Segment Performance

Container Segment

Key Figures

in € million	1–9 | 2015	1–9 | 2014	Change
Revenue	518.7	565.1	- 8.2 %
EBITDA	147.3	186.0	- 20.8 %
EBITDA margin in %	28.4	32.9	- 4.5 pp
EBIT	83.5	121.9	- 31.4 %
EBIT margin in %	16.1	21.6	- 5.5 pp
At-equity earnings	0.5	0.6	- 21.4 %
Container throughput in thousand TEU	5,027	5,701	- 11.8 %

Container throughput at the HHLA terminals in Hamburg continued to decline year-on-year in the third quarter of 2015. Including the container terminal in Odessa, seaborne handling was down 11.8 % on the previous year at 5,027 thousand standard containers (TEU) after the first nine months of 2015 (previous year: 5,701 thousand TEU).

The decrease in volumes at the Hamburg terminals was primarily due to a drop in feeder traffic with the Baltic Sea ports, which was down 21.8 % on the prior-year figure in the period January to September 2015. In addition to the re-routing of individual shipping lines, this was primarily due to the decrease in traffic to and from Russia, which fell almost 40 % compared to the previous year. The feeder ratio saw a corresponding drop to 23.1 % (previous year: 26.0 %). The decline in container transport volumes on the Asian routes (Far East–North Europe) also contributed to lower container throughput. As a consequence, rail and truck throughput at the HHLA terminals in Hamburg fell in the third quarter of 2015; in the reporting period, it was down 3.2 % on the very strong prior-year quarter. Competition between the North Range ports also continued to increase.

Container throughput at the Odessa container terminal in Ukraine recorded slight year-on-year growth for the first time in 2015, rising by 3.6 % in the third quarter. However, total throughput volumes were still 5.8 % lower than in the previous year at 188 thousand TEU. Gains in market share helped soften the impact of the ongoing negative market trend in Ukraine. This was due in particular to the handling of direct services and the terminal's high level of efficiency.

The strong decline in throughput volumes and lower storage fees compared to last year – due to shorter dwell times for containers – led to falling revenue. It was down 8.2 % to € 518.7 million in the first nine months (previous year: € 565.1 million). However, an ongoing change in the cargo mix – and the associated reduced proportion of lower-margin feeder traffic – led to higher average revenue per standard container handled at the quayside. Consequently, average revenue rose by 4.1 % in the first nine months of 2015 compared to the same period last year.

With a fall of 1.8 %, the segment's EBIT costs were only slightly below the figure from the prior-year figure and could not be reduced in proportion to lower seaborne throughput. This was mainly due to personnel expenses. These were significantly reduced compared with the first two quarters of 2015 by curtailing the use of external staff, among other measures. However, increased union wage rates had the opposing effect. It is becoming increasingly difficult to adequately adapt the workforce as underutilisation of the facilities increases. Cost items with high fixed proportions also contributed to this negative trend. Maintenance costs, for example, were up strongly on the prior-year figure. Due to high capacity utilisation at the facilities last year, some of the maintenance work needed in 2014 had to be postponed to 2015. In addition, there was a temporary increase in expenses for the updating of operating IT systems. This development led to a 31.4 % decrease in the operating result (EBIT) to € 83.5 million (previous year: € 121.9 million). The EBIT margin fell correspondingly to 16.1 % (previous year: 21.6 %).

Intermodal Segment

Key Figures

in € million	1–9 | 2015	1–9 | 2014	Change
Revenue	272.8	263.4	3.6 %
EBITDA	61.1	37.4	63.4 %
EBITDA margin in %	22.4	14.2	8.2 pp
EBIT	44.0	22.0	99.9 %
EBIT margin in %	16.1	8.4	7.7 pp
Container transport in thousand TEU	996	973	2.4 %

HHLA's rail and road-based transport companies achieved slight growth in the highly competitive market for container traffic in the hinterland of major seaports. In a declining overall market, transport volumes climbed by 2.4 % to 996 thousand standard containers (TEU), compared to 973 thousand TEU in the same period last year. After recording strong growth in the first quarter and a slight decline in the second quarter of 2015, transport volumes rose by 0.8 % in the third quarter to slightly exceed the prior-year figure.

