Business Development

Course of Business and Economic Situation

Key Figures

in € million	1–3 | 2016	1–3 | 2015	Change
Revenue	284.8	296.9	- 4.1 %
EBITDA	70.4	73.1	- 3.7 %
EBITDA margin in %	24.7	24.6	0.1 pp
EBIT	41.0	43.0	- 4.7 %
EBIT margin in %	14.4	14.5	- 0.1 pp
Profit after tax and minority interest	18.1	12.6	44.6 %
ROCE in %	12.5	13.2	- 0.7 pp

Significant Events and Transactions

There were no particular events or transactions during the period under review, either in HHLA's operating environment or within the Group, which had a significant impact on its earnings position and financial position. Both the economic indicators reported for the first three months of 2016 and HHLA's actual economic performance were largely in line with the performance forecast in the 2015 Annual Report. However, a change in the interest rate used to calculate pension obligations led to a significant increase in pension provisions along with a corresponding reduction in equity. In addition, HHLA continues to be affected by exchange rate-related changes. ▶ See earnings and financial position

Earnings Position

HHLA's performance data varied widely in the first quarter of 2016. At 1,612 thousand TEU, **container throughput** fell year on year by 7.7 % (previous year: 1,747 thousand TEU). A further drop in feeder traffic with Baltic Sea ports had a particularly strong impact on our Hamburg terminals. By contrast, **transport volumes** rose by 2.4 % to 341 thousand TEU (previous year: 333 thousand TEU). This increase, achieved in a highly competitive market, was brought about by the growth in rail transportation.

The HHLA Group's **revenue** decreased by 4.1 % to € 284.8 million in the period under review (previous year: € 296.9 million). This was primarily due to a volume-related decline in handling revenue at the Hamburg terminals. The performance of the listed **Port Logistics subgroup** largely reflected that of the HHLA Group. The subgroup reported a fall in revenue of 4.3 % to € 277.1 million (previous year: € 289.6 million) in its Container, Intermodal and Logistics segments. By contrast, the non-listed **Real Estate subgroup** was able to raise revenue by 5.8 % to € 9.2 million (previous year: € 8.7 million). The Real Estate subgroup thus accounted for 2.7 % of Group revenue.

The decrease in **operating expenses** of 3.6 % to € 254.2 million (previous year: € 263.7 million) was slightly less than the fall in revenue. There were highly divergent trends across the different expenditure types. Despite an increase in headcount (+ 2.1 %), personnel expenses were kept almost constant (+ 0.1 %). Both the rise in other operating expenses (+ 3.2 %) and the significant fall in the cost of materials (- 10.8 %) were due in part to the company's increased use of its own traction fleet in rail transportation. Depreciation and amortisation were down slightly on the previous year (- 2.3 %).

In light of these developments, the **operating result (EBIT)** decreased by 4.7 % to € 41.0 million in the period under review (previous year: € 43.0 million). The EBIT margin of 14.4 % was on a par with the previous year (previous year: 14.5 %). The significant increase in earnings in the Intermodal segment was largely able to compensate for the strong decline in earnings in the Container segment. The EBIT of the **Port Logistics subgroup** declined by 4.3 % to € 37.1 million (previous year: € 38.8 million) and thus accounted for 90.6 % of the consolidated operating result in the reporting period (previous year: 90.3 %). In the **Real Estate subgroup**, EBIT fell slightly to € 3.8 million (previous year: € 4.1 million) as a result of maintenance work. This subgroup generated 9.4 % (previous year: 9.7 %) of the consolidated operating result.

Net expenses from the **financial result** fell by € 7.2 million, or 52.6 %, to € 6.5 million (previous year: € 13.7 million). This was mainly due to a reduction of € 6.1 million in negative exchange rate effects, which resulted almost entirely from the devaluation of the Ukrainian currency. Interest paid to banks and other lenders also decreased.

Profit after tax and minority interests climbed 44.6 % year on year to € 18.1 million (previous year: € 12.6 million). **Earnings per share** increased correspondingly by 44.6 % to € 0.25 (previous year: € 0.17). The listed Port Logistics subgroup achieved a 52.9 % rise in earnings per share to € 0.23 (previous year: € 0.15). Earnings per share of the non-listed Real Estate subgroup were up slightly year on year at € 0.79 (previous year: € 0.77). The **return on capital employed (ROCE)** was down 0.7 pp at 12.5 % (previous year: 13.2 %).

Financial Position

Balance Sheet Analysis

Compared with year-end 2015, the HHLA Group's **balance sheet total** increased by € 49.1 million to € 1,799.5 million as of 31 March 2016 (previous year: € 1,750.4 million).

