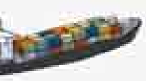
HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT
Annual Report 2011

The HHLA Business Model

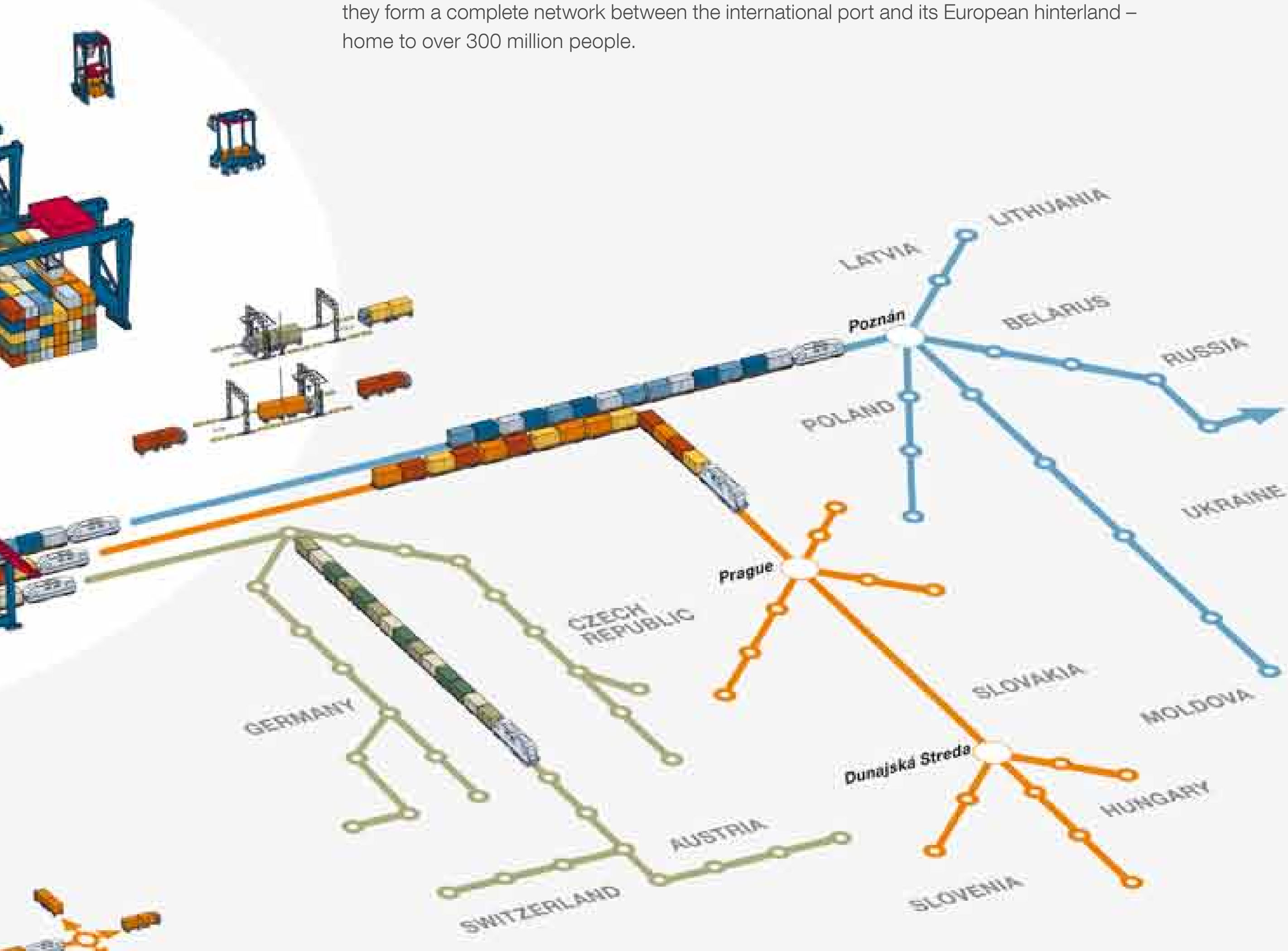
The intermodal network: **Germany:** Bremerhaven, Berlin, Dortmund, Cologne, Leipzig, Riesa, Dresden, Frankfurt am Main, Bamberg, Nuremberg, Mannhei
dorf, Zurich/Rekingen, Niederglatt **Czech Republic:** Prague, Ostrava, Plzeň, Česká Třebová, Zlín **Slovakia:** Košice, Dunajská Streda **Hungary:** Budapest S
Ukraine: Kiev, Rostov-on-Don **Moldova:** Chișinău

Inland terminal (hub) Additional rail terminals served or operated by HHLA companies



The Seaport as a Container Hub

Seaports are the most important interfaces in global transport and logistics chains. Thanks to HHLA‘s container terminals, the Port of Hamburg is Europe’s second-largest container port and one of the world‘s fastest, most efficient and most important logistics hubs. The terminals owe their outstanding performance to state-of-the-art handling and storage technologies (such as compact automated block storage and huge tandem container gantry cranes), integrated terminal management and the expertise of our highly skilled staff. The perfect logistics of HHLA’s seaport terminals are also transferred to its hinterland operations. Large container rail depots at the terminals act as ideal interfaces for hinterland traffic. Together with the inland terminals and HHLA‘s own transport systems, they form a complete network between the international port and its European hinterland – home to over 300 million people.



The Inland Terminal as a Container Hub

HHLA’s modern inland terminals like the ones in Prague and Poznán act as hubs which control container transport chains in the European hinterland. They are directly linked to the seaports via regular shuttle trains. As hubs, they collect and distribute containers throughout a wide area by road and rail.

m, Kornwestheim, Regensburg, Wörth, Augsburg, Ulm, Munich **Austria:** Enns, Vienna, Salzburg, Wolfurt **Switzerland:** Basle, Frenken-
lovenia: Koper **Poland:** Gdansk, Milawa, Poznán, Warsaw, Lodz, Wroclaw, Katowice **Lithuania:** Šeštokai **Latvia:** Vilnius **Belarus:** Minsk

Key Figures

in € million	HHLA Group 2011	2010	Change
Revenue and Earnings			
Revenue	1,217.3	1,067.8	14.0 %
EBITDA	333.4	306.9	8.7 %
EBITDA margin in %	27.4	28.7	- 1.3 pp
EBIT	207.0	192.9	7.3 %
EBIT margin in %	17.0	18.1	- 1.1 pp
Profit after tax	118.8	113.9	4.3 %
Profit after tax and minority interests	89.3	76.2	17.1 %
Cash Flow and Investments			
Cash flow from operating activities	266.1	206.9	28.6 %
Investments	128.7	173.8	- 25.9 %
Performance Data			
Container throughput in thousand TEU	7,087	5,844	21.3 %
Container transport[1] in thousand TEU	1,887	1,696	11.3 %

	31.12.2011	31.12.2010	Change
Balance Sheet			
Total assets	1,811.5	1,715.1	5.6 %
Equity	644.7	567.0	13.7 %
Equity ratio in %	35.6	33.1	2.5 pp
Employees			
Number of employees	4,797	4,679	2.5 %

	Port Logistics Subgroup[2,3]			Real Estate Subgroup[2,4]		
in € million	2011	2010	Change	2011	2010	Change
Revenue	1,190.6	1,042.8	14.2 %	31.7	29.8	6.5 %
EBITDA	317.3	290.1	9.4 %	16.2	16.8	- 3.7 %
EBITDA margin in %	26.6	27.8	- 1.2 pp	51.1	56.5	- 5.4 pp
EBIT	194.8	179.9	8.3 %	11.9	12.7	- 6.1 %
EBIT margin in %	16.4	17.3	- 0.9 pp	37.6	42.6	- 5.0 pp
Profit after tax	113.5	107.6	5.5 %	5.0	4.8	4.4 %
Profit after tax and minority interests	84.0	69.9	20.2 %	5.0	4.8	4.4 %
Earnings per share in €[5]	1.20	1.00	20.2 %	1.95	2.34	- 16.9 %
Dividend per share in €[6]	0.65	0.55	18.2 %	1.00	1.20	- 16.7 %

[1] The transport volume was fully consolidated
[2] Before consolidation between subgroups
[3] Listed A shares
[4] Non-listed S shares
[5] Basic and diluted
[6] 2011: Dividend proposal

Title photo: Processing a mega-ship at the HHLA Container Terminal Altenwerder

Hubs for World Trade

We are one of Europe's leading port logistics groups. With our efficient container terminals, high-performance transport systems and wide-ranging logistics services, we offer our clients a comprehensive network connecting the international port with its European hinterland. At our hubs in the seaport and in the hinterland, we link three different carriers – ships, trains and trucks – to create powerful logistics chains which set economic and ecological standards.

