Business Development

Course of Business and Economic Situation

Key Figures

in € million	1–3 | 2017	1–3 | 2016	Change
Revenue	305.1	284.8	7.1 %
EBITDA	75.1	70.4	6.6 %
EBITDA margin in %	24.6	24.7	- 0.1 pp
EBIT	45.2	41.0	10.4 %
EBIT margin in %	14.8	14.4	0.4 pp
Profit after tax and minority interest	24.4	18.1	34.4 %
ROCE in %	13.6	12.5	1.1 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 that had a significant impact on its earnings position and financial position. Both the economic indicators reported for the first three months of 2017 and HHLA's actual economic performance were largely in line with the performance forecast in the 2016 Annual Report. ▶ See results of operations, net assets and financial position

Earnings Position

HHLA achieved very encouraging performance data in the first quarter of 2017. At 1,778 thousand TEU, **container throughput** rose strongly by 10.3 % year-on-year (previous year: 1,612 thousand TEU). This was mainly attributable to an increase in feeder traffic with the Baltic Sea ports and a recovery in Asian routes. **Transport volumes** also increased significantly by 8.4 % to 370 thousand TEU (previous year: 341 thousand TEU). Both rail- and road-bound transport contributed to this growth.

The HHLA Group's **revenue** increased significantly by 7.1 % in the period under review to € 305.1 million (previous year: € 284.8 million). This was primarily due to the volume growth in container throughput and transport described above. The performance of the listed **Port Logistics subgroup** largely outlined that of the HHLA Group. Revenue rose by 7.3 % to € 297.4 million (previous year: € 277.1 million). The non-listed **Real Estate subgroup** increased its revenue by 0.8 % to € 9.3 million (previous year: € 9.2 million).

Operating expenses rose by 7.4 %, nearly in line with revenue, to € 273.1 million (previous year: € 254.2 million). The only increase was in the cost of materials ratio, which was partly due to maintenance for container gantry cranes at the Hamburg terminals and increased material costs for maintenance work in the Intermodal segment.

The **operating result (EBIT)** rose by 10.4 % to € 45.2 million in the period under review (previous year: € 41.0 million). The EBIT margin came in at 14.8 % (previous year: 14.4 %). In the **Port Logistics subgroup**, EBIT rose by 12.4 % to € 41.7 million (previous year: € 37.1 million) while in the **Real Estate subgroup**, EBIT declined by 8.8 % to 3.4 million (previous year: € 3.8 million) inter alia as a result of maintenance work.

Net expenses from the **financial result** fell by € 3.4 million or 53.0 % to € 3.1 million (previous year: € 6.5 million). This was mainly due to a reduction of € 1.9 million in negative exchange rate effects, which resulted almost exclusively from the devaluation of the Ukrainian currency. Interest paid to banks and other lenders also decreased.

The **profit after tax and minority interests** increased by 34.4 % year-on-year to € 24.4 million (previous year: € 18.1 million). **Earnings per share** rose accordingly to € 0.34 (previous year: € 0.25). The listed Port Logistics subgroup achieved a 40.1 % increase in earnings per share to € 0.32 (previous year: € 0.23). Earnings per share of the non-listed Real Estate subgroup were down on the prior-year figure at € 0.72 (previous year: € 0.79). **Return on capital employed (ROCE)** reached 13.6 % and was therefore significantly above the prior-year figure.

Financial Position

Balance Sheet Analysis

Compared with year-end 2016, the HHLA Group's **balance sheet total** grew by a total of € 37.1 million to € 1,850.0 million as of 31 March 2017 (31 December 2016: € 1,812.9 million).

Balance Sheet Structure

in € million	31.03.2017	31.12.2016
Assets		
Non-current assets	1,337.4	1,329.0
Current assets	512.6	483.9
	1,850.0	1,812.9
Equity and liabilities		
Equity	605.2	570.8
Non-current liabilities	1,017.0	1,028.1
Current liabilities	227.8	214.0
	1,850.0	1,812.9

On the assets side of the balance sheet, non-current **assets** increased by € 8.4 million to € 1,337.4 million (31 December 2016: € 1,329.0 million), largely as a result of capital expenditure. Current assets rose by € 28.7 million to € 512.6 million (31 December 2016: € 483.9 million), mainly due to the increase in cash and short-term deposits.

On the liabilities side, **equity** rose by € 34.4 million to € 605.2 million compared to the year-end figure (31 December 2016: € 570.8 million). This increase was primarily due to the profit for the period of € 31.5 million. The equity ratio increased to 32.7 % (31 December 2016: 31.5 %).

