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