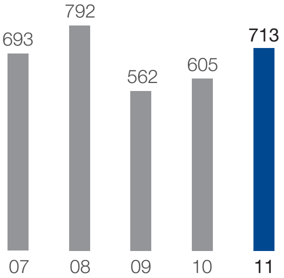
Segments at a Glance

HHLA Container Segment
Port Logistics Subgroup

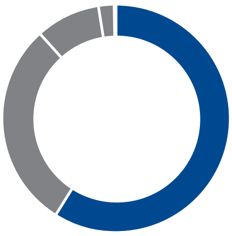
A Hub for World Trade
HHLA's container terminals link ships and rail networks together to create efficient, eco-friendly transport chains. The company's three high-performance terminals – Altenwerder, Burchardkai and Tollerort – make the Port of Hamburg the most important container hub between Asia and Europe. Technical innovations and automated work processes enable a level of productivity which sets both national and international benchmarks. With its Container Terminal Odessa (Ukraine), HHLA also operates one of the leading handling facilities in the fast-growing region around the Black Sea. With its service companies, HHLA provides an extensive portfolio for all container handling needs.

in € million	2011	2010	Change
Revenue	712.9	604.5	17.9 %
EBIT	195.5	155.7	25.6 %
EBIT margin in %	27.4	25.8	1.7 pp
Employees as of 31.12.	2,898	2,891	0.2 %
Container throughput in thousand TEU	7,087	5,844	21.3 %

Revenue
in € million



Share of Revenue
58.1 %

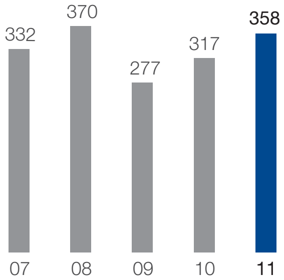


HHLA Intermodal Segment
Port Logistics Subgroup

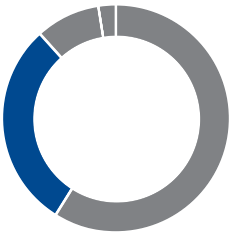
A Network for Europe
HHLA Intermodal offers a comprehensive transport and terminal network for containers. While the Intermodal companies create high-performance rail links between ports in Northern Europe and their hinterland, a growing number of inland terminals provide the high service quality demanded by maritime logistics in hinterland regions as well. The market leader Metrans links the Czech Republic, Slovakia, Hungary and Slovenia with the German seaports, while Polzug Intermodal focuses on Poland and the CIS. Meanwhile, TFG Transfracht is a market leader in Germany and also serves Switzerland and Austria. The container forwarder CTD operates truck services in the metropolitan areas of major German cities.

in € million	2011	2010	Change
Revenue	357.6	317.3	12.7 %
EBIT	24.6	24.8	- 0.7 %
EBIT margin in %	6.9	7.8	- 0.9 pp
Employees as of 31.12.	902	778	16.0 %
Container throughput in thousand TEU	1,887	1,696	11.3 %

Revenue
in € million



Share of Revenue
29.2 %



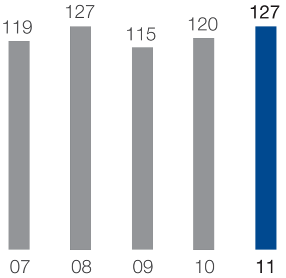
HHLA Logistics Segment
Port Logistics Subgroup

A Range of Services for a Universal Port

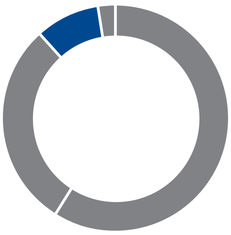
A wide range of services are pooled in the Logistics segment – from consultancy and specialist handling services to storage and contract logistics. Unikai Lagerei und Spedition is the competence centre for vehicle logistics in the Port of Hamburg. The Frucht- und Kühlzentrum is the German market leader for fruit handling, and Ulrich Stein GmbH offers essential services for the fruit import sector. With Hansaport, HHLA also holds a stake in Germany's largest terminal for ore and coal handling. HHLA Logistics stands for high-quality logistics solutions, and HPC Hamburg Port Consulting and its subsidiaries Uniconsult and HPTI successfully market HHLA's expertise in port technology and project development all around the world.

in € million	2011	2010	Change
Revenue	126.7	120.2	5.4 %
EBIT	- 1.0	6.2	–
EBIT margin in %	- 0.8	5.1	- 5.9 pp
Employees as of 31.12.	422	441	- 4.4 %

Revenue
in € million



Share of Revenue
8.9 %



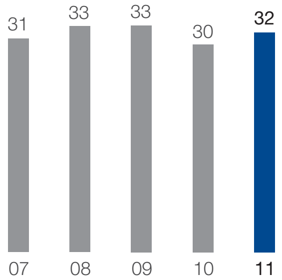
HHLA Real Estate Segment
Real Estate Subgroup

Careful Redevelopment of Historic Districts

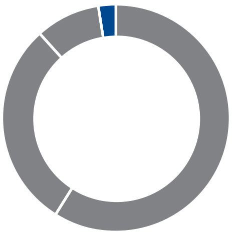
HHLA Real Estate boasts a broad portfolio of services, from project and property development to district management and active urban redevelopment. At the heart of its activities is the careful, sustainable renovation of Hamburg's Speicherstadt historical warehouse district. HHLA aims to make this an exemplary redevelopment project. The unique atmosphere of this warehouse complex – which is designated as a historical landmark – attracts tenants from the media, advertising, culture and fashion sectors. On the northern banks of the river Elbe, HHLA and FMH Fischmarkt Hamburg-Altona also preserve part of the city's fishing tradition. The property is now embedded in an intelligent site development concept that offers fish trading, offices and fine dining.

in € million	2011	2010	Change
Revenue	31.7	29.8	6.5 %
EBIT	11.9	12.7	- 6.1 %
EBIT margin in %	37.6	42.6	- 5.0 pp
Employees as of 31.12.	38	38	0.0 %

Revenue
in € million



Share of Revenue
2.4 %



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METRANS


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Ladies and Gentlemen,

Klaus-Dieter Peters
Chairman of the Executive Board

In the 2011 financial year, we achieved considerably stronger growth in our Group's throughput and transport volumes than originally anticipated. We also continued to expand HHLA's position in its key markets. This is all the more impressive given that the economy cooled off noticeably in the fourth quarter. Our company's direct market environment was also burdened by the construction of surplus terminal capacity at rival ports in Northern Europe and the strained earnings position of the container shipping lines.

Against this backdrop, we still succeeded in fulfilling our revenue forecast in full – despite upgrading guidance in the course of the year. At the beginning of 2011, we thought it would also be possible to improve on our operating margin. However, as we announced during the year, this proved unattainable in view of more than 20 percent growth in container throughput with high peak loads and the simultaneous implementation of expansion investments. Despite additional expenses in the form of write-downs, however, we were still able to exceed our slightly downgraded earnings forecast.

Overall, we can be very satisfied with the course of business in the past financial year. In a difficult market environment, we outpaced our major competitors and recorded significant growth in both revenue and earnings. This encouraging progress is reflected in our dividend proposal. In view of the disproportionately strong increase in our net profit for the year after minority interests, the Executive and Supervisory Boards of Hamburger Hafen und Logistik AG (HHLA) will now be proposing an increase of around 18 percent in the dividend at the Annual General Meeting on 14 June 2012. This will mean paying out €0.65 per market-traded share in the Port Logistics subgroup entitled to dividends for the 2011 financial year. We distributed a dividend of €0.55 per share in the previous year.

What are the reasons for this success? First of all, the rapid economic recovery seen in the last two years confirmed our belief that the underlying global economic trends remain intact. The integration of the global economy is continuing apace and a growing number of emerging markets are participating in world trade to an ever greater extent. At the same time, the growing international division of labour is prompting a disproportionately large increase in the volume of goods shipped using global transport and logistics chains. This means that maritime logistics, which account for over 90 percent of transcontinental cargo transport, have a key role to play in the further development of the global economy.

Thanks to its advantageous geographical position, Hamburg is the ideal hub for goods flows between the economies of Central and Eastern Europe, with their tremendous backlog demand and growth potential, and the rapidly developing overseas regions – from Brazil, India and China to Korea and Vietnam. This was underlined once again last year by the rapid growth in container traffic via our facilities and transport systems, especially to the aforementioned economic regions.

However, the delay in deepening the river Elbe's shipping channel and the increasingly gloomy economic and sector-specific parameters for maritime logistics mean that we can by no means take our market share gains and financial results for granted.

Once again, our integrated business model along the maritime logistics transport chain – from the seaport terminal to customers in the European hinterland – formed the basis for our successful business development. This is especially true in cases where we have complete control over processes by means of our own facilities and rolling stock. Highly integrated and efficient hinterland systems with excellent terminal services enable us to generate strong synergies and create a genuine win-win situation. Powerful transport systems attract cargo to the seaport terminals and successful seaport terminals drive up the volume of freight for the hinterland systems.

However, no matter how good a business model is, it must be implemented correctly to succeed. In this regard, our company is happy to be judged on its aim of being a leading provider in terms of quality and performance based on its best-in-class technologies and processes. The rapid pace of growth seen in 2011 posed a number of major challenges in this context, especially for our container terminals. The growing number of vessels from the latest generation of mega-ships with space for more than 10,000 standard containers (TEU) went a long way towards driving up peak loads at the terminals. Each time one of these ships berths, we have to handle throughput of up to 12,000 standard containers within 48 hours. To deliver this level of performance, we need constant innovations, process improvements, and investments in our facilities and steering systems. Examples of such measures in the 2011 financial year include:

- the introduction of self-service terminals for truck processing at our container terminals in Hamburg,
- improvements to the container stores for our new mega-ship berths at the terminals in Burchardkai and Tollerort and
- the expansion of our hinterland network with the opening of two inland terminals in Poznán (Poland) and Ostrava (Czech Republic).

External awards confirm that our efforts have been successful. In December 2011, HHLA was named a “Global Benchmark in Container Terminal Quality Assurance” by the highly respected Global Institute of Logistics. The institute also named our Container Terminal Altenwerder “best in class” for container handling.

However, leadership in technology and performance is not just a question of the right equipment and investments. The ever-changing challenges of 24-hour operation also place great demands on the expertise and flexibility of our employees. It is their dedication and experience that enables us to manage and optimise our complex facilities and processes with the aid of modern IT tools. A fascinating insight into this work is provided by the description on pages 18 – 21 of the control centre at our Container Terminal Altenwerder.

Ecological, economic and social targets are often perceived as conflicting aims. In our business model, they are mutually dependent. Together with our high social standards, HHLA’s training programmes and preventive healthcare play a crucial role in enabling staff to make such a great contribution towards the company’s success. We prove on a daily basis that an eco-friendly transport and logistics chain is generally also superior in commercial and economic terms. With the high amount of added value we create, we also provide important stimuli for economic development at our sites.

We received several awards for our commitment to sustainability in 2011. The acclaimed research centre Fraunhofer Supply Chain Solutions identified HHLA as one of six pioneers in sustainability in the German logistics sector, commending HHLA for its “outstanding level of sustainability”. One high-profile example of innovation in the field of sustainability was the successful completion of the Zero Emissions pilot project last year. As part of this joint initiative with the manufacturer Gottwald Port Technology, we trialled the use of battery-powered electric vehicles for container transport. The automatic guided vehicles used in the project run on electricity alone and can handle loads of up to 60 tonnes – even their batteries are replaced automatically. The trial proved that they are suitable for everyday use. This project was awarded the “Hanse Globe 2011”, a sustainability prise presented by the Logistics Initiative Hamburg.

