Business Development

Course of Business and Economic Situation

Key Figures

in € million	1–9 I 2016	1–9 I 2015	Change
Revenue	871.0	868.9	0.2 %
EBITDA	218.4	214.4	1.9 %
EBITDA margin in %	25.1	24.7	0.4 pp
EBIT	126.9	123.9	2.4 %
EBIT margin in %	14.6	14.3	0.3 pp
Profit after tax and minority interests	60.9	55.9	9.0 %
ROCE in %	12.8	12.7	0.1 pp

Significant Events and Transactions

The negative impact of the virtually completed restructuring of the Logistics segment in the previous quarter was largely offset by a one-off effect from the termination of the lease for the Übersee-Zentrum in the third quarter. Above and beyond this, there were no particular events or transactions 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 nine 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 results of operations, net assets and financial position

Earnings Position

HHLA posted mixed performance data in the first nine months of 2016. At 4,924 thousand TEU, **container throughput** was down by 2.1 % year-on-year (previous year: 5,027 thousand TEU). However, the decline was significantly less pronounced than in the first half of the year. By contrast, **transport volumes** rose by 5.9 % to 1,055 thousand TEU (previous year: 996 thousand TEU).

The HHLA Group's **revenue** increased slightly by 0.2 % in the period under review to € 871.0 million (previous year: € 868.9 million). This was primarily due to the volume-related increase in revenue from rail transportation.

The performance of the listed **Port Logistics subgroup** largely mirrored that of the HHLA Group. Revenue rose by 0.2 % to € 847.5 million (previous year: € 845.6 million). The non-listed **Real Estate subgroup** saw revenue rise by 1.8 % to € 28.0 million (previous year: € 27.5 million).

The increase in **other operating income** to € 44.3 million (previous year: € 27.5 million) is mainly attributable to the one-off effect from the termination of the lease for the Übersee-Zentrum.

Operating expenses rose by 1.8 % to € 794.8 million (previous year: € 780.4 million). These include the one-off expenses already recognised in the second quarter in connection with the scaling back of project and contract logistics activities.

The **operating result (EBIT)** increased by 2.4 % to € 126.9 million in the period under review (previous year: € 123.9 million). The EBIT margin was 14.6 % (previous year: 14.3 %). In the **Port Logistics subgroup**, EBIT rose by 3.7 % to € 115.1 million (previous year: € 111.0 million). In the **Real Estate subgroup**, EBIT declined by 8.9 % to € 11.5 million (previous year: € 12.7 million) as a result of maintenance work, among other factors.

Net expenses from the **financial result** fell by 28.7 % or € 6.3 million to € 15.6 million (previous year: € 21.9 million). This was mainly due to a reduction of € 4.2 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 9.0 % year-on-year to € 60.9 million (previous year: € 55.9 million). **Earnings per share** rose accordingly by 9.0 % to € 0.84 (previous year: € 0.77). The listed Port Logistics subgroup achieved a 9.2 % increase in earnings per share to € 0.77 (previous year: € 0.70). Earnings per share of the non-listed Real Estate subgroup were also up on the prior-year figure at € 2.61 (previous year: € 2.43). The **return on capital employed (ROCE)** was 12.8 % and thus on a par with the previous year.

Financial Position

Balance Sheet Analysis

Compared with year-end 2015, the HHLA Group's **balance sheet total** increased by a total of € 70.0 million to € 1,820.4 million as of 30 September 2016 (31 December 2015: € 1,750.4 million).

Balance Sheet Structure

in € million	30.09.2016	31.12.2015
Assets		
Non-current assets	1,357.9	1,305.8
Current assets	462.5	444.6
	1,820.4	1,750.4
Equity and liabilities		
Equity	544.8	580.6
Non-current liabilities	1,054.5	979.2
Current liabilities	221.1	190.6
	1,820.4	1,750.4

On the assets side of the balance sheet, non-current **assets** rose by € 52.1 million to € 1,357.9 million (31 December 2015: € 1,305.8 million). Current assets increased by € 17.9 million to € 462.5 million (31 December 2015: € 444.6 million).

On the liabilities side, **equity** declined by € 35.8 million as against the 2015 year-end to € 544.8 million (31 December 2015: € 580.6 million). The decrease was primarily due to the interest rate-related change of € 55.8 million in actuarial gains and losses, netted with deferred taxes, and the dividend distribution of € 46.8 million. The Group's profit after tax for the reporting period increased equity by € 83.3 million. The equity ratio decreased to 29.9 % (31 December 2015: 33.2 %).

Non-current and current **liabilities** rose by € 105.8 million to € 1,275.6 million (31 December 2015: € 1,169.8 million). This is mainly attributable to the € 84.8 million increase in pension provisions.

Investment Analysis

The investment volume in the period under review totalled € 106.3 million, just short of the previous year's figure of € 111.8 million due to reporting date factors.

Capital expenditure in the first nine months of 2016 focused to a large extent on the expansion of the block storage facility at the Container Terminal Burchardkai, the purchase of container gantry cranes for the Burchardkai and Tollerort container terminals, the construction of the Budapest inland terminal and the purchase of wagons for the intermodal subsidiary Metrans.

Liquidity Analysis

Cash flow from operating activities rose year-on-year from € 139.8 million to € 184.7 million. The net increase is primarily attributable to higher trade liabilities and lower income tax payments as against the previous year.

At € 50.7 million, **cash flow from investing activities** was lower than in the previous year. The change was mainly due to the decline in capital expenditure.

Cash flow from financing activities was down € 40.7 million on the prior-year figure. In addition to the acquisition of non-controlling interests, the net result of a decline in new borrowing and lower principal repayments on loans led to an increase in net cash outflow from financing activities.

Financial funds totalled € 190.3 million as of 30 September 2016 (30 September 2015: € 163.0 million). Including all short-term deposits, the Group's available liquidity at the end of the third quarter of 2016 amounted to € 229.2 million (30 September 2015: € 233.0 million).

Liquidity Analysis

in € million	1–9 I 2016	1–9 I 2015
Financial funds as of 01.01.	165.4	185.6
Cash flow from operating activities	184.7	139.8
Cash flow from investing activities	- 50.7	- 88.6
Free cash flow	134.0	51.2
Cash flow from financing activities	- 112.5	- 71.8
Change in financial funds	21.6	- 20.6
Change in financial funds due to exchange rates	- 1.2	- 2.0
Change in financial funds due to consolidation	4.5	0.0
Financial funds as of 30.09.	190.3	163.0