Non-current liabilities declined by € 11.1 million to € 1,017.0 million (31 December 2016: € 1,028.1 million). The decrease is attributable to the € 5.5 million decline in non-current financial liabilities and the € 5.0 million reduction in pension provisions. **Current liabilities** rose by € 13.8 million to € 227.8 million (31 December 2016: € 214.0 million), mainly as a result of the € 10.5 million increase in other liabilities.

Investment Analysis

The investment volume in the reporting period totalled € 39.8 million, well above last year's figure of € 27.0 million. The increase is mainly due to postponed investments from the previous year.

Capital expenditure in the first quarter of 2017 focused on the acquisition of container gantry cranes and large-scale equipment for horizontal transport at HHLA's container terminals in Hamburg.

Liquidity Analysis

Cash flow from operating activities rose year-on-year from € 62.0 million to € 86.8 million. In addition to the improved operating result (EBIT), the increase is largely attributable to the change in trade receivables. The year-on-year increase in income tax payments had an opposing effect.

At € 73.3 million, **cash flow from investing activities** was significantly higher than in the previous year. This rise in cash outflow was mainly due to an increase in payments for investments in property, plant and equipment and in payments for short-term deposits.

Cash flow from financing activities was down € 2.1 million on the prior-year figure.

Financial funds totalled € 237.2 million as of 31 March 2017 (31 March 2016: € 180.5 million). Including all short-term deposits, the Group's available liquidity at the end of the first quarter of 2017 amounted to € 286.5 million (31 March 2016: € 268.8 million).

Liquidity Analysis

in € million	1–3 | 2017	1–3 | 2016
Financial funds as of 01.01.	232.4	165.4
Cash flow from operating activities	86.8	62.0
Cash flow from investing activities	- 73.3	- 36.2
Free cash flow	13.5	25.8
Cash flow from financing activities	- 8.6	- 10.7
Change in financial funds	4.7	15.1
Financial funds as of 31.03.	237.2	180.5
Short-term deposits	49.3	88.3
Available liquidity	286.5	268.8

Container Segment

Key Figures

in € million	1–3 | 2017	1–3 | 2016	Change
Revenue	182.8	169.2	8.0 %
EBITDA	52.9	48.6	8.7 %
EBITDA margin in %	28.9	28.7	0.2 pp
EBIT	31.9	27.9	14.0 %
EBIT margin in %	17.4	16.5	0.9 pp
Container throughput in thousand TEU	1,778	1,612	10.3 %

A total of 1,778 thousand standard containers (TEU) were handled at the HHLA container terminals in the first quarter of 2017 or 10.3 % more than in the previous year (1,612 thousand TEU). **Container throughput** at HHLA's three container terminals was raised by 10.5 % to 1,707 thousand TEU (previous year: 1,545 thousand TEU). This trend was driven by a recovery in Asian routes (+ 10.8 %) and significant growth in feeder traffic with the Baltic Sea ports (+ 22.2 %). The feeder ratio rose accordingly by 2.4 percentage points compared with the prior-year quarter to 25.0 % (previous year: 22.6 %). Container throughput at the Container Terminal Odessa rose 5.4 % year-on-year to 71 thousand TEU in the first quarter of 2017 (previous year: 67 thousand TEU).

This volume growth led to an 8.0 % increase in **revenue** to € 182.8 million compared to the first quarter of 2016 (previous year: € 169.2 million). Storage fees rose as a result of shipping delays and the associated increase in dwell times for containers at HHLA's container terminals, while the higher proportion of lower-margin feeder traffic in particular led to lower average revenue per container handled at the quayside. Consequently, average revenue declined by 2.1 % compared to the same period last year.

The segment's EBIT costs rose by 6.8 % in the first three months. Despite the growth in volumes, economies of scale on the cost side could not be fully realised. The high utilisation of storage capacity resulting from shipping delays and slightly restricted capacity caused by ongoing extension and maintenance work at the container terminals in Hamburg led to peak loads that could only be managed with the use of additional resources. Nevertheless, the year-on-year increase in the **operating result (EBIT)** of 14.0 % to € 31.9 million (previous year: € 27.9 million), grew faster than volume. The EBIT margin rose accordingly to 17.4 % (previous year: 16.5 %).