Our sustainability strategy forms an integral part of our business model and our reporting. Sustainability issues are discussed at various points throughout this annual report. We also set ourselves a new climate protection target in 2011: by 2020, we want to reduce our specific CO_2 emissions in container handling by 30 percent compared to our current record set in 2008.

Last year, we invested funds and initiated various measures to lay the foundations for future growth and the further optimisation of our operating processes. All of these steps were taken with a view to long-term success. In this way, we are also investing in our future earnings potential because productivity, reliability and an efficient combination of pre-carriage and on-carriage systems are increasingly becoming a crucial competitive factor. Our growth strategy continues to rest largely on the Group's sound financial structure, high cash flow and good liquidity. On top of this, the majority of our 2011 capital expenditure was financed from our own funds. This gave us the freedom to shape our expansion and modernisation programmes ourselves, without being affected by any turmoil on the financial and credit markets.

In terms of our capital expenditure, the spotlight was on investments and plans to enable our facilities to cope with further growth in volumes and, crucially, the ever-increasing demands associated with larger vessels. We took steps to ensure that we are ideally placed to handle the next generation of container ships with capacities of 16,000 to 18,000 TEU. To this end, we will expand our existing mega-ship berths and open new ones in the years to come.

We can adjust the rate of our expansion to actual developments in demand to a large extent. Our container terminals in Hamburg alone have the potential to expand from their current combined capacity of approx. 8 million TEU per annum to well over 15 million TEU. In addition to this, we launched another important project to optimise our handling processes in early 2012: "Dual Cycle" enables container gantry cranes to load and discharge simultaneously. Not only does this boost productivity during ship handling, it also improves the capacity utilisation of our yards. The second major focus for capital expenditure was the further expansion of our hinterland network. We have already started work on an additional terminal in the Czech Republic which will become operational this year.

What can we expect in the 2012 financial year? The economic slowdown was confirmed at the beginning of 2012. There are numerous uncertainties surrounding further economic developments. Relatively robust growth in Germany and the emerging markets instils a certain degree of confidence – at the same time, though, a permanent solution to the debt and currency problems is still not in sight. The direct market environment of our container terminals continues to suffer from rising surplus capacity at rival ports in Northern Europe and the difficult situation in container shipping. By contrast, swift implementation of the lower river Elbe dredging project would improve our competitive position.

Against this backdrop, any forecast of how business will develop this year is subject to a large number of provisos. If the current trend of considerably slower but consistently positive global economic growth continues, we expect throughput, transportation, revenue and earnings to increase by around 5 percent – based on those projections for global trade and container traffic available to us at present.

With our strong market position, our standards of innovation and performance, and our crisis-proof balance sheet ratios, we are capable of continuing on our sustainable growth path, even in difficult conditions. In doing so, we can rely on both the advantages of our integrated business model and the success of our sustainability programme. This combination of strengths will enable us to fulfil our corporate responsibility. All of this forms an outstanding basis for us to keep charting an exceptionally successful course in a key market for global economic developments – maritime logistics.

Yours,

Klaus-Dieter Peters
Chairman of the Executive Board

The Executive Board

1 Klaus-Dieter Peters
First appointed on 1 January 2003

Responsibility
- Coordination Executive Board
- Corporate Communication
- Corporate Development
- Sustainability
- Intermodal Segment
- Logistics Segment

2 Heinz Brandt
First appointed on 1 January 2009

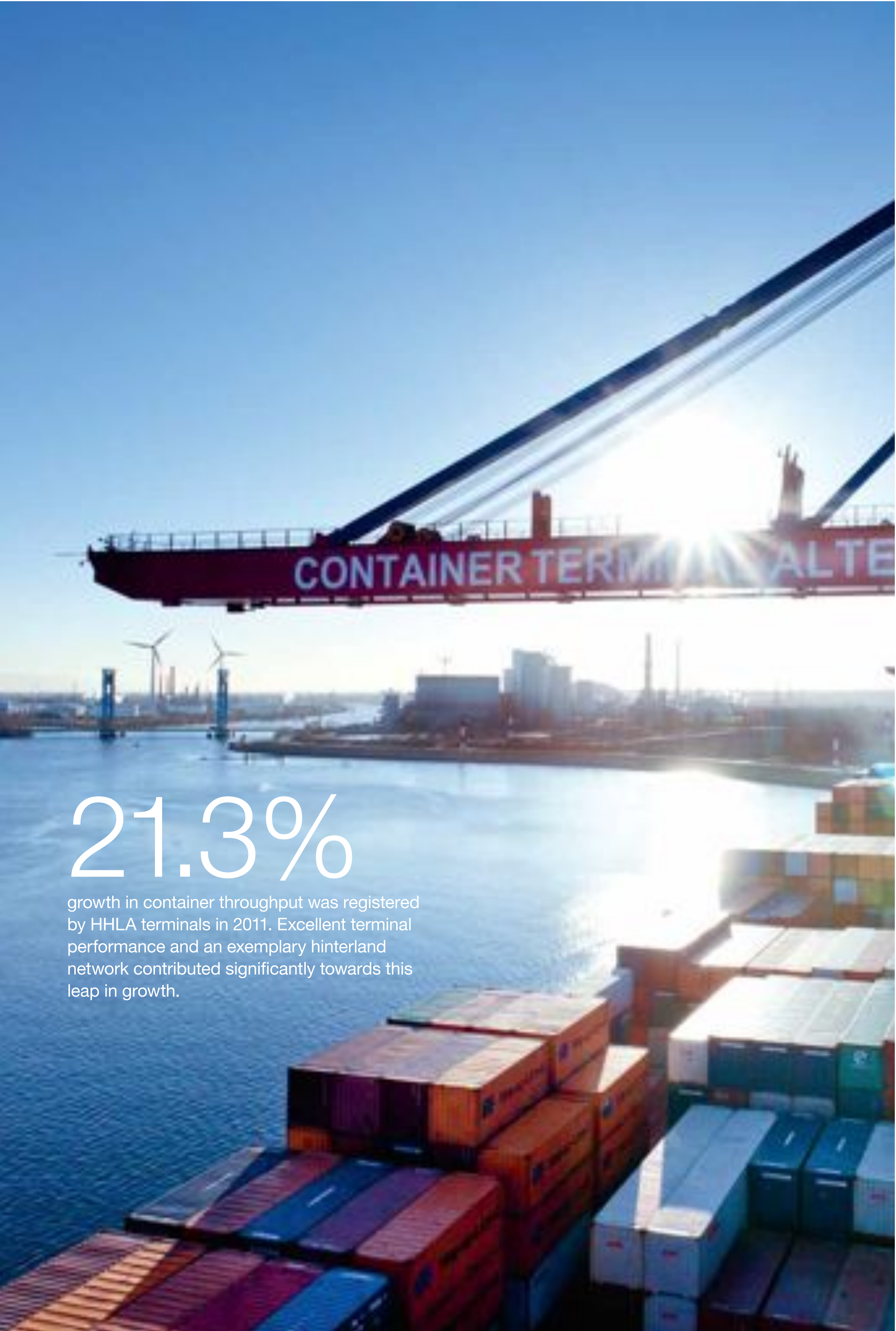
Responsibility
- Human Resources
- Purchasing & Supplies/Materials
- Legal and Insurance
- Health and Safety in the Workplace

3 Dr. Stefan Behn
First appointed on 1 May 1996

Responsibility
- Container Segment
- Information Systems

4 Dr. Roland Lappin
First appointed on 1 May 2003

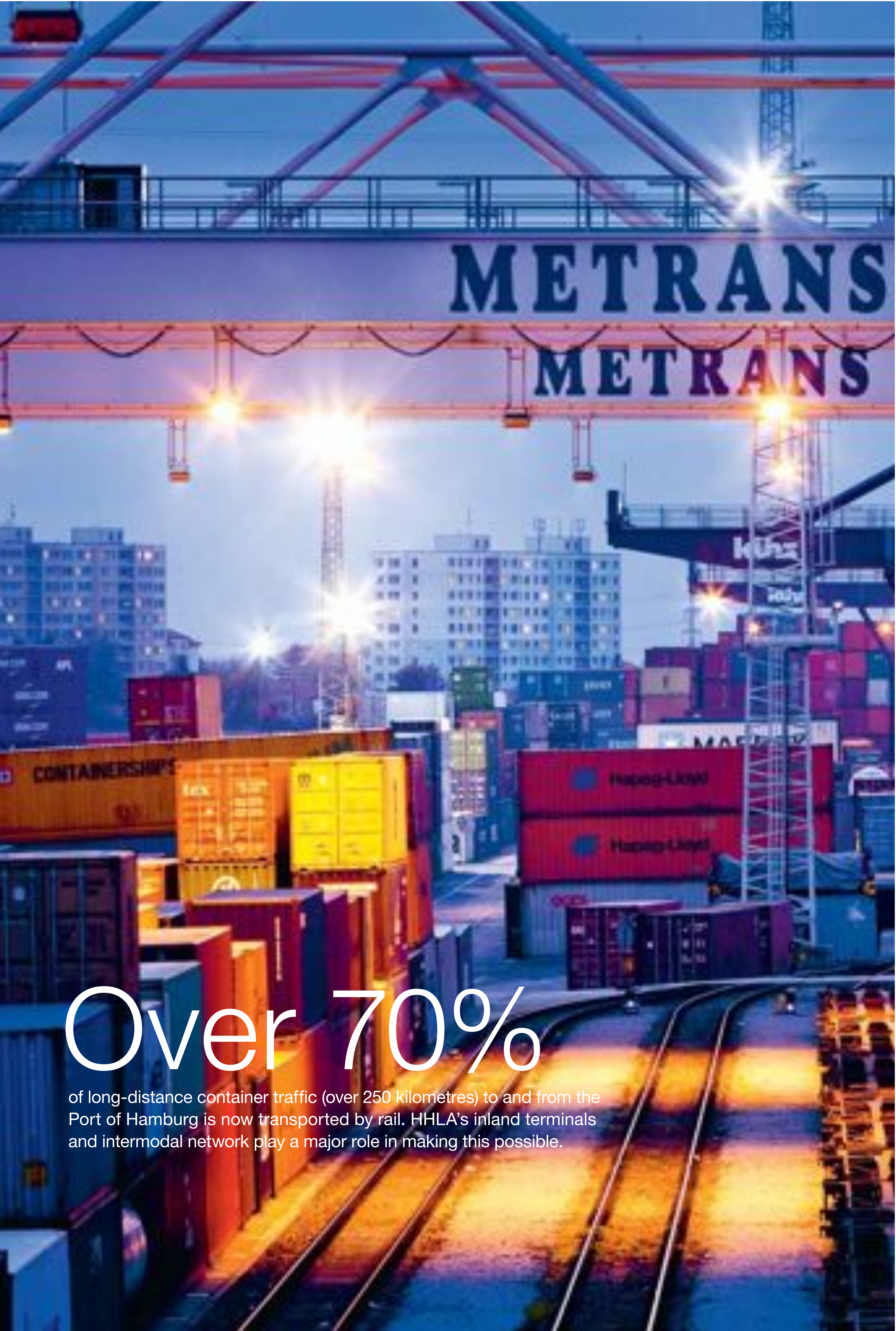
Responsibility
- Finance and Controlling
- Organisation
- Investor Relations
- Internal Audit
- Real Estate Segment



21.3%

growth in container throughput was registered by HHLA terminals in 2011. Excellent terminal performance and an exemplary hinterland network contributed significantly towards this leap in growth.