The trend as of September 2015 was primarily driven by growth in railway transportation, with links between the Adriatic ports and Central and Eastern Europe growing at an above-average rate. Transport volumes from the Polish seaports were also increased significantly.

With growth of 3.6 % to € 272.8 million (previous year € 263.4 million), revenue outpaced transport volume gains. The main reasons were a change in the route mix and a rise in the average transportation distance, due in part to an increase in the share of railway traffic from 74.5 % to 76.5 % of HHLA's total intermodal transportation.

Compared to the same period last year, the operating result (EBIT) doubled to € 44.0 million (previous year: € 22.0 million) and significantly outperformed volume and revenue growth. The expansion of the company's own traction since the beginning of 2015 with the acquisition of additional locomotives had a particularly positive effect on productivity rates and led to improved cost structures. Better utilisation of trains and a more beneficial mix of import and export volumes compared to last year also had a positive effect on segment earnings. This encouraging development in segment earnings was also helped by improvements in the cost structure and the implementation of restructuring measures by the Polzug Group, as well as a one-off gain of € 2.5 million from the sale of a property in Poland. The company continues to operate in a very challenging competitive environment.

HHLA's Intermodal companies are continuing to drive the expansion of their own traction and the hinterland network. As well as ordering ten additional multi-system locomotives, Metrans acquired land in the Hungarian capital of Budapest and laid the foundation for a new rail hub terminal. Its location makes it the perfect interface between the North European seaports and South-East Europe. With this fourth hub and shuttle terminal, Metrans will further strengthen the link between the growth markets of Central and Eastern Europe and HHLA's hinterland network. At the same time, the ports on the Adriatic sea and in Greece can be served better. The terminal is expected to begin operations in 2017.

Logistics Segment

Key Figures

in € million	1–9 | 2015	1–9 | 2014	Change
Revenue	48.9	48.7	0.4 %
EBITDA	2.5	- 0.5	pos.
EBITDA margin in %	5.1	- 1.0	6.1 pp
EBIT	- 0.6	- 1.3	53.0 %
EBIT margin in %	- 1.3	- 2.7	1.4 pp
At-equity earnings	2.7	3.3	- 16.5 %

Since 2014, the key financial figures for the Logistics segment have only included the vehicle logistics, project and contract logistics, consultancy activities and cruise logistics business divisions. The results from bulk cargo and fruit logistics have been included in earnings from associates, accounted for using the equity method, since 2014 and 2012 respectively.

Segment revenue rose by 0.4 % in the first nine months to € 48.9 million (previous year: € 48.7 million). EBIT improved significantly in the reporting period to € - 0.6 million (previous year: € - 1.3 million). It should be noted that the vehicle logistics division acquired assets from the Holding/Other division in the third quarter with retroactive effect as of 1 January 2015. The segment's EBIT improved considerably as a result of this intragroup transaction, which changed the cost structure within the vehicle logistics division. The intercompany profit resulting from the transaction was eliminated on consolidation at the level of the Port Logistics subgroup.

In the reporting period, earnings from associates were down year-on-year due to a change in disclosed taxes. On the whole, however, revenue and the operating result of companies included in this subgroup rose in the first nine months compared with the previous year.

The individual business divisions developed as follows:

After a modest first half of the year, higher container throughput saw volumes in the **vehicle logistics** division recover in the third quarter of 2015. At 1,133 thousand tonnes, handling (including packing) matched the prior-year level in the reporting period (previous year: 1,129 thousand tonnes). This was down 6.2 % year-on-year as of 30 June. By contrast, the number of vehicles handled was 6.5 % down on the previous year at 137 thousand (previous year: 147 thousand). Revenue also fell short of the corresponding prior-year figure. Although EBIT rose year-on-year, comparability is limited by the effect described above.

Consultancy activities recorded an increase in both revenue and EBIT over the previous year in the first nine months.

The market environment for **project and contract logistics** remained very challenging in the reporting period. Revenue declined in the third quarter but still exceeded the prior-year figure in the reporting period. Earnings were down on the previous year, which included income from other accounting periods.

