Czech Republic rose by 1.4 %. The decrease in traffic performance across Europe was less pronounced than the decline in transport volumes. The situation in Central and Eastern Europe was similar.

Course of Business and Economic Situation

Key Figures

in € million	1–6 | 2016	1–6 | 2015	Change
Revenue	573.5	585.1	- 2.0 %
EBITDA	125.8	142.9	- 12.0 %
EBITDA margin in %	21.9	24.4	- 2.5 pp
EBIT	66.9	82.6	- 19.1 %
EBIT margin in %	11.7	14.1	- 2.4 pp
Profit after tax and minority interests	25.8	37.5	- 31.1 %
ROCE in %	10.1	12.8	- 2.7 pp

Notes on the Reporting

The Group's financial position and performance in the reporting period was negatively impacted by one-off expenses incurred in connection with the planned restructuring of the Logistics segment. A reduction in the interest rate used to calculate pension obligations led to a significant increase in pension provisions and a corresponding decline in equity. In addition, HHLA continues to be affected by exchange rate-related changes.

There were no further effects that had a material impact on the HHLA Group's revenue or earnings.

There is normally no long-term order backlog for handling and transport services, and thus no use is made of this particular reporting figure.

Earnings Position

The economic development of HHLA in the first half of 2016 was in line with expectations. HHLA saw a decline in **container throughput** of 5.7 % to 3,209 thousand TEU in the first half of the year (previous year: 3,404 thousand TEU). This was due to a further drop in traffic to and from Asia and feeder volumes for the Baltic Sea ports.

Transport volumes increased significantly by 6.2 % to 694 thousand TEU (previous year: 654 thousand TEU). Routes to the north German seaports and the Adriatic ports recorded particularly strong growth.

Revenue for the HHLA Group amounted to € 573.5 million in the reporting period and was thus down 2.0 % on the prior-year figure (€ 585.1 million). The volume-related decrease in revenue in the Container segment, as well as lower revenue in the Logistics segment, was only partially offset by revenue growth in the Intermodal segment.

In its Container, Intermodal and Logistics segments, the listed Port Logistics subgroup generated revenue of € 557.8 million in the reporting period (previous year: € 569.8 million). This decrease almost matched the trend for the Group as a whole. The non-listed Real Estate subgroup increased revenue by 3.8 % to € 18.7 million (previous year: € 18.0 million) and contributed 2.7 % to Group revenue.

As in the previous year, **changes in inventories** of € 0.9 million did not have any noticeable influence on consolidated profit (previous year: € - 0.7 million). **Own work capitalised** amounted to € 3.5 million (previous year: € 5.2 million).

The decrease in **other operating income** to € 16.1 million (previous year: € 18.6 million) was mainly due to a provision for legal risks, which was partially reversed through profit or loss in the previous year.

Despite the divergent development of individual items, **operating expenses** as a whole increased slightly by 0.3 % to € 527.1 million. Without one-off expenses in the Logistics segment, operating expenses would have fallen by 2.5 %.

The **cost of materials** declined by 8.0 % in the reporting period to € 168.6 million (previous year: € 183.2 million). In absolute terms, the decrease was largely due to lower revenue in the Container and Logistics segments. By contrast, the decline in the cost of materials ratio to 29.4 % (previous year: 31.3 %) was primarily attributable to cost structure changes from the expansion of the company's own traction in the Intermodal segment.

Personnel expenses increased significantly year on year by 6.6 % to € 224.0 million (previous year: € 210.2 million). The increase mainly relates to one-off expenses for project and contract logistics. Adjusted for this item, personnel expenses were virtually unchanged compared to the previous year. The personnel expense ratio rose to 39.1 % (previous year: 35.9 %) This rise was mainly the result of one-off expenses.

Other operating expenses rose by 5.1 % in the reporting period to € 75.6 million (previous year: € 71.9 million). The increase was again attributable to greater use of the company's own traction fleet for intermodal services. At 13.2 %, the ratio of expenses to revenue was up on the previous year (12.3 %).

The strong decline in the **operating result before depreciation and amortisation (EBITDA)** of 12.0 % to € 125.8 million (previous year: € 142.9 million), largely due to one-off expenses for project and contract logistics. The EBITDA margin declined to 21.9 % in the reporting period (previous year: 24.4 %). Without the one-off expenses of € 14.9 million, the EBITDA margin would be on a par with the previous year at 24.5 %.

Depreciation and amortisation was down slightly by 2.2 % to € 58.9 million (previous year: € 60.3 million). Its ratio to revenue was unchanged at 10.3 %.

At Group level, the **operating result (EBIT)** declined by 19.1 % to € 66.9 million (previous year: € 82.6 million). The EBIT margin decreased to 11.7 % (previous year: 14.1 %). Without the one-off expenses, the EBIT margin would have increased slightly to 14.3 %. The Port Logistics and Real Estate subgroups contributed 87.9 % and 12.1 % to EBIT, respectively.

Net expenses from the **financial result** fell by € 5.3 million to € 10.4 million (previous year: € 15.7 million), mainly due to an improved interest result. The financial result includes negative exchange rate effects of € 1.2 million (previous year: € 5.3 million) due mainly to the devaluation of the Ukrainian currency.

At 27.9 %, the Group's **effective tax rate** was higher than in the previous year (25.1 %). This is primarily due to a one-off tax expense for prior years in the Port Logistics subgroup.