Balance Sheet Structure

in € million	31.03.2016	31.12.2015
Assets		
Non-current assets	1,311.9	1,305.8
Current assets	487.6	444.6
	1,799.5	1,750.4
Equity and liabilities		
Equity	574.9	580.6
Non-current liabilties	1,011.1	979.2
Current liabilities	213.5	190.6
	1,799.5	1,750.4

On the assets side of the balance sheet, non-current **assets** rose by € 6.1 million to € 1,311.9 million (previous year: € 1,305.8 million). Current assets increased by € 43.0 million to € 487.6 million (previous year: € 444.6 million).

On the liabilities side, **equity** was down € 5.7 million at € 574.9 million (previous year: € 580.6 million) compared to year-end 2015. The reduction was primarily due to the interest rate-related change of € 28.0 million in actuarial gains and losses, netted with deferred taxes, and the foreign currency effects of € 3.5 million recognised directly in equity. The Group's profit after tax for the reporting period led to an increase in equity of € 26.0 million. The equity ratio decreased to 31.9 % (previous year: 33.2 %).

Non-current and current **liabilities** rose by € 54.8 million to € 1,224.6 million (previous year: € 1,169.8 million). This was mainly due to the increase in pension provisions of € 43.8 million.

Investment Analysis

The investment volume in the period under review totalled € 27.0 million and thus fell short of the previous year's figure of € 31.5 million. Property, plant and equipment accounted for € 21.5 million (previous year: € 30.1 million) of capital expenditure, while intangible assets accounted for € 5.5 million (previous year: € 1.4 million). The majority of the investments were for expansion work.

A large proportion of the capital expenditure in the first quarter of 2016 was for the expansion of the block storage facility at the Container Terminal Burchardkai and the construction of the terminal in Budapest by Metrans Danubia.

Liquidity Analysis

Cash flow from operating activities rose year on year from € 38.6 million to € 62.0 million. This increase was primarily caused by the year-on-year fall in receivables from related parties, as well as lower advance tax payments and reduced exchange rate effects.

Cash flow from investing activities of € 36.2 million was down on the previous year. This decline was mainly due to the fall in capital expenditure in the Intermodal segment.

Cash flow from financing activities decreased by € 25.3 million in the reporting period. Cash inflows from borrowing were lower than in the previous year.

Financial funds totalled € 180.5 million as of 31 March 2016 (31 March 2015: € 187.3 million). Including all short-term deposits, the Group's available liquidity at the end of the first quarter of 2016 amounted to € 268.8 million (31 March 2015: € 287.3 million).

Liquidity Analysis

in € million	1–3 | 2016	1–3 | 2015
Financial funds as of 01.01.	165.4	185.6
Cash flow from operating activities	62.0	38.6
Cash flow from investing activities	- 36.2	- 48.9
Free cash flow	25.8	- 10.3
Cash flow from financing activities	- 10.7	14.6
Change in financial funds	15.1	4.3
Change in financial funds due to exchange rates	- 1.5	- 2.6
Change in financial funds due to consolidation effects	1.5	0.0
Financial funds as of 31.03.	180.5	187.3

Container Segment

Key Figures

in € million	1–3 | 2016	1–3 | 2015	Change
Revenue	169.2	180.0	- 6.0 %
EBITDA	48.6	54.1	- 10.1 %
EBITDA margin in %	28.7	30.1	- 1.4 pp
EBIT	27.9	32.6	- 14.2 %
EBIT margin in %	16.5	18.1	- 1.6 pp
Container throughput in thousand TEU	1,612	1,747	- 7.7 %

A total of 1,612 thousand standard containers (TEU) were handled at the HHLA container terminals in the first quarter of 2016. This was a decline of 7.7 % on the previous year (1,747 thousand TEU). While **container throughput** at the Container Terminal Odessa rose by 4.8 % to 67 thousand TEU (previous year: 64 thousand TEU), volumes at the three Hamburg container terminals were down 8.2 % on the previous year at 1,545 thousand TEU (previous year: 1,683 thousand TEU). This was primarily due to the year-on-year fall of 11.2 % in feeder traffic with the Baltic Sea ports. The throughput volumes handled by hinterland modes of transport also decreased year on year as a result of the ongoing weakness of volumes on the Asian trades (Far East–Northern Europe). However, throughput volumes were up 5.1 % on the fourth quarter of 2015. Despite further weakness in Russian trades, there was a return to growth in feeder traffic compared with the fourth quarter of 2015 (+ 6.8 %) The feeder ratio of 22.6 % was up on the fourth quarter of 2015 (Q4/2015: 22.2 %).