Intermodal Segment

Key Figures

in € million	1–3 | 2017	1–3 | 2016	Change
Revenue	101.7	92.6	9.8 %
EBITDA	22.4	22.0	1.7 %
EBITDA margin in %	22.0	23.8	- 1.8 pp
EBIT	16.5	16.3	1.5 %
EBIT margin in %	16.2	17.6	- 1.4 pp
Container transport in thousand TEU	370	341	8.4 %

In the first quarter of 2017, 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 8.4 % to 370 thousand standard containers (TEU), compared with 341 thousand TEU in the same period last year. In the reporting period, this trend was driven by growth in both rail and road transport. After a strong prior-year quarter, rail transportation rose by a further 7.1 % to 283 thousand TEU (previous year: 264 thousand TEU). Road transport also developed very positively with growth of 12.8 % to 87 thousand TEU (previous year: 77 thousand TEU) as a result of strong freight volumes in the greater Hamburg area.

Revenue outperformed transport volumes, rising by 9.8 % to € 101.7 million (previous year: € 92.6 million). The slight decline in rail's share of HHLA's total intermodal transportation from 77.5 % to 76.6 % was slightly more than offset by longer transport distances in rail transport.

The **operating result (EBIT)** increased year-on-year to € 16.5 million (previous year: € 16.3 million), well short of volume and revenue growth. In addition to the increased cost of materials for cyclical maintenance work, compared with the previous year, this was due in particular to an uneven mix between import and export volumes as well as changes in the route mix.

Logistics Segment

Key Figures

in € million	1–3 | 2017	1–3 | 2016	Change
Revenue	11.0	13.4	- 18.1 %
EBITDA	0.7	0.0	pos.
EBITDA margin in %	6.2	0.3	5.9 pp
EBIT	- 0.4	- 1.0	58.2 %
EBIT margin in %	- 3.7	- 7.2	3.5 pp
At-equity earnings	1.3	1.0	39.1 %

The revenue trend of the consolidated companies comprising the Logistics segment was modest on the whole in the first quarter of 2017. At € 11.0 million, segment **revenue** was down 18.1 % on the previous year (€ 13.4 million), largely due to the discontinuation of contract and project logistics activities. The **operating result (EBIT)** improved to € - 0.4 million in the first quarter of 2017 (previous year: € - 1.0 million). The absence of losses from project and contract logistics was offset by lower earnings from vehicle logistics and consulting activities.

The companies included in **at-equity earnings** recorded a significant year-on-year improvement in the first quarter of 2017, mainly as a result of encouraging growth in bulk cargo handling. At-equity earnings rose by 39.1 % to € 1.3 million (previous year: € 1.0 million).

Real Estate Segment

Key Figures

in € million	1–3 | 2017	1–3 | 2016	Change
Revenue	9.3	9.2	0.8 %
EBITDA	4.7	5.0	- 7.1 %
EBITDA margin in %	50.5	54.8	- 4.3 pp
EBIT	3.4	3.8	- 8.8 %
EBIT margin in %	37.0	40.9	- 3.9 pp

HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued their positive revenue trend at the beginning of 2017. **Revenue** again increased slightly by 0.8 % year-on-year to € 9.3 million as a result of almost full occupancy in both districts.

By contrast, the **operating result (EBIT)** fell by 8.8 % to € 3.4 million (previous year: € 3.8 million), mainly due to higher expenses for scheduled maintenance work as part of the necessary refurbishment of rental space, as well as project-related expenses in preparation for a new building project.

Changes to the Business Forecast

The positive start into the financial year 2017 and the success of the negotiations with the shipping companies thus far regarding new services led to a better visibility of throughput development in the remainder of the year. The Executive Board of HHLA therefore issued an ad hoc announcement on 5 May 2017 elaborating on its expectations regarding volume and earnings developments in the Container segment and thus also regarding the Group's earnings forecast for the 2017 financial year.

HHLA is now anticipating a significant increase in **container throughput** (previously: on a par with the previous year). The **Container segment's operating result (EBIT)** is forecast to be in the upper half of a range between € 75 million to € 105 million (previously: € 65 million to € 95 million) before possible one-off expenses of up to € 15 million. There are no changes to the other segments.

The updated forecast for the throughput volume is likely to result in a moderate increase in **Group revenue** (previously: on a par with the previous year). Taking into account segment result developments, the Executive Board is forecasting an **operating result (EBIT)** for the **Port Logistics subgroup** in the upper half of a range between € 125 million to € 155 million (previously: € 115 million to € 145 million) before possible one-off expenses in the amount of € 15 million for organisational restructuring of the Container segment. As the operating result for the **Real Estate subgroup** is still expected to be on a par with the previous year, **Group EBIT** should now be in the upper half of a range between € 140 million to € 170 million (previously: € 130 million to € 160 million) before possible one-off expenses of up to € 15 million.

All other disclosures made in the 2016 Annual Report about the expected course of business in 2017 remain unchanged.

Hamburg, 8 May 2017

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Angela Titzrath   Heinz Brandt

Jens Hansen   Dr. Roland Lappin