Profit after tax decreased by 18.8 %, from € 50.2 million to € 40.8 million. There was a disproportionately strong year-on-year decline in profit after tax and minority interests of 31.1 % to € 25.8 million (€ 37.5 million) due to one-off expenses in the Logistics segment, which were charged to subsidiaries fully owned by HHLA. At € 0.35, earnings per share were also down 31.1 % on the prior-year figure of € 0.52. The listed Port Logistics subgroup reported a 36.0 % decrease in earnings per share to € 0.30 (previous year: € 0.47). Earnings per share of the non-listed Real Estate subgroup improved by 7.2 % to € 1.68 (previous year: €1.56). The return on capital employed (ROCE) declined by 2.7 percentage points to 10.1 % (previous year: 12.8 %). Without the one-off expenses, ROCE would have been 0.5 percentage points lower than in the previous year at 12.3 %.

Financial Position

Balance Sheet Analysis

Compared with year-end 2015, the HHLA Group's **balance sheet total** increased slightly as of the reporting date to € 1,761.6 million.

Balance Sheet Structure

in € million	30.06.2016	31.12.2015
Assets		
Non-current assets	1,349.7	1,305.8
Current assets	411.9	444.6
	1,761.6	1,750.4
Equity and liabilities		
Equity	510.0	580.6
Non-current liabilities	1,056.0	979.2
Current liabilities	195.6	190.6
	1,761.6	1,750.4

At € 1,349.7 million, **non-current assets** were up € 43.9 million on the prior-year figure (31 December 2015: € 1,305.8 million). This was largely attributable to the higher balance sheet entry for deferred tax assets due to interest rate-related changes in pension provisions and investments in property, plant and equipment during the reporting period. Depreciation of property, plant and equipment and investment properties in particular had an opposing effect.

At € 411.9 million as of 30 June 2016, **current assets** were € 32.7 million below the corresponding figure on 31 December 2015 (€ 444.6 million). This decrease was mainly due to a € 97.3 million reduction in cash and cash equivalents. By contrast, receivables from related parties rose by € 44.5 million in connection with cash clearing, while trade receivables increased by € 21.5 million.

Equity declined by € 70.6 million to € 510.0 million as of the reporting date (31 December 2015: € 580.6 million). The decrease was primarily due to the € 49.8 million change in actuarial gains and losses, netted with deferred taxes, and the dividend distribution of € 46.8 million. Equity was also reduced by the purchase of further shares in METRANS a.s. The result for the period under review of € 40.8 million had an opposing effect. The equity ratio decreased to 29.0 % (31 December 2015: 33.2 %).

The € 76.8 million increase in **non-current liabilities** to € 1,056.0 million compared to the year-end figure (31 December 2015: € 979.2 million) is attributable to the € 75.5 million rise in pension provisions, mainly as a result of changes to actuarial parameters, and to an increase in other non-current provisions. The € 12.6 million decrease in non-current financial liabilities had an offsetting effect.

Current liabilities rose by € 5.0 million to € 195.6 million (31 December 2015: € 190.6 million), as a result of the € 10.6 million increase in trade liabilities and the € 10.1 million rise in other current provisions. The figure was reduced by the decline in current financial liabilities of € 14.7 million.

Investment Analysis

Capital expenditure in the reporting period amounted to € 67.2 million, up on the prior-year figure of € 64.0 million. Property, plant and equipment and investment property accounted for € 59.2 million (previous year: € 60.0 million) of capital expenditure, while intangible assets accounted for € 8.0 million (previous year: € 4.0 million). The majority of investments were for expansion work.

A large proportion of the capital expenditure in the first half of 2016 was for the expansion of the block storage facility at the HHLA Container Terminal Burchardkai and the construction of the hinterland terminal in Budapest. Capital expenditure continues to focus on increasing productivity in the existing terminal areas and expanding the high-performance hinterland connections in line with market demands.

Liquidity Analysis

The cash inflow from **operating activities** (operating cash flow) rose by € 14.7 million to € 112.5 million as of 30 June 2016 (previous year: € 97.8 million). This was mainly due to a net reduction in income tax payments.

Liquidity Analysis

in € million	1–6 | 2016	1–6 | 2015
Financial funds as of 01.01.	165.4	185.6
Cash flow from operating activities	112.5	97.8
Cash flow from investing activities	- 45.6	- 17.4
Free cash flow	66.9	80.4
Cash flow from financing activities	- 101.2	- 79.8
Change in financial funds	- 34.2	0.6
Change in financial funds due to exchange rates	- 0.4	- 1.7
Change in financial funds due to consolidation	4.5	0
Financial funds as of 30.06.	135.4	184.5

Investing activities led to cash outflows of € 45.6 million (previous year: € 17.4 million). The € 28.2 million increase was due to a smaller change in short-term deposits. Reduced outflows for investments in property, plant and equipment had an opposing effect.

Free cash flow, which is the total cash flow from operating and investing activities – amounted to € 66.9 million at the end of the reporting period (previous year: € 80.4 million), down € 13.5 million year on year.

The cash outflow from **financing activities** amounted to € 101.2 million as of 30 June 2016 (previous year: € 79.8 million), an increase of € 21.4 million. 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.

As of the reporting date, the changes described above resulted in **financial funds** of € 135.4 million (30 June 2015: € 184.5 million), which were thus down on the beginning of the year (31 December 2015: € 165.4 million). Including short-term deposits, the Group's available liquidity as of 30 June 2016 totalled € 192.0 million (30 June 2015: € 224.5 million).