HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued their positive revenue trend in the first half of 2018. Despite full occupancy in both quarters having been largely reached in the previous year, **revenue** still rose moderately by 3.0 % to € 19.3 million (previous year: € 18.7 million).

Largely due to increased revenue from existing and newly developed properties in the Speicherstadt historical warehouse district – and in spite of the implementation of planned maintenance work – there was a year-on-year growth in the cumulative **operating result (EBIT)** of 4.9 % to € 8.4 million, (previous year: € 8.0 million).

Employees

Employees

by segments	30.06.2018	31.12.2017	Change
Container	3,132	2,909	7.7 %
Intermodal	1,932	1,872	3.2 %
Holding/Others	618	636	- 2.8 %
Logistics	135	134	0.7 %
Real Estate	32	30	6.7 %
HHLA Group	5,849	5,581	4.8 %

At the end of the first half of 2018, HHLA employed a total of 5,849 people. Compared with the figure as of 31 December 2017, the number of employees rose by 268. This increase is mainly attributable to the first-time consolidation of Transiidikeskuse AS, which employed 219 people as of 30 June 2018.

Employees by Segment

In the Container segment, the number of employees increased by 223 people, mainly as a result of the first-time consolidation of Transiidikeskuse AS described above. Due to the expansion of services and the increase in vertical integration, headcount in the Intermodal segment rose by a further 60 employees to 1,932. By contrast, the number of staff exmployed at the strategic management holding company fell by 18. Headcount at the other segments at the end of the first half of 2018 was more or less on a par with year-end 2017: Headcount in the Logistics segment rose by just one; two new employees joined the Real Estate segment.

Employees by Region

In geographical terms, the workforce was concentrated mainly in Germany in the first half of 2018, with 3,466 staff members (31 December 2017: 3,479), the majority of whom worked in Hamburg. This corresponds to a share of 59.3 % (31 December 2017: 62.3 %). The number of staff employed abroad rose by 281, or 13.4 %, to 2,383 in the first half of 2018 (31 December 2017: 2,102), mainly attributable to the first-time consolidation of Transiidikeskuse AS. As a result, the number of employees in the subsidiaries in Austria, Poland, Georgia and Estonia has increased by 229, or 127.9 %, to 408 (31 December 2017: 179). At the Intermodal companies in the Czech Republic, Slovakia, Slovenia and Hungary headcount increased by 51, or 3.5 %, to 1,516 (31 December 2017: 1,465). In Ukraine, headcount remained more or less constant at 459 (31 December 2017: 458).