Processing a mega-ship at the HHLA Container Terminal Altenwerder



Over 70%

of long-distance container traffic (over 250 kilometres) to and from the Port of Hamburg is now transported by rail. HHLA's inland terminals and intermodal network play a major role in making this possible.

Rail cargo handling at the Metrans container terminal in Prague

13.9 million

tons of ore and coal were handled by the highly automated Hansaport in 2011. This was equivalent to approximately 11% of total throughput at the Port of Hamburg.

Unloading a coal ship at the Hansaport bulk cargo terminal

Collection on display at a fashion showroom in warehouse block Q

160,000 m^2

of modern commercial units in the Speicherstadt historical warehouse district have already been developed, renovated or revitalised for new use by HHLA Real Estate. Its work has proven highly successful: 98.9% of total floor space has already been let.

The control centre team steers the Container Terminal Altenwerder 24 hours a day, 360 days a year

"Global Leader and Top in Europe"

The HHLA Container Terminal Altenwerder (CTA) celebrates its tenth anniversary in 2012. In the control centre of this heavily automated high-tech facility, a team of specialists steers terminal operations round the clock. 2011 was a further year of record figures for CTA with awards for quality and sustainability.

28 December 2011, 7 a.m. The early shift starts with a rush of activity. No less than five vessels are vying for space in the four mega-ship berths of the 1.4-kilometre long Ballinkai quay: two smaller feeders for European traffic and three ocean-going vessels – including a large container ship with room for almost 9,000 containers. Wide, bright yellow strips of light illuminate the working areas of Europe's most state-of-the-art container terminal. Twelve large gantry cranes with 61-metre jibs are in action – lifting steel containers over the quayside every twelve seconds on average.

Non-stop maximum performance is what we do best

Over 80 AGVs (automated guided vehicles) are also in permanent operation, transporting containers back and forth between the 26 large storage blocks at the centre of the terminal and the quayside gantry cranes. Trucks are coming and going on the land side of the block storage area, and the wide portal cranes spanning the seven 700-metre long sidings at the large container rail terminal also have plenty to do. With 37,000 rail containers per month, the CTA exceeded its previous record (set in 2008) by around a third in 2011.

On days like today, the nine members of the control centre team – steering all key aspects of terminal operations – have their work cut out for them. In addition to the shift leader, the team includes two specialists for the water side. They keep an eye on the container gantry cranes and the AGVs. A ship planner supports them and maintains direct contact with the vessels. Meanwhile, their hinterland colleagues look after the storage blocks, the railway station and truck handling. A second shift leader updates planning for the next few days. Last but not least, the process controllers are responsible for the three complex automatic systems which control the container gantry cranes, the AGV fleet and the storage blocks.

At the heart of Altenwerder's high-tech terminal: automated storage blocks with space for approximately 30,000 containers

"If all the ships arrive on schedule and both our automatic systems and the technical equipment run without faults, the shift leader has nothing to do," jokes shift leader Markus Riepenhusen, "but that's rarely the case". That's why "creativity, a talent for improvisation, and experience" are needed up here in the control centre to steer the terminal round the clock, 360 days a year, in three overlapping shifts of eight and a half hours each. So what does a talent for improvisation have to do with automation? Gerlinde John, Head of Terminal Development at CTA, says: "The integrated terminal system consists of interconnected automatic systems which handle a large number of processes simultaneously. At the same time, they have to react quickly to unforeseeable occurrences." The secret is to keep the whole system running smoothly and efficiently. "We can only do that with the help of the control centre team."

The key to our success is that all 637 employees are continually improving the terminal

On this particular morning, the control centre crew face an immediate challenge: the shift programme has to be revised so that a delayed ocean-going vessel can set sail during the ideal time slot. An extra gantry crane is allocated to the ship in addition to the four originally set aside for it. This has a domino effect on other processes and means the schedule for the adjacent feeder also has to be revised. But that's not the only change being made: the software tool "Quay Commander" also modifies the automatic program for the AGVs. The delayed vessel is given priority. The five gantry cranes can now work even faster. "Markus, the workshop team want to access storage block 24 to take a look at the small crane," says the hinterland colleague. Markus Riepenhusen has a quick look at the multicoloured bar chart listing jobs to be done in block 24, then makes his decision: "They can't start until 1 p.m. I want to finish processing the feeder in berth 3 first."

Riepenhusen and his co-workers have planned some 2,200 container movements for the current shift – an ambitious schedule. On top of this, they have to deal with delayed ships, a wrongly declared container and a last-minute client request. Unforeseeable occurrences are not the exception; they are the rule. For this reason, Riepenhusen likes to compare his role to working on a dynamic jigsaw puzzle which is constantly changing but where all the pieces still have to fit together. Terminal developer Gerlinde John adds proudly: "Our potential differs completely from that of conventional terminals. Non-stop maximum performance is what we do best." With a capacity of well over 100 containers an hour for mega-ships, the terminal can process

container giants with handling volumes often in excess of 5,000 boxes within around 48 hours. Throughput data such as these are one of the reasons why CTA is regularly ranked Europe's top-performing terminal.

The HHLA Container Terminal Altenwerder celebrates its tenth anniversary in summer 2012 and remains "a global leader and top in Europe," says CTA Managing Director Oliver Dux. Although other terminals have followed the trend towards automation in recent years, none of them have reached CTA's level yet. "The key to our success is that all 637 employees are continually improving the terminal," emphasises Dux's fellow Managing Director Ingo Witte and adds: "We always examine the whole process for weaknesses and bottlenecks." This has helped them to constantly improve stability and reliability in recent years and regularly introduce further innovations. Both Dux and Witte stress that the terminal has "already exceeded our original high expectations by far".

CTA does not intend to rest on its laurels, though. Having recently succeeded in teaching the system to transport two smaller containers on one AGV at the same time, the team is now tackling the "Dual Cycle" project. Launched in early 2012, it aims to further boost productivity by loading and unloading simultaneously where possible in future – thus making much more efficient use of container gantry cranes and storage blocks. But even when this has been achieved, there is still no rest in sight. As Gerlinde John explains: "Potential for improvement can be found everywhere."

Low-emission Terminal

High tech and environmental protection go hand in hand at the HHLA Container Terminal Altenwerder (CTA). The low-emission terminal helps protect our climate while also making sparing use of the resource "space". The key to success is the terminal's high degree of automation. This explains why most of the energy consumed is electrical power, generated from renewable sources. The short distances and smart terminal management also ensure a high degree of energy efficiency. Battery-powered AGVs (automated guided vehicles) with the numbers 85 and 86 are the latest success story to emerge from the CTA's "green efficiency" drive. They completed the "Zero Emissions" pilot project with flying colours in September 2011 and shortly afterwards received the prestigious "Hanse Globe 2011" sustainability award. With a payload of 60 tons and batteries which can be replaced in just 5 minutes by an automatic battery-changing station – following 17 hours of continuous operation – the battery-powered AGVs have set new economic and ecological records in CTA's demanding operating environment.


METRA
METRANS

The inland terminal hub in Prague: highly efficient handling with train-to-train cargo loading and container storage right by the tracks

Pulsating Prague

Like a gigantic heart, the Metrans terminal in Prague pumps goods from the North European seaports to the Czech Republic, Hungary and Slovakia – and back again. The rate at which container trains enter and leave the terminal is getting faster. In 2011, Metrans raised the number of containers transported by 12 percent.

The Czech Republic's global trade hub is on the southern outskirts of Prague. Located just 14 kilometres from the historic city centre, the hub is a labyrinth of brightly coloured steel containers covering an elongated, approximately 250,000 m² site on Prague's Uhříněves industrial estate. It has seven sidings with a total length of almost ten kilometres. Towering over them are five portal cranes, 26 metres high and some 80 metres wide, which the HHLA railway subsidiary uses to process approximately 10,000 standard containers (TEU) every week.

Thanks to the global popularity of containers, an intelligent production concept and above-average economic growth in Central and Eastern Europe, Metrans once again enjoyed strong growth in 2011: the rail company grew transportation by 12 percent to more than 580,000 TEU.

Metrans terminal in Prague-Uhříněves: the container hub for South-Eastern Europe

With its excellent rail links to the North European seaports, Prague has not only established one of Europe's largest inland terminals over the past few years but has also become a cargo handling hub for the economies of Central and Eastern Europe. With its 750 employees, Metrans is the market leader in the Czech Republic, Slovakia and Hungary for container hinterland transportation to and from the German seaports.

