Business Development

Course of Business and Economic Situation

Key Figures

in € million	1–9 | 2017	1–9 | 2016	Change
Revenue	942.8	871.0	8.3 %
EBITDA	245.3	218.4	12.3 %
EBITDA margin in %	26.0	25.1	0.9 pp
EBIT	155.2	126.9	22.3 %
EBIT margin in %	16.5	14.6	1.9 pp
Profit after tax and minority interests	79.3	60.9	30.2 %
ROCE in %	15.7	12.8	2.9 pp

Significant Events and Transactions

There were no 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 earnings position and financial position. Both the economic indicators and HHLA's actual performance in the first nine months of 2017 are above the projections made in the 2016 Annual Report – due in particular to the performance of the Container segment from the second quarter of 2017 onwards. ▶ See results of operations, net assets and financial position

Earnings Position

HHLA posted very encouraging performance data in the first three quarters of 2017. At 5,453 thousand TEU, there was strong year-on-year growth in **container throughput** (previous year: 4,924 thousand TEU). This was mainly attributable to an increase in feeder traffic with the Baltic Sea ports, a recovery in Asian routes and market share gains resulting from the reorganisation of shipping alliances. **Transport volumes** again increased significantly by 6.8 % to 1,126 thousand TEU (previous year: 1,055 thousand TEU). Both rail and road transport contributed to this growth.

Revenue for the HHLA Group rose strongly by 8.3 % to € 942.8 million during the reporting period (previous year: € 871.0 million). This was primarily due to the volume trend in container throughput and transport.

The significant 35.3 % decline in **other operating income** to € 28.7 million (previous year: € 44.3 million) is mainly attributable to the one-off effect of terminating the lease for the Übersee-Zentrum last year.

The 3.3 % increase in **operating expenses** to € 820.7 million (previous year: € 794.8 million) was well below the increase in revenue. One-off effects in the previous year included a one-off restructuring expense in connection with the discontinuation of project and contract logistics and the insolvency of the shipping company Hanjin.

The **operating result (EBIT)** rose by 22.3 % to € 155.2 million in the reporting period (previous year: € 126.9 million). The EBIT margin amounted to 16.5 % (previous year: 14.6 %). In the **Port Logistics subgroup**, EBIT rose by 23.8 % to € 142.5 million (previous year: € 115.1 million), while EBIT in the **Real Estate subgroup** was up 7.3 % to € 12.4 million (previous year: € 11.5 million).

Net expenses from the **financial result** fell by € 6.6 million or 42.3 % to € 9.0 million (previous year: € 15.6 million). This was partly due to a positive change in exchange rate effects of € 3.2 million. Interest paid on pension provisions and to banks and other lenders also decreased.

Profit after tax and minority interests increased by 30.2 % year-on-year to € 79.3 million (previous year: € 60.9 million). **Earnings per share** rose accordingly to € 1.09 (previous year: € 0.84). The listed Port Logistics subgroup achieved a 34.0 % increase in earnings per share to € 1.03 (previous year: € 0.77). Earnings per share of the non-listed Real Estate subgroup were slightly up on the prior-year figure at € 2.64 (previous year: € 2.61). **Return on capital employed (ROCE)** reached 15.7 % 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 € 7.2 million to € 1,820.1 million as of 30 September 2017 (31 December 2016: € 1,812.9 million).

Balance Sheet Structure

in € million	30.09.2017	31.12.2016
Assets		
Non-current assets	1,320.5	1,329.0
Current assets	499.6	483.9
	1,820.1	1,812.9
Equity and liabilities		
Equity	638.8	570.8
Non-current liabilities	979.9	1,028.1
Current liabilities	201.4	214.0
	1,820.1	1,812.9

On the assets side of the balance sheet, non-current **assets** decreased slightly by € 8.5 million to € 1,320.5 million (31 December 2016: € 1,329.0 million). Capital expenditure was roughly offset by depreciation of property, plant and equipment and investment properties and a reduction in deferred tax assets due to interest rate-related changes in pension provisions in the second quarter. Current assets increased by € 15.7 million to € 499.6 million (31 December 2016: € 483.9 million). The increase in cash and cash equivalents and short-term deposits was opposed by a decrease in other assets.

On the liabilities side, **equity** rose by € 68.0 million to € 638.8 million compared to the year-end figure (31 December 2016: € 570.8 million). The increase was mainly due to the profit for the period of € 108.5 million and the opposing dividend payment of € 47.0 million. The equity ratio increased to 35.1 % (31 December 2016: 31.5 %).

Non-current liabilities declined by € 48.2 million to € 979.9 million (31 December 2016: € 1,028.1 million). The decrease is mainly attributable to the € 30.4 million decline in non-current financial liabilities and the € 15.9 million reduction in pension provisions. Current liabilities fell by € 12.6 million to € 201.4 million (31 December 2016: € 214.0 million), mainly as a result of the € 28.7 million decrease in current financial liabilities. The increase in trade liabilities and other liabilities had an opposing effect.

Investment Analysis

The investment volume in the period under review totalled € 90.2 million and thus fell short of the previous year's figure of € 106.3 million.

Capital expenditure in the first nine months of 2017 focused on the purchase of container gantry cranes, the procurement of large-scale equipment for horizontal transport and storage cranes for the HHLA container terminals in Hamburg, as well as locomotives for Metrans.

Liquidity Analysis

Cash flow from operating activities rose by € 36.9 million to € 221.6 million as of 30 September 2017 (previous year: € 184.7 million). This was primarily due to the increase in earnings.

Investing activities led to cash outflows of € 89.4 million (previous year: € 50.7 million). The increase of € 38.7 million was primarily due to cash outflows for short-term deposits (previous year: cash inflows).

Cash flow from financing activities was down € 4.7 million on the prior-year figure.

Financial funds totalled € 255.7 million as of 30 September 2017 (30 September 2016: € 190.3 million). Including all short-term deposits, the Group's available liquidity at the end of the third quarter of 2017 amounted to € 275.7 million (30 September 2016: € 229.2 million).

Liquidity Analysis

in € million	1–9 | 2017	1–9 | 2016
Financial funds as of 01.01.	232.4	165.4
Cash flow from operating activities	221.6	184.7
Cash flow from investing activities	- 89.4	- 50.7
Free cash flow	132.2	134.0
Cash flow from financing activities	- 107.8	- 112.5
Change in financial funds	23.3	24.9
Financial funds as of 30.09.	255.7	190.3
Short-term deposits	20.0	38.9
Available liquidity	275.7	229.2