Business Development

Course of Business and Economic Situation

Key Figures

in € million	1–3 | 2018	1–3 | 2017	Change
Revenue	315.2	305.1	3.3 %
EBITDA	77.8	75.1	3.6 %
EBITDA margin in %	24.7	24.6	0.1 pp
EBIT	47.9	45.2	5.9 %
EBIT margin in %	15.2	14.8	0.4 pp
Profit after tax and minority interests	23.7	24.4	- 2.8 %
ROCE in %	14.5	13.6	0.9 pp

Significant Events and Transactions

On 26 March 2018, HHLA signed an agreement to acquire 100 % of shares in Transiidikeskuse AS, a terminal operator based in Tallinn, Estonia. The transaction is subject to various conditions precedent and is expected to be closed in the second quarter of 2018.

There were no other particular events or transactions during the reporting period either in HHLA's operating environment or within the Group that had a significant impact on its results of operations, net assets and financial position. Both the economic indicators reported for the first three months of 2018 and HHLA's actual economic performance were largely in line with the performance forecast in the 2017 Annual Report. ▶ See results of operations, net assets and financial position

Earnings Position

HHLA's performance data varied in the first quarter of 2018. **Container throughput** rose slightly by 2.6 % year-on-year to 1,824 thousand TEU (previous year: 1,778 thousand TEU). This was primarily due to an increase in Asia traffic. By contrast, there was a noticeable decline in **container transport** of 5.3 % to 350 thousand TEU (previous year: 370 thousand TEU). This development is partially due to the scheduled realignment of POLZUG activities.

The HHLA Group's **revenue** rose moderately by 3.3 % to € 315.2 million during the reporting period (previous year: € 305.1 million). This was due in part to the increase in container throughput mentioned above as well as to longer transport distances in intermodal traffic.

Other operating income amounted to € 8.0 million (previous year: € 11.4 million).

The 1.5 % increase in **operating expenses** to € 277.3 million (previous year: € 273.1 million) was considerably less than the growth in revenue. The year-on-year increase resulted mainly from high capacity utilisation of facilities due to ship delays which could only be managed with the aid of additional resources.

The **operating result (EBIT)** rose significantly by 5.9 % to € 47.9 million in the reporting period (previous year: € 45.2 million). The EBIT margin amounted to 15.2 % (previous year: 14.8 %). In the Port Logistics subgroup, EBIT rose by 5.9 % to € 44.2 million (previous year: € 41.7 million). In the Real Estate subgroup, there was EBIT growth of 5.4 % to € 3.6 million (previous year: € 3.4 million).

Net expenses from the **financial result** increased by € 0.6 million or 19.8 % to € 3.7 million (previous year: € 3.1 million). The decrease in income from associated companies of € 0.5 million had a considerable impact on this item.

Profit after tax and minority interests was down slightly on the previous year at € 23.7 million (previous year: € 24.4 million). **Earnings per share** amounted to € 0.33 (previous year: € 0.34). The listed Port Logistics subgroup achieved earnings per share of € 0.31 (previous year: € 0.32). Earnings per share of the non-listed Real Estate subgroup were up on the prior-year figure at € 0.79 (previous year: € 0.72). **Return on capital employed (ROCE)** reached 14.5 % (previous year: 13.6 %).

Financial Position

Balance Sheet Analysis

Compared with year-end 2017, the HHLA Group's **balance sheet total** grew by a total of € 4.1 million to € 1,839.5 million as of 31 March 2018 (31 December 2017: € 1,835.4 million).

Balance Sheet Structure

in € million	31.03.2018	31.12.2017 (adjusted)
Assets		
Non-current assets[1]	1,335.7	1,348.4
Current assets[1]	503.8	487.0
	1,839.5	1,835.4
Equity and liabilities		
Equity[1]	589.9	602.5
Non-current liabilities	999.1	993.8
Current liabilities	250.5	239.1
	1,839.5	1,835.4

1 *The previous year's figures have been retrospectively restated resulting from application of IFRS 9.*

On the assets side of the balance sheet, non-current **assets** decreased slightly by € 12.7 million to € 1,335.7 million (31 December 2017: € 1,348.4 million). Scheduled depreciation of property, plant and equipment as well as investment properties was opposed by capital expenditure in the reporting period. Current assets increased by € 16.8 million to € 503.8 million (31 December 2017: € 487.0 million). The increase in trade receivables of € 21.2 million and in other assets of € 19.1 million was offset by a decrease in cash and short-term deposits of € 24.1 million.

On the liabilities side, **equity** fell by € 12.6 million to € 589.9 million compared to the year-end figure (31 December 2017: € 602.5 million). This decrease resulted mainly from the acquisition of further shares in METRANS a.s. amounting to € 49.9 million. Profit for the period under review of € 32.8 million had an opposing effect. The equity ratio decreased to 32.1 % (31 December 2017: 32.8 %).

Non-current liabilities rose by € 5.3 million to € 999.1 million (31 December 2017: € 993.8 million). The increase was mainly due to the development in pension provisions (€ 13.3 million increase). The € 7.0 million decrease in non-current financial liabilities had the opposite effect. Current liabilities rose by € 11.4 million to € 250.5 million (31 December 2017: € 239.1 million), primarily due to the increase in other liabilities of € 9.3 million.

Investment Analysis

The investment volume in the period under review totalled € 21.4 million and thus fell short of the previous year's figure of € 39.8 million, which was characterised by postponed investments from previous years.

The acquisition of wagons by METRANS made up the majority of capital expenditure in the first quarter of 2018. Investments were also made in expanding the infrastructure at the HHLA container terminals in the Port of Hamburg and in large-scale equipment for horizontal transport and storage cranes. The Speicherstadt historical warehouse district was also developed further in the period under review.

Liquidity Analysis

Cash flow from operating activities declined by € 32.2 million to € 54.6 million as of 31 March 2018 (previous year: € 86.8 million). This was largely due to an increase in trade receivables and other assets. Higher provisions had the opposite effect.

Investing activities led to cash outflows of € 20.5 million (previous year: € 73.3 million). This trend was primarily due to the absence of payments for short-term deposits and a year-on-year decrease in investments in property, plant and equipment.

Cash flow from financing activities was € 50.0 million higher than in the previous year. This was due to the acquisition of the remaining shares in METRANS a.s. in the Czech Republic.

Financial funds totalled € 231.4 million as of 31 March 2018 (31 March 2017: € 237.2 million). Including all short-term deposits, the Group's available liquidity at the end of the first quarter of 2018 amounted to € 251.4 million (31 March 2017: € 286.5 million).

Liquidity Analysis

in € million	1–3 | 2018	1–3 | 2017
Financial funds as of 01.01.	255.5	232.4
Cash flow from operating activities	54.6	86.8
Cash flow from investing activities	- 20.5	- 73.3
Free cash flow	34.1	13.5
Cash flow from financing activities	- 58.6	- 8.6
Change in financial funds	- 24.1	4.7
Financial funds as of 31.03.	231.4	237.2
Short-term deposits	20.0	49.3
Available liquidity	251.4	286.5