The decline in volumes led to a fall in **revenue,** which was down 6.0 % on the first quarter of 2015 at € 169.2 million (previous year: € 180.0 million). However, the slight reduction in the proportion of lower-margin feeder traffic and a moderate increase in handling rates led to higher average revenue per container handled at the quayside. Consequently, average revenue rose by 1.9 % compared to the same period last year.

The segment's EBIT costs could not be reduced in proportion to lower seaborne throughput and were only 4.1 % below the prior-year figure due to the high proportion of fixed costs in the container business. Personnel expenses were a key driver of this trend and could only be adjusted to falling volumes to a limited extent due in part to the peak loads caused by a further rise in the number of mega-ship calls. All in all, these factors led to a 14.2 % decrease in the **operating result (EBIT)** to € 27.9 million (previous year: € 32.6 million). The EBIT margin fell correspondingly to 16.5 % (previous year: 18.1 %).

Intermodal Segment

Key Figures

in € million	1–3 | 2016	1–3 | 2015	Change
Revenue	92.6	91.7	1.0 %
EBITDA	22.0	18.2	20.8 %
EBITDA margin in %	23.8	19.9	3.9 pp
EBIT	16.3	12.7	28.6 %
EBIT margin in %	17.6	13.8	3.8 pp
Container transport in thousand TEU	341	333	2.4 %

In the first quarter of 2016, HHLA's transport companies achieved slight growth in the highly competitive market for container traffic in the hinterland of major seaports. With growth of 2.4 %, the **transport volume** climbed to 341 thousand standard containers (TEU) compared with 333 thousand TEU in the same period of the previous year. In the reporting period, this trend was driven by an expansion in railway transportation. Building on the previous year's good figures, there was a further increase of 4.8 % to 264 thousand TEU (previous year: 252 thousand TEU). Road transport, however, declined by 4.9 % to 77 thousand TEU (previous year: 81 thousand TEU) due to lower container volumes in the greater Hamburg area.

With growth of 1.0 % to € 92.6 million (previous year: € 91.7 million), **revenue** grew less dynamically than transport volumes. The main reasons for this were changes of the route mix, resulting in a fall in the average transportation distance, and a higher proportion of empty containers in the total transport volume.

Compared to the previous year, the **operating result (EBIT)** increased to € 16.3 million (previous year: € 12.7 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 positive effect on productivity rates and led to improved cost structures. Due to the change-over period in the first few months of the previous year, this had not yet taken full effect.

Logistics Segment

Key Figures

in € million	1–3 | 2016	1–3 | 2015	Change
Revenue	13.4	15.1	- 10.8 %
EBITDA	0.0	- 0.9	pos.
EBITDA margin in %	0.3	- 6.3	6.6 pp
EBIT	- 1.0	- 1.3	24.8 %
EBIT margin in %	- 7.2	- 8.5	1.3 pp
At-equity earnings	1.0	1.0	1.6 %

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

Revenue generated by the fully consolidated companies of the Logistics segment made only modest progress in the first quarter of 2016. The segment recorded revenue of € 13.4 million, which was 10.8 % below the prior-year figure (previous year: € 15.1 million). **Earnings** of the individual business divisions within the Logistics segment varied. All in all, the EBIT loss was reduced to € - 1.0 million in the reporting period (previous year: € - 1.3 million). This improvement in segment EBIT was due to an internal transfer of real estate operating assets in the third quarter of 2015. Since the resulting improvement in the segment's cost structure was not included in the prior-year quarter, the respective quarters are only comparable to a limited extent.

The disclosed **at-equity earnings** of € 1.0 million in the reporting period were on a par with the previous year.

Real Estate Segment

Key Figures

in € million	1–3 | 2016	1–3 | 2015	Change
Revenue	9.2	8.7	5.8 %
EBITDA	5.0	5.3	- 5.7 %
EBITDA margin in %	54.8	61.4	- 6.6 pp
EBIT	3.8	4.1	- 8.2 %
EBIT margin in %	40.9	47.1	- 6.2 pp

In contrast to the generally weaker trend for office space in Hamburg, **revenue** generated by HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued to make good progress in the early months of 2016. Revenue was increased by 5.8 % year on year to € 9.2 million (previous year: € 8.7 million). This was due to consistently high occupancy rates of nearly 100 % in both districts.

In contrast to revenue, the **operating result (EBIT)** decreased year on year by 8.2 % to € 3.8 million (previous year: € 4.1 million). Scheduled maintenance work was the main reason for this.

Changes in Business Forecast

There were no events of material importance in the period under review. The disclosures made in the 2015 Annual Report regarding the expected course of business in 2016 continue to apply.

Hamburg, 2 May 2016

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Klaus-Dieter Peters   Dr. Stefan Behn

Heinz Brandt   Dr. Roland Lappin