Investment analysis

Capital expenditure in the reporting period totalled € 110.9 million, well above the prior-year figure of € 44.2 million. The main reason for this increase was the capitalisation of a concession agreement for a terminal facility. Property, plant and equipment accounted for € 106.1 million (previous year: € 37.8 million) of capital expenditure, while investments in intangible assets made up € 4.8 million (previous year: € 6.4 million). The majority of capital expenditure was for expansion work.

Liquidity analysis

Cash flow from operating activities rose by € 77.2 million to € 173.1 million as of 30 June 2019 (previous year: € 95.9 million). This was due to the comparatively low increase in trade receivables and current financial assets as compared with the same period in the previous year, as well as the higher increase in trade liabilities and other liabilities. Increased depreciation and amortisation as a result of the initial application of IFRS 16 and the improvement in EBIT also led to an increase in operating cash flow.

Investing activities led to cash outflows of € 90.2 million (previous year: € 84.8 million). This was largely due to payments for short-term deposits. Furthermore, payments for investments in property, plant and equipment were also higher than in the previous year. Payments for company acquisitions in the previous year had an opposing effect due to the acquisition of all shares in HHLA TK Estonia AS, Tallinn, Estonia.

Cash flow from financing activities was € 12.5 million lower than in the previous year. This was primarily due to payments for the acquisition of all minority interests in METRANS a.s. in Prague, Czech Republic, in the previous year. By contrast, the initial application of IFRS 16 resulted in higher payments for the redemption of lease liabilities in the reporting period. No payments were received from the take-up of loans in the reporting period as compared with the same period last year.

Financial funds totalled € 210.1 million as of 30 June 2019 (30 June 2018: € 127.4 million). Including all short-term deposits, the Group's available liquidity at the end of the first half of 2019 amounted to € 260.1 million (30 June 2018: € 127.4 million).

Liquidity analysis

in € million	1–6 | 2019	1–6 | 2018
Financial funds as of 01.01.	**254.0**	**255.5**
Cash flow from operating activities	173.1	95.9
Cash flow from investing activities	- 90.2	- 84.8
Free cash flow	**82.9**	**11.1**
Cash flow from financing activities	- 127.6	- 140.1
Change in financial funds	- 43.9	- 128.1
Financial funds as of 30.06.	**210.1**	**127.4**
Short-term deposits	50.0	0.0
Available liquidity	260.1	127.4

Segment performance

Container segment

Key figures

in € million	1–6 | 2019	1–6 | 2018	Change
Revenue	401.7	380.3	5.6 %
EBITDA	120.5	106.9	12.7 %
EBITDA margin in %	30.0	28.1	1.9 pp
EBIT	71.8	68.2	5.3 %
EBIT margin in %	17.9	17.9	0.0 pp
Container throughput in thousand TEU	3,770	3,631	3.8 %

During the first half of 2019, the **throughput volume** at **HHLA's container terminals** increased moderately by 3.8 % to 3,770 thousand standard containers (TEU) (previous year: 3,631 thousand TEU). The three **Hamburg container terminals** showed a sideways trend with a marginal year-on-year increase in throughput volume of +0.1 % to 3,476 thousand TEU (previous year: 3,473 thousand TEU). The changes in service structure (addition of several services to North America, disposal of a Far East service) were overall slightly positive. Asian routes were virtually on a par with the previous year. Feeder traffic in the Baltic region continued to develop heterogeneously across the various routes and decreased slightly overall. The proportion of seaborne handling by feeders was therefore down slightly by 0.7 percentage points to 22.9 % (previous year: 23.6 %).

Throughput at the **international container terminals** in Odessa and Tallinn amounted to 293 thousand TEU in the reporting period (previous year: 158 thousand TEU). However, the prior-year figures are only comparable to a limited extent, as the container terminal in Tallinn was only incorporated into HHLA's consolidated group as of the second half of 2018.