More than 70 shuttle trains alone travel back and forth between the Port of Hamburg and Prague-Uhříněves every week. Like a conveyor belt, they transport import and export goods and thus ensure the Czech Republic is directly connected to global trade. The hub in Prague pools consignments before forwarding them to the client by rail or road – and vice versa. With its own fleet of 360 heavy goods vehicles, the company guarantees that goods are reliably delivered to the customer. Road deliveries through the terminal have increased more than fivefold since 1998.

About two thirds of German–Czech cargo goes by rail

Intelligent management is crucial for large transportation volumes. Metrans uses highly productive handling processes. This is illustrated by the fact that the Prague hub has container bays underneath the portal cranes, right next to the sidings. Crane operators can therefore lift the boxes off the carriage and deposit them for temporary storage in one go, before the containers are loaded back onto a train or truck for the next stage of their journey. This eliminates the need for complex stacking and restacking, thus saving time and money and enabling Prague to handle large volumes of cargo. The hub has an annual capacity of almost 700,000 TEU. With its depot for empty containers and its repair workshop for carriages and containers, the hub also boasts facilities which make the handling process even more efficient. These extra services eliminate the need for empty containers to be transported long distances back to the client and mean that damage to boxes or carriages can be repaired quickly, thus reducing waiting times.

The foundation for further growth has therefore been laid. “Hamburg is the most important port for the economies of Central and Eastern Europe,” says Jiri Samek, founder and Managing Director of Metrans. The journey from Hamburg to Prague takes about twelve hours, making it the quickest route to a seaport from the Czech Republic. Metrans generates about half its annual revenue on this route. The Czech market leader has already transported more than two million containers along this line since the company was established in 1991. About two thirds of all cargo transported between Germany and the Czech Republic already goes by rail.

With its hub in Prague-Uhříněves and its highly efficient shuttle trains, Metrans provides an exemplary service for container traffic in the seaports’ hinterland. The shuttles have several advantages. Firstly, they run back and forth between the seaport and the hinterland hub more frequently than passenger services. Secondly, the wagons are always arranged in the same way, eliminating the complex job of shunting individual carriages and thus saves even more time and money.

More than 70 fully-laden Metrans shuttle trains travel back and forth on the Hamburg–Prague line alone every week

From Road to Rail

High-performance hubs in the seaports' hinterland and daily shuttle trains not only help cope with the future growth in cargo volumes. They also provide a greater incentive for switching container traffic from road to rail. A much better solution for the environment. According to a study by the Dutch research institute NEA, the average carbon footprint for electric rail transportation is just under two grams per ton-kilometre, compared to 59 for heavy goods vehicles. This means that transporting a container by rail instead of road reduces CO_2 emissions by over 39 kilograms per ton of cargo on the approximately 690-kilometre journey from Hamburg to Prague. Together with its rail operators Metrans, Polzug and Transfracht, HHLA successfully organises intelligent and sustainable container transportation between the quayside at the Port of Hamburg and customers in the European hinterland. Hub terminals such as the Metrans hub in Prague and the Polzug hub in Poznán, Poland, act like the hub of a wheel with numerous spokes converging on them. Shuttles carry unsorted containers from the port to the hub, where they are organised. They are then transhipped from incoming trains to connecting services – for example by the Metrans rail crane operator on the right – which will take them to their destination region or are transported by truck to the recipient.

Thirdly, the company uses its own locomotives and specially built carriages which can be loaded with as many as four 20-TEU containers. Transportation, planning and handling at the hub terminal in Prague-Uhříněves are managed by complex in-house software. "Our IT expertise is what makes Metrans so successful. We're particularly proud of it," explains Samek. A further success factor is the company's integration into the HHLA Group. This means, for example, that many shuttle trains are directly loaded and unloaded at HHLA's high-performance container terminals in the Port of Hamburg and thus directly connected to overseas traffic and global goods flows. In Prague, the Czech rail operator processes an average of two trains a day which were loaded at the HHLA Container Terminal Altenwerder alone.

Our IT expertise is what makes Metrans so successful

"HHLA has enabled us to grow our business and strengthen our ties with the Port of Hamburg," comments Samek. This successful partnership was already established 18 years ago. Samek has ambitious goals for the future: Metrans is constantly expanding its network. In addition to the hub in Prague, the company operates three other terminals in the Czech Republic and two in Slovakia. Metrans is set to open a second hub terminal this year in the Czech city of Česká Třebová – approximately 180 kilometres east of the capital.

Prague-Uhříněves never stands still. The inland terminal handles containers around the clock, 365 days a year, with more than 200 freight trains bringing or collecting new cargo every week. It is truly a pulsating hub.

The Crane Optimiser

43-year-old foreman Uwe Soltwisch ensures that large-scale equipment at the Container Terminal Altenwerder is fit for use and works in an increasingly efficient and eco-friendly manner.

Five large, powerful container gantry cranes swiftly lift steel containers weighing several tons out of the hold of the Prague Express. They don't have much time to process the 8,749-TEU vessel. Thousands of containers have to be shifted before the ship with Hamburg's crest on its bow can leave the Container Terminal Altenwerder (CTA). If one of the gantry cranes were to fail now, it would jeopardise this tight schedule.

Inconspicuous tubes some ten centimetres in length make sure this doesn't happen. These vibration sensors, fitted by Uwe Soltwisch to the main hoisting gear of the gantry cranes, are connected to the cranes' control system and immediately show if the vibrations exceed tolerated levels. This would indicate a damaged bearing in the DC motor. If the sensor data give cause for alarm, a member of staff at the Service Center Altenwerder (SCA) – the terminal's workshop – checks the motor and prevents it from failing.

Preventive maintenance is the key word for project team member and technical dispatcher Soltwisch. "Our main task is to keep the availability of equipment at the CTA as high as possible," explains Soltwisch, who was born in Mecklenburg and has been involved in crane maintenance at the port for 20 years now. He started working at the SCA in 2002 and has taken numerous opportunities for extra training – from cable servicing to project management. For the final paper of his course in technical management, he is planning a project on intelligent maintenance. "Sensors are much more efficient for work which used to be done manually," he explains. A magnetic induction method, for example, uses a magnetic field created by a coil to check whether there are any broken wires within cables. Soltwisch believes this has the potential to make significant cost savings: "If this shows that a cable only needs replacing after twelve or 15 years rather than ten, cables can be renewed less often, saving money and conserving resources."

“Structured Talent Management and Training Safeguard the Company’s Long-Term Success”

Arno Schirmacher, 43, Head of Central HR Management, operates a system of targeted talent management. Giving staff the right development opportunities is good for both employees and HHLA.

Mr. Schirmacher, what does HHLA expect of its staff members?
As we move forwards, we need more and more employees who are keen to embrace new challenges and undergo further training.

How do you find employees who have these qualities?
We have to train staff for many parts of the Group ourselves. We encourage both specialist and managerial career paths and utilise all of the Group’s structures to do this. We want to make optimum use of all development opportunities as well as identifying and fostering as much talent as possible. We coordinate staff development measures centrally.

Can you give us an example of that?
Yes, we launched the training course to become a certified ship planner in 2011. This scheme not only helps us meet our short and long-term manpower needs, but also enhances our internal career paths. For our junior managers, we rolled out a tailored staff development programme to train and nurture both soft and hard skills. Before employees are accepted into any development scheme, their potential is always analysed in a potential assessment centre.

What is the aim of this assessment centre?
The assessment centre forms the basis for analysing staff potential. The results are reviewed together with the employees in question. Based on this assessment, we decide whether they are more suited to a specialist or managerial career.

The Terminal Choreographer

29-year-old ship planner Anna Stille trained for her dream job at HHLA. She now determines the optimum processing sequence and loading position for containers at the Container Terminal Tollerort.

The straddle carrier operator places a white reefer container full of marzipan from Lübeck exactly below the container gantry crane and releases the locking mechanism. He quickly drives the long-legged carrier back to the yard at the Container Terminal Tollerort (CTT) – the smallest of HHLA's terminals in Hamburg. A ship planner has already decided which box he will pick up next and exactly where the reefer he just unloaded will be stored in the hold of the ship taking the marzipan to Dubai.

Ship planners ensure that even the largest vessels are loaded and unloaded smoothly and efficiently. So it is no wonder that such specialists are in great demand all over the world and are becoming increasingly hard to find. When HHLA advertised a training course for prospective ship planners in early 2011, forwarding agent Anna Stille applied straight away. "In my work at the CTT up to then, I had mainly got to know the hinterland processes. The extra training course gave me the opportunity to learn about seaborne handling – the heart of the terminal," she explains.

Together with nine other HHLA employees, Stille learnt all the important facts about container ships, sensitive goods and stowage planning during the theoretical phase of her course. She returned to Tollerort for her practical training, and has been working there as a ship planner since she finished the course. "I was a little nervous when I prepared the plans for stowing my first containers in a real ship and the schedules for the straddle carriers and container gantry cranes," says Stille, who is very aware of how much responsibility she now has. She soon joined the team planning for the largest vessels currently handled at Tollerort. These ships, operated by the shipping company Cosco, hold 10,000 or 13,000 standard containers. "The display for these vessels stretches across three monitors," Stille explains, swiftly turning her head from left to right. "I really enjoy working as a ship planner. It's like I imagined it would be – just even more varied."

The Process Accelerator

51-year-old IT divisional manager Frank Winkenwerder develops IT solutions for the HHLA container terminals in Hamburg. One of his major projects at present is to optimise truck handling.

From his office at the Container Terminal Burchardkai, Frank Winkenwerder has a good view of the Köhlbrand Bridge and can thus easily monitor one of his current challenges – is the Port of Hamburg's bottleneck free for the 6,000 to 8,000 containers going in and out of the HHLA terminals by truck every day?

As head of the container information systems, Winkenwerder shapes the IT landscape for the HHLA container terminals. The interfaces between the terminals and the various modes of transport play an important role in this system. In order to improve truck handling at the port (known as "haulage"), HHLA launched its "Haulage 2.0" project in 2011. Coordinated by Winkenwerder, the project's main aim is to enhance data networking by using suitable IT tools. For without the accompanying data, no container would ever reach its intended recipient. "Haulage 2.0" is already making a difference: new self-service terminals have been installed for truckers at the entrance to HHLA's three terminals in Hamburg. It takes the lorry drivers about 130 seconds to enter data in their own language using a touch screen – dramatically reducing processing times.