In the **cruise logistics** division, the number of ship calls declined by 26.0 % year-on-year to 125 ships in the first nine months (previous year: 169). There was a corresponding fall in passenger numbers which fell by 23.4 % to 420 thousand (previous year: 548 thousand). Revenue and earnings were also down on the previous year.

At 11.2 million tonnes, seaborne handling volumes in **bulk cargo logistics** were up 7.1 % on the previous year (10.5 million tonnes). This was due to both ore and coal handling. Revenue and the operating result also improved compared to the prior-year period.

Volumes in the **fruit logistics** division declined in the third quarter. However, the figure for the first nine months of 2015 – a total of 412 thousand tonnes – was on a par with the previous year (414 thousand tonnes). Revenue and earnings exceeded the prior-year figures.

Real Estate Segment

Key Figures

in € million	1–9 | 2015	1–9 | 2014	Change
Revenue	27.5	25.2	9.0 %
EBITDA	16.4	14.4	13.7 %
EBITDA margin in %	59.7	57.2	2.5 pp
EBIT	12.7	11.1	13.9 %
EBIT margin in %	46.0	44.1	1.9 pp

The positive trend for office space in Hamburg weakened considerably over the course of the third quarter. According to the office market overview by Grossmann & Berger, 355,000 m^2 of space was let in the first nine months – approx. 7 % less than in the same period last year – despite a relatively high proportion of owner-occupied properties. By contrast, there was year-on-year growth of 12 % at the end of the first half of 2015.

According to Jones Lang LaSalle, Hamburg's vacancy rate at the end of the third quarter of 2015 was 6.2 %, and thus significantly below the prior-year figure of 7.1 %. The vacancy rate is expected to decline further in the coming quarter.

HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued to buck the market trend with further strong progress in the third quarter. This is reflected by the 9.0 % increase in revenue over the prior-year period. This considerable revenue growth was mainly due to project developments in the portfolio.

Once again, the operating result (EBIT) rose by an impressive 13.9 % to € 12.7 million as of the end of September 2015 (previous year: € 11.1 million). Earnings for the current financial year include extraordinary income of € 0.9 million from an insurance refund. Due to planned maintenance work in the fourth quarter, year-on-year earnings growth is expected to weaken slightly towards the end of the financial year.

Employees

Employees

by segment	30.09.2015	31.12.2014	Change
Container	2,966	3,022	- 1.9 %
Intermodal	1,458	1,319	10.5 %
Holding/Other	667	588	13.4 %
Logistics	228	229	- 0.4 %
Real Estate	41	36	13.9 %
HHLA Group	5,360	5,194	3.2 %

HHLA's workforce totalled 5,360 on 30 September 2015. This figure represents a slight increase of 3.2 %, or 166 employees, since 31 December 2014. The dissolution of the operative holding HHLA Container Terminals GmbH and the pooling of its functions and management responsibilities with the holding company impacted the headcount structure in the Container and Holding/Other segments. The number of employees in the Container segment declined by 56, while 79 people joined the Holding/Other segment. The Intermodal segment hired 139 new employees as it expanded its services. Headcount in the Real Estate segment also rose by 5 people to deal with increased demand. Compared to 31 December, headcount in the Logistics segment was roughly unchanged.

Events after the Balance Sheet Date

There were no significant events after the balance sheet date of 30 September 2015.

Business Forecast

Outlook for Macroeconomic Development

After the global economic upswing expected in the first half of the year failed to materialise, the International Monetary Fund (IMF) once again downscaled its growth forecast for 2015 by 0.2 percentage points in October and now anticipates global GDP growth of 3.1 %. Growth is expected to be driven in particular by persistently low oil prices and favourable financing terms, especially in the advanced economies. The key factors for HHLA, however, are still growth in China – which is set to become even weaker than in previous years at 6.8 % over the full twelve months of 2015 – and the Russian economy, which is expected to shrink by 3.8 % as a result of the Ukraine crisis and the collapse of prices on the international crude oil markets. The IMF anticipates that the eurozone (+ 1.5 %), the emerging economies in Central and Eastern Europe (+ 3.0 %) and the German economy (+ 1.5 %) will all remain stable in 2015.