Due to the increase in volume of 3.8 % combined with an improvement in average revenue in the first six months compared to 2018, **revenue** increased by 5.6 % to € 401.7 million (previous year: € 380.3 million). The average revenue per container handled at the quayside rose by 1.7 % year-on-year. This was caused by contractual rate adjustments as well as an increase in the rail share.

EBIT costs were influenced by the costs of HHLA TK Estonia, consolidated since the second half of 2018 and thus not included in the prior-year figures. Further increases in personnel costs were also recorded at HHLA sites. In addition to temporary increases in staffing at the Container Terminal Tollerort as a result of the launch of the new N4 terminal software, this was primarily due to the conversion of the company pension scheme. The initial application of IFRS 16 led to a slight improvement. EBIT costs rose overall by 5.7 %.

The **operating result (EBIT)** increased by € 3.6 million or 5.3 % year-on-year to € 71.8 million (previous year: € 68.2 million). Of this increase, € 5.2 million is attributable to the application of IFRS 16. The EBIT margin remained unchanged at 17.9 %.

HHLA continued to invest in the future viability and environmental sustainability of its sites in the first half of the year, during which the expansion of the container rail terminal at the Container Terminal Burchardkai was completed. With a new total of ten tracks and four rail gantry cranes, the terminal now offers even more capacity for environmentally friendly transportation. The replacement of diesel-powered automatic goods vehicles (AGVs) with battery-powered AGVs at the Container Terminal Altenwerder (CTA) is progressing according to schedule. The certification of the CTA as a "climate-neutral company" by the TÜV certification authority confirms the efficacy of the measures taken.

Intermodal segment

Key figures

in € million	1–6 | 2019	1–6 | 2018	Change
Revenue	244.1	208.0	17.4 %
EBITDA	70.2	51.5	36.2 %
EBITDA margin in %	28.7	24.8	3.9 pp
EBIT	50.8	38.6	31.6 %
EBIT margin in %	20.8	18.6	2.2 pp
Container transport in thousand TEU	782	713	9.6 %

In the first half of 2019, HHLA's transport companies achieved strong growth in the highly competitive market for container traffic in the hinterland of major seaports. **Transport volumes** rose by 9.6 % to 782 thousand standard containers (TEU) (previous year: 713 thousand TEU). This trend was driven by growth in both rail and road transport. Compared with the previous year, rail transport increased by 9.3 % to 610 thousand TEU (previous year: 558 thousand TEU). There was above-average growth not only in traffic between the north German seaports, but also in traffic between the Adriatic ports and the Central and Eastern European hinterland. Polish traffic also increased significantly following the successful consolidation in the previous year. In a market environment that remains difficult, road transport grew by 10.8 % to 172 thousand TEU due to the strong increase in delivery volumes (previous year: 155 thousand TEU).

At € 244.1 million, **revenue** was up 17.4 % on the prior-year figure (previous year: € 208.0 million) and thus performed much better than transport volume. In addition to price adjustments, this strong increase in revenue was due in particular to longer transport distances, while the rail share was largely unchanged from the previous year.

The **operating result (EBIT)** rose by 31.6 % to € 50.8 million in the reporting period (previous year: € 38.6 million). This marked increase is primarily due to the positive trend in volume and revenue. Additionally, lower route prices in Germany made it possible to increase further the capacity utilisation of train systems. The application of IFRS 16 did not have a major influence on the positive EBIT trend.

Logistics segment

Key figures

in € million	1–6 | 2019	1–6 | 2018	Change
Revenue	29.7	25.2	18.1 %
EBITDA	4.4	3.3	35.1 %
EBITDA margin in %	14.9	13.0	1.9 pp
EBIT	1.7	1.0	66.4 %
EBIT margin in %	5.9	4.2	1.7 pp
At-equity earnings	2.1	2.3	- 7.9 %

The consolidated companies of the Logistics segment reported highly encouraging **revenue** growth in the first half of 2019. At € 29.7 million, the prior-year figure was exceeded by 18.1 % (previous year: € 25.2 million). This was due in particular to strong volume growth in the vehicle logistics division and the positive order situation in consultancy.