In the next stage of development, video cameras are to be used to recognise container numbers and truck registration plates. HHLA employees will then be able to check incoming containers conveniently on a monitor. This means the vehicle will be able to drive right across the site without having to stop for handling.

"Processes are the trickiest task," emphasises Winkenwerder. He has therefore initiated a field study in conjunction with the most important players to gain a complete picture of truck movements at the port. What currently stops both containers and data from flowing freely? The survey results may help Winkenwerder to reduce tailbacks – also on the Köhlbrand Bridge.

Highlights 2011

Tollerort

First 13,000-TEU Vessel Docks at the New Mega-ship Berth in Tollerort

In July, Cosco Glory became the first vessel with a carrying capacity of 13,000 standard containers (TEU) to be handled at the HHLA Container Terminal Tollerort. Work had been under way for several years to equip the new mega-ship berth 5 with five new super post-panamax gantry cranes to cater for the new generation of container ships. “We are proud to have processed our first new-generation container mega-ship at CTT with the Cosco Glory. Many years of hard work, investment and preparation went into achieving this moment,” explained CTT’s Managing Director, Dr. Thomas Koch. By installing the super post-panamax gantry cranes at CTT, HHLA has further improved Hamburg’s ability to efficiently process the world’s largest container vessels and thus paved the way for even greater productivity at Container Terminal Tollerort.

Altenwerder

Solar Power

Hamburg Energie has installed one of Hamburg’s largest solar power units on the roof of Logistics Centre Altenwerder. Chairman of the Executive Board of HHLA, Klaus-Dieter Peters (left), and Managing Director of Hamburg Energie, Dr. Michael Beckereit, flipped the switch on the new photovoltaics system in July. It consists of almost 4,000 thin-layer modules, which will generate some 460,000 kilowatt-hours of CO_2-free electricity every year.

Speicherstadt

Fashion Warehouse

HHLA Real Estate has created attractive showrooms and high-quality office units spanning some 6,000 square metres in Block Q of the historical warehouse district. The historic warehouse space underwent exemplary redevelopment following dialogue with tenants and in close collaboration with the building preservation authorities. It was previously used by traditional carpet importers. The first tenants from the fashion and design industry moved into their new, inspiring premises in Block Q in April.

Truck processing

High-speed Check-in

Thanks to easy-to-use self-service terminals introduced in July, truckers can now check in standard containers themselves at HHLA’s container terminals in Hamburg. The process takes approximately 130 seconds. This reduces waiting times during peak hours and means that more trucks can be processed.

Poznán

New Inland Terminal Brings Poland Closer to the German Seaports

In September, HHLA and the rail operator Polzug Intermodal opened a new hub terminal near the Polish city of Poznán. The cutting-edge site allows daily shuttles to be run between the North European seaports and Poznán for the first time. This reduces the journey time between Hamburg and Poznán alone by about a third – from 18 to 12 hours. Market leader Polzug Intermodal pools railfreight transport from all the North European seaports – especially Hamburg and Bremerhaven – at the terminal in Western Poland for distribution throughout the country on the spokes of its hub network. In addition to its central position for West–East traffic, the site in Poznán has the advantage of high local freight volume as it is located in a dynamic economic region.

Electric mobility

Green Transportation

A breakthrough for electric mobility: in a pilot project in Altenwerder, containers weighing up to 60 tons were transported using vehicles powered solely by batteries for the first time. A battery replacement station operated using green electricity recharges the batteries that drive these automated transport vehicles. The project was successfully completed in September and received the Hanse Globe 2011 sustainability prize in December.

Award

A Pioneer in Sustainability

The Fraunhofer SCS research centre has identified HHLA as one of six “pioneers” in sustainability in the German logistics sector. This is the result of the sustainability index published by Fraunhofer SCS in May, which praises the fact that HHLA’s sustainability concept is “deeply anchored in its strategic approach and plays an important part in the company’s values”. Its measures “lead to a systematic improvement in the situation on sustainability”.

transport logistic

Successful Trade Show Appearance

HHLA presented its services at Munich’s biennial “transport logistic” – the logistics industry’s leading trade show – from 10 to 13 May. Panel discussions featuring top speakers and numerous one-to-one discussions helped explain port logistics to some 51,000 people from 134 different countries. Visitors were particularly interested in HHLA’s integrated business model, the industrial transport chains which connect the European hinterland, and successful projects in the field of sustainability.

Hamburg

Cruise Port 2012

Hamburg was awarded the German Cruise Prize and the title “Port of the Year 2012” in September. 118 vessels with over 300,000 passengers docked in the city in 2011. The team from Hanseatic Cruise Centers – a joint venture of HHLA subsidiary Unikai Hafenbetrieb and AIDA Cruises – ensured that the ships were processed smoothly at the Hamburg Cruise Centers Altona (photo) and HafenCity. 164 passenger vessels are registered for 2012. One of the year’s highlights for Hamburg as a cruise ship port will be the launching ceremony for the AIDAmar – during the port’s birthday celebrations.

The Share

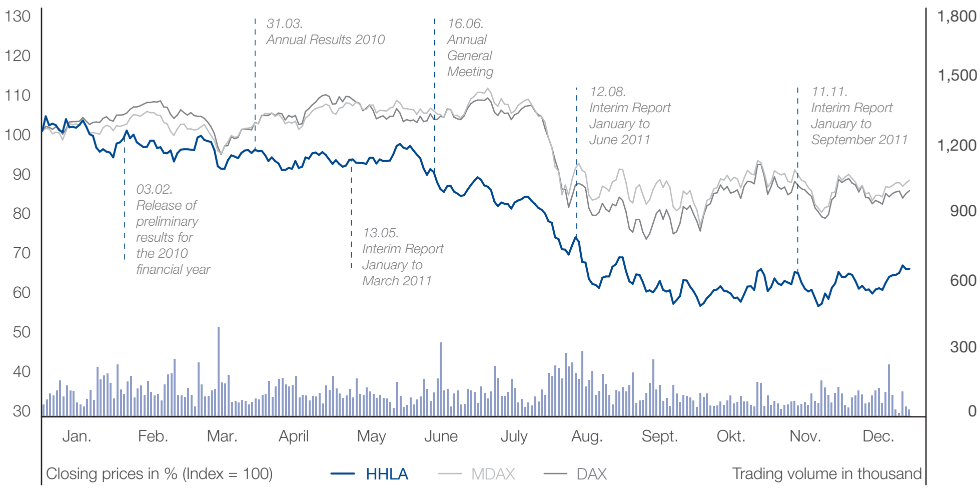
Substantial Losses on the Stock Markets

There were strong fluctuations on the world's stock markets throughout 2011, whereby the overall picture was dominated by a downward trend in the second half of the year. At the beginning of the year, the general mood was influenced by contrasting factors – from optimistic economic expectations and high levels of liquidity seeking investment opportunities to the political unrest in North Africa, rising energy and commodity prices, and the ongoing eurozone's debt problems. Healthy corporate profits initially buoyed confidence, exerting an upward push on indices and helping stock prices reach their highest level for almost three years. This trend came to an abrupt end in mid-March, when the devastating earthquake and nuclear disaster in Japan triggered massive losses around the world. Relatively quickly, however, positive economic data rekindled hope of a continuing economic upturn, prompting a rapid market recovery and further share price increases well into summer. In the third quarter, growing fears of a slowdown in global economic growth and the escalating eurozone debt crisis caused a drastic shift in market sentiment letting quotations on the international stock exchanges fall to their lowest levels for the year. Although summit resolutions and coordinated economic measures to contain Europe's debt crisis helped stop the decline over the following months, Germany's two main indices closed with considerable losses. The DAX lost 14.7 % and ended 2011 at 5,898 points, while the mid-cap MDAX index, which includes the HHLA share, fell by 12.1 % to 8,898 points.

HHLA Share Burdened by Economic Concerns

After markedly outperforming cross-market indices in the final quarter of the previous year, the HHLA share entered 2011 at its highest valuation level since 2008. As the year progressed, however, it was burdened more than most by the sentiment regarding the world trade development, the precarious situation in container shipping and speculation about delayed public infrastructure projects. As a result, the share already reached its year-high of €35.81 on 3 January, before political discussions concerning the port development plan in Hamburg and decreasing sea freight rates in container shipping led to uncertainty on the capital markets early in the year. With the Danish shipping company Mærsk ordering even larger container freighters with a carrying capacity of up

Share Price Development 2011



Source: Datastream

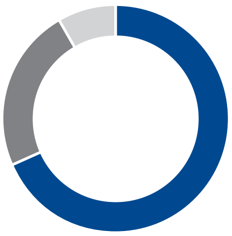
to 18,000 TEU, investors and financial analysts were reminded of the urgent need to dredge the Elbe's navigation channel. Aggravating factors continued to grow as concerns about the consequences of the earthquake and nuclear disaster in Japan focused on cyclical sectors and companies involved in Asian trade. The market response to strong throughput growth and market share gains published by HHLA in the second quarter was therefore all the more positive and helped buoy the share price. However, the adverse earnings situation among shipping lines, weak export data from China and growing fears about the debt situation in both the eurozone and the USA soon determined the general stock price development. Moreover, the lack of news regarding the dredging of the Elbe's shipping channel fuelled investor concerns even further. Due to its strong correlation with general expectations for the economy and world trade, the HHLA share came under particularly strong pressure as the escalating debt crisis triggered fears of another recession halfway through the year. Even the announcement of persistently strong growth in HHLA's key performance indicators throughout the first half failed to bring relief. Although market conditions eased in the fourth quarter, market sentiment and with it the stock price development were clouded due to downward corrections of numerous macroeconomic forecasts. As a result, the HHLA share dropped to a year-low of € 19.65 on 22 November. The share price only rallied towards the end of the year, when the European Commission issued a positive statement regarding the environmental impact of dredging the Elbe's shipping channel. Its conclusion that widening and deepening the waterway is justified by compelling reasons in the predominant interest of the public and that environmental measures to compensate for this project were more than adequate, helped buoy the HHLA share in the last weeks of the year. However, it was unable to compensate for the downward trend over the year as a whole. The HHLA closed on 31 December at € 22,83, altough 16.2 % above the year low, but still 33.9 % down on the previous year. As illustrated by the year-on-year decrease of almost a third in the HHLA daily share's trading volume (average: 109,740 a day), this was not caused by a massive sell-off. Instead, predominantly smaller orders to sell met with restricted buying interest, due primarily to the general environment. At year-end, the market capitalisation of the listed subgroup Port Logistics totalled approx. € 1.6 billion. Despite the general mood on the stock markets, HHLA succeeded in increasing earnings per share, a key figure of relevance to investors and analysts, by 20.2 % to € 1.20 in the 2011 financial year.

Key Figures HHLA Share

in €	2011	2010
Closing price at year-end [1]	22.83	34.55
Highest share price [1]	35.81	35.39
Lowest share price [1]	19.65	24.11
Performance in %	- 33.9	28.0
Average daily trading volume [2]	109,740	154,626
Number of shares	72,679,826	72,679,826
Listed shares (Class A shares)	69,975,326	69,975,326
Non-listed shares (Class S shares)	2,704,500	2,704,500
Dividend per Class A share [3]	0.65	0.55
Dividend yield in %	2.8	1.6
Market capitalisation as of 31.12. (Class A shares) in € million	1,597.2	2,417.6
Price-earnings ratio as of 31.12.	19.6	38.4
Earnings per share	1.20	1.00

[1] XETRA
[2] XETRA, Frankfurt / Main, Hamburg
[3] Dividend proposal for 2011 financial year

Shareholder Structure
as of 31.12.2011



- 68.5 % Free and Hanseatic City of Hamburg
- 23.3 % Institutional investors
- 8.2 % Retail investors

Source: Share register

Regional Coverage of IR Activities

- 32 % Germany
- 24 % UK
- 12 % Switzerland
- 8 % USA
- 4 % France
- 4 % Italy
- 4 % Netherlands
- 12 % Rest of Europe

Source: Investment Conferences and Roadshows in 2011

Dialogue with the Capital Market Covering Various Themes

In the face of heavily fluctuating stock prices, widespread uncertainty amongst capital market participants and at times contradictory economic and industry data, it became increasingly important to ensure quick response times, comprehensive information and an open dialogue with investors and financial analysts. As a consequence, HHLA continued to pursue and expand its IR activities in line with these targets over the past year. In order to serve the needs of both institutional and private investors, HHLA attended a number of investor conferences in the key financial cities of Frankfurt, London and New York as well as private investors' forums in Germany. These initiatives were supplemented by roadshows in further financial centres throughout continental Europe, the UK and the USA. At the same time, investors were met for talks at the company's head office in Hamburg and the Executive Board presented the business development at an investors' fair and during quarterly teleconferences. To further improve the convenience and effectiveness of its online information, HHLA restructured parts of its investor relations website in the year under review and extended it considerably. In response to the increased use of social media, HHLA also started using communication platforms such as Twitter to raise awareness of recent and future announcements by the company. Along with volume and earnings trends at HHLA, the company's shareholders were particularly interested in the expansion of handling capacity in Northern Europe and its impact on the competitive situation. The financial situation at shipping lines and the formation of new consortia and alliances were also discussed intensely. Interest focused also once again on central infrastructure projects, such as the dredging of the Elbe shipping channel, the maintenance needed for the Kiel canal, and improvements to key rail routes. Of particular interest throughout the year, however, was the assessment of further macroeconomic developments. Acclaim for HHLA's communications came in the form of an improved IR quality rating in 2011. Year on year, the company climbed seven places in the index produced by the German magazine "Capital" in conjunction with the "Society of Investment Professionals in Germany" (DVFA). Of 50 MDAX companies, it now ranks among the best 15. The main medium used for investor relations communication performed even better: in the high-profile competition for the best annual report conducted by "manager magazin" and the University of Münster, HHLA's report succeeded in claiming a spot among the top 10 MDAX reports following work to develop its content further.

Widespread Shareholder Base

Despite the adverse stock exchange climate, HHLA's shareholder base proved largely stable in 2011. The Free and Hanseatic City of Hamburg remained the largest shareholder with a 68.5 % stake. According to the voting rights notifications submitted to HHLA by the end of 2011, no single free float investor owned more than 3 % of the outstanding shares. Some 73.5 % of the freely traded shares were held by institutional investors (previous year: 74.0 %), while approx. 26.5 % of were held by private shareholders (previous year: 26.0 %). With around 35,000 registered shareholders in total, HHLA's nominal capital remained widely distributed. In regional terms, the largest free float shareholders are based primarily in Germany, the UK, the USA and other countries, especially in continental Europe.

Analyst Ratings Predominantly Positive

The number of analysts who monitor HHLA's business development and issue corresponding reports and estimates decreased slightly year on year, from 26 to 24, due mainly to increased fluctuation and structural changes in the banking sector. This still guarantees extensive coverage for an MDAX company. The majority of analysts recommends the HHLA share as a buy or a hold. They cite ongoing economic growth, the dredging of the Elbe waterway and additional efficiency gains as the key value drivers. Analysts who recommend selling the share primarily highlight the risks associated with the delay in deepening the Elbe and increasingly fierce competition between ports in Northern Europe, including the Baltic region.

HHLA places great value on broad and well-informed coverage of its share as this enhances investors' understanding of the company's business model and ensures a wide spectrum of opinion. The Group therefore remains in close contact with all financial analysts and constantly strives to expand the number of independent studies on its business development.

Annual General Meeting Resolves Dividend Increase

The fourth Annual General Meeting since HHLA's initial public offering in 2007 was held in Hamburg on 16 June 2011. Approximately 1,000 shareholders attended, representing 82 % of nominal capital (previous year: 78 %). The resolutions proposed by the Supervisory Board and the Executive Board were all adopted with large majorities by the shareholders present. These included a motion to increase the dividend by 37.5 % to €0.55 per dividend-bearing share in the listed subgroup Port Logistics (Class A share). HHLA distributed dividends totalling €38.5 million (previous year: €28.0 million). This corresponded to a distribution ratio of 55.1 % of the Port Logistics subgroup's net income for the year after minority interests.

At the 2011 Annual General Meeting, the Executive and Supervisory Boards will propose a further 18.2 % increase in the dividend to €0.65 per Class A share based on the result posted for 2011. This would take the total payout to €45.5 million. Therewith, HHLA continues to pursue its dividend policy of distributing at least 50 % of the subgroup Port Logistics' relevant net profit for the year to its shareholders.

Recommendations by Financial Analysts

as of 31.12.2011

- 67 % Buy/Overweight
- 21 % Hold/Neutral
- 13 % Sell/Underweight

An overview of financial analysts who cover HHLA can be found on ▸ www.hhla.de

Basic Data HHLA Share

Type of shares	No-par value registered shares
ISIN International Security Identification Number	DE000A0S8488
SIC	A0S848
Symbol	HHFA
Stock exchanges	Regulated market: Frankfurt/Main, Hamburg Open market: Berlin, Düsseldorf, Hanover, Munich, Stuttgart
Stock exchange segment	Prime Standard
Prime Sector	Transport & Logistics
Indices	MDAX, MSCI Germany, HASPAX, CDAX, HDAX, Prime All Share, Classic All Share
Ticker symbol Reuters	HHFGn.de
Ticker symbol Bloomberg	HHFA : GR
First listing	2 November 2007

HHLA_IR

Current and future company announcements can be found on the Twitter channel HHLA_IR.

Use the QR code:

Report of the Supervisory Board

Prof. Dr. Peer Witten
Chairman

Working Relationship between the Supervisory Board and the Executive Board

In the 2011 financial year, the Supervisory Board fulfilled the responsibilities entrusted to it by law, the company articles of association and rules of procedure, and the German Corporate Governance Code. It carefully and regularly monitored the Executive Board's management of business and provided advice on the company's further strategic development as well as on important individual measures.

At the Supervisory Board's meetings, as well as in written and verbal reports, the Executive Board provided the Supervisory Board with prompt, regular and comprehensive information, especially on the situation of HHLA and the Group, corporate planning, fundamental issues of company policy and strategy, investment plans and personnel. Further focal points were risk management, the internal accounting control system and HHLA's compliance system. The Chairman of the Supervisory Board was regularly in touch with the Executive Board and was informed about HHLA's current business situation, significant transactions and risk management. The Supervisory Board was involved in all decisions of major significance for HHLA and the HHLA Group. On the basis of its own thorough examination and in-depth discussions with the Executive Board, the Supervisory Board approved all measures submitted to the Supervisory Board for approval by the Executive Board in accordance with the law, the articles of association and the Executive Board's rules of procedure.

Meetings

In the 2011 financial year, the Supervisory Board held four routine meetings and two special meetings, and adopted two resolutions by means of document circulation. None of the Supervisory Board members took part in fewer than half of the Supervisory Board meetings held in the reporting year.

At each ordinary meeting, the Supervisory Board dealt with the current development of business and the HHLA Group's position in detail. On each occasion, the Executive Board gave a detailed report, focusing in particular on revenue, results and the personnel situation for the Group and the individual segments, as well as on the financial position and the Group's further strategic and structural development. Furthermore, individual meetings concentrated especially on the following items:

The financial statements meeting held on 25 March 2011 focused on the reporting, auditing and approval of the annual financial statements and the management report of HHLA, including the individual divisional financial statements for the A and S divisions, the Consolidated Financial Statements and the Group Management Report for the 2010 financial year. Representatives of the auditors were present at this meeting. They reported on the main results of their audit and were available to answer questions. The Supervisory Board discussed the Executive Board's proposal on the appropriation of profit and the proposal made by the Audit Committee regarding the choice of auditor for the 2011 financial year. Other matters discussed included the agenda for the 2011 Annual General Meeting, the Supervisory Board's report to the Annual General Meeting, the corporate governance report, and the extension of Dr. Stefan Behn and Dr. Roland Lappin's contracts of employment and their appointments as Executive Board members for a further five years.

At its meeting on 1 June 2011, the Supervisory Board dealt with issues including approving the granting and revocation of powers of procuration.

At the September meeting, the Supervisory Board made the committee appointments necessitated by the election and appointment of two new Supervisory Board members, Michael Pirschel and Torsten Ballhause. Torsten Ballhause was elected to the Finance Committee and the Audit Committee in place of Uwe Schröder. Michael Pirschel was also elected to the Finance Committee and the Audit Committee as Dr. Bernd Egert's successor. Thomas Mendrzik was elected to the Personnel Committee to replace Uwe Schröder and Dr. Bernd Egert was voted onto the Arbitration Committee in place of Peter Wenzel.

The last meeting in the reporting period was held on 8 December, when the Supervisory Board mainly considered the budget for 2012 – which it duly approved – and the medium-term corporate planning for 2013 to 2016. Another focus of the Supervisory Board meeting was HHLA's risk management system and, in particular, the results of the risk inventory. The appointments of Klaus-Dieter Peters, Chairman of the Executive Board, and Executive Board member Heinz Brandt were extended for a further five years. Additionally, the Supervisory Board discussed Dr. Sebastian Jürgens' decision to retire from the Executive Board and approved the proposal to terminate his Executive Board contract by mutual consent effective 31 December 2011. The Executive Board and the Supervisory Board also discussed the declaration of compliance with the German Corporate Governance Code and the Supervisory Board resolved to issue the annual declaration of compliance.

At the special meetings on 19 January and 29 April, the Supervisory Board focused primarily on a possible M & A transaction. The meeting on 29 April was also devoted to discussing an extension of the employment contracts of Klaus-Dieter Peters, Chairman of the Executive Board, and Executive Board members Heinz Brandt and Dr. Sebastian Jürgens for a further five years. An addition to the agenda for the Annual General Meeting was also discussed. The Supervisory Board used the written circulation procedure twice: to change the composition of the Personnel Committee in March (replacing Peter Wenzel with Dr. Bernd Egert) and to supplement the agenda for the Annual General Meeting in April.

Committee Work

The Supervisory Board has set up a total of six committees: the Finance Committee, the Audit Committee, the Real Estate Committee, the Personnel Committee, the Nomination Committee and the Arbitration Committee. They prepare the resolutions of the Supervisory Board in full council and, if permitted, make decisions on behalf of the Supervisory Board in certain cases. With the exception of the Nomination Committee, all of the committees include an equal number of shareholder and employee representatives. For details on the composition of the committees see ► Board Members and Mandates, page 50 et seq.

The **Finance Committee** met a total of four times in the reporting period: in March, May, August and November 2011. In addition to the reporting on the Group's financial results and the Group's general financial position, the main focal points of its work included deliberations concerning a guarantee in favour of HHLA Intermodal Polska Sp. z o.o. (August meeting). The Finance Committee's December meeting was mainly devoted to its comprehensive preliminary review of the budget for 2012 and the medium-term planning for 2013 to 2016.

The **Audit Committee** convened four times in the past financial year. The March meeting focused on an in-depth discussion and examination of HHLA's annual financial statements, consolidated financial statements and management reports. The committee also recommended that the Supervisory Board should submit a proposal to the Annual General Meeting regarding the choice of auditor for the 2011 financial year. Representatives of the auditors were present when the annual financial statements were discussed. They reported on the results of the audit and were available to answer questions. According to the auditor's representatives, there were no circumstances demonstrating any bias of the auditor. The Interim Report for the first quarter of 2011 and the report on the work done by Internal Audit were the main items discussed at the May meeting. The Head of Internal Audit attended this meeting in a reporting capacity and provided comprehensive information. At its third meeting, in August, the Audit Committee was primarily concerned with the Interim Report for the first half of 2011. The meeting in November focused on the Interim Report for the third quarter of 2011, a discussion of focal points for the audit and the contract to audit the 2011 annual and Consolidated Financial Statements, a discussion of the findings of the 2011 risk inventory and the risk management system. At this meeting, the Audit Committee also worked on preparing the declaration of compliance with the German Corporate Governance Code, the internal control system and HHLA's compliance system, and their further development. HHLA's Compliance Officer attended this meeting in a reporting capacity; he was also present at the Audit Committee's other meetings, where he spoke about his role, kept the committee abreast of current developments, and was available to answer questions. The Audit Committee acquired the necessary declaration of independence from the auditors. The Chairman of the Executive Board and the Chief Financial Officer regularly attend the meetings of both the Finance Committee and the Audit Committee.

The **Real Estate Committee** met twice in the 2011 financial year. It focused on the general development of business and the discussion and audit of HHLA's annual financial statements, including the separate financial statements of the S division, and of the Consolidated Financial Statements and the management reports for the 2010 financial year (March meeting) as well as the budget for 2012 and the medium-term planning for 2013 to 2016 (November meeting), each in relation to the Real Estate subgroup (S division).

The **Personnel Committee** met five times in the year under review (March, April, June, October and December 2011). It concentrated on Executive Board matters, especially preparing and formulating the extension of the Executive Board members' employment contracts for a further five years in the first six months, and the termination of Dr. Sebastian Jürgens' Executive Board contract by mutual consent at the end of the year.

The **Nomination Committee** convened twice in the 2011 financial year. Its meetings in April dealt with the selection of candidates and the submission of proposals to the Supervisory Board for its own election proposals for the Annual General Meeting. The committee put forward Michael Pirschel and two substitute members as candidates to the Supervisory Board. In the 2011 financial year, the Nomination Committee also started with the preselection of candidates for the 2012 Supervisory Board election. Its deliberations took account of the target for diversity on the Supervisory Board which was set in December 2010. The Arbitration Committee did not meet in the reporting period.

Following each meeting, the chairpersons of the committees reported back to the Supervisory Board about the activity of each committee and their findings, and made recommendations on resolutions to be taken.

Corporate Governance

The declaration of compliance with the German Corporate Governance Code was discussed in detail and prepared together with the Executive Board at the Audit Committee meeting on 30 November 2011. The joint declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) was passed at the Supervisory Board's December meeting and issued on 8 December 2011. This has been made permanently available to the general public on the HHLA website ▸ www.hhla.de/corporategovernance. The Supervisory Board does not include any former members of the company's Executive Board.

No conflicts of interest regarding members of the Executive Board or the Supervisory Board requiring immediate disclosure to the Supervisory Board arose in the reporting year.

Details of the declaration of compliance and corporate governance at HHLA have been provided by the Executive Board and Supervisory Board in the Corporate Governance Report for 2011. ▸ See also Corporate Governance Report, page 41 et seq.

Audit of Financial Statements

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hamburg, were elected as auditors for the financial statements and for the auditor's review of the abridged financial statements and the interim management report for the first half of the financial year 2011 at the Annual General Meeting on 16 June 2011 and instructed by the Supervisory Board. The auditors carried out an audit of HHLA's annual financial statements as provided by the Executive Board, including the divisional financial statements for the A division (Port Logistics subgroup) and the S division (Real Estate subgroup) presented as part of the Notes, in line with the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements including the subgroup financial statements for the A and S divisions in accordance with International Financial Reporting Standards (IFRS), and the management reports for HHLA and the Group. They issued an unqualified opinion with respect to the foregoing.

The HHLA Executive Board also prepared a report on company transactions with related parties for the 2011 financial year in line with Section 312 of the German Stock Corporation Act (AktG). The auditors audited this report, delivered a written report on their findings and, having no objections to make, gave the following unqualified opinion:

"On the basis of our audit and in our professional opinion we confirm that

1. the factual statements in the report are correct,

2. the consideration paid by the company to the transactions mentioned was not inappropriately high,

3. the measures detailed in the report give us no grounds to reach a substantially different opinion to that of the Executive Board."

In accordance with Section 4 (5) of the articles of association, the Executive Board of HHLA also prepared a report on the relationship between the A division and the S division in the 2011 financial year. The auditors audited this report, delivered a written report on their findings and, having no objections to make, gave the following unqualified opinion:

"On the basis of our audit and in our professional opinion we confirm that

1. the factual statements in the report are correct,

2. the consideration paid by the Port Logistics and Real Estate divisions to the transactions mentioned was not inappropriately high."

Any expenses and returns which could not be attributed directly to one division were divided among the divisions in line with the articles of association.

As soon as they had been prepared and audited, the financial statements including the divisional financial statements, the Consolidated Financial Statements including the subgroup financial statements, the management reports for HHLA and the Group, the report on transactions with related parties, the report on the relationship between the A and S divisions and the auditors' report were distributed to all members of the Supervisory Board.

The Audit Committee and the Real Estate Committee each carried out a preliminary review of the financial statements and reports as well as of the proposal for appropriating profits at their respective meetings on 21 March 2012. In the financial statements meeting of the Supervisory Board on 28 March 2012, the Supervisory Board examined in detail the aforementioned financial statements and reports as well as the proposal for appropriating profits and discussed them thoroughly. Representatives of the auditors were also present at this meeting; they reported on the main results of their audit and were available to answer questions. According to the auditor's representatives, there were no circumstances demonstrating any bias of the auditor. In addition to the audit of the annual financial statements, the auditors completed a review of the interim financial statements and advised the company on tax issues to a limited extent. The auditors gave comprehensive information to the Supervisory Board regarding the nature and extent of these services.

Having discussed the course and the results of the audit in detail, and after an in-depth review of the Auditors' Reports and the Executive Board's proposal for appropriating distributable profit, and on the basis of its own review and evaluation of the annual financial statements including the divisional financial statements, the Consolidated Financial Statements including the subgroup financial statements, the management reports for HHLA and the Group, the report on transactions with related parties, the report on the relationship between the A and S divisions and the Executive Board's proposal for appropriating distributable profit, the Supervisory Board approved the results of the audit. The Supervisory Board concluded that in the final analysis it had no objections to make and, at the financial statements meeting held on 28 March 2012, approved the financial statements, including the divisional financial statements, the Consolidated Financial Statements including the subgroup financial statements, the management report and the Group Management Report as recommended by the Audit Committee and the Real Estate Committee. HHLA's annual financial statements for the 2011 financial year have therefore been adopted. The Supervisory Board also concluded that following its review it had no objections to make to the Executive Board's statements on related parties and on the relationship between the A and S divisions. After carrying