At € 1.7 million, the Logistics segment's **operating result (EBIT)** far outstripped the prior-year figure (previous year: € 1.0 million). The application of IFRS 16 had no significant effect on the development of the operating result.

At-equity earnings of € 2.1 million in the first half of 2019 were 7.9 % down on the prior-year figure (previous year: € 2.3 million). This was largely due to a burden on earnings from bulk materials handling resulting from the initial application of IFRS 16.

Real Estate segment

Key figures

in € million	1–6 | 2019	1–6 | 2018	Change
Revenue	19.9	19.3	3.5 %
EBITDA	12.2	10.9	12.1 %
EBITDA margin in %	61.2	56.5	4.7 pp
EBIT	8.5	8.4	1.3 %
EBIT margin in %	42.7	43.6	- 0.9 pp

The positive trend of the Hamburg office space market continued in the first half of 2019. According to Grossmann & Berger's latest market report, 310,000 m² of office space was let – 24 % more than the previous year's figure of 250,000 m². One major reason for the marked increase in turnover is the high proportion of own-use. The vacancy rate decreased year-on-year by 0.9 percentage points to 3.0 %.

HHLA's properties in the Speicherstadt historical warehouse district and the fish market area reported a positive trend in the first six months of 2019. Although **revenue** in the previous year was already based on virtual full occupancy in both quarters, there was further moderate year-on-year growth of 3.5 % to € 19.9 million (previous year: € 19.3 million).

The increase in planned maintenance work was offset by revenue growth from properties in the Speicherstadt historical warehouse district. The slight 1.3 % rise in the **operating result (EBIT)** to € 8.5 million (previous year: € 8.4 million) is mainly due to the application of IFRS 16.

Employees

Employees

by segments	30.06.2019	31.12.2018	Change
Container	3,104	3,134	- 1.0 %
Intermodal	2,155	2,002	7.6 %
Logistics	149	141	5.7 %
Holding/Others[1]	572	580	- 1.4 %
Real Estate[2]	83	80	3.8 %
HHLA Group	**6,063**	**5,937**	**2.1 %**

1 Exclusive employees assigned to the Real Estate subgroup

2 Including employees from Holding/Other who are assigned to the Real Estate subgroup

At the end of the first half of 2019, HHLA employed a total of 6,063 people. Compared with the figure as of 31 December 2018, the number of employees rose by 126.

Employees by segment

Due to the expansion of services and the increase in vertical integration, headcount in the Intermodal segment rose by a further 153 employees to 2,155. Meanwhile, in the Container segment, the number of staff decreased by 30 to 3,104. In the Logistics segment, the number of employees rose by 8 to 149. By contrast, the number of staff employed in the strategic management holding segment Holding/Other – excluding staff assigned to the Real Estate subgroup – decreased by 8. Overall, headcount of the Port Logistics subgroup increased by 123, or 2.1 %. In the Real Estate segment, the number of employees rose by 3 to 83 – including staff in the Holding/Other segment assigned to the Real Estate segment.

Employees by region

In geographical terms, the workforce was concentrated mainly in Germany in the first half of 2019, with 3,475 staff members (31 December 2018: 3,489), the majority of whom worked in Hamburg. This corresponds to a share of 57.3 % (31 December 2018: 58.8 %). Due mainly to the expansion of services and the increase in vertical integration in the Intermodal segment, the number of staff employed abroad increased by 140 or 5.7 % to 2,588 in the first half of 2019 (31 December 2018: 2,448). As a result, headcount at the Intermodal companies in the Czech Republic, Slovakia, Slovenia and Hungary rose by 120 or 7.7 % to 1,678 (31 December 2018: 1,558). The number of staff employed by the subsidiaries in Austria, Poland, Georgia and Estonia increased by 20 or 4.7 % to 449 (31 December 2018: 429). In Ukraine, headcount remained unchanged at 461 (31 December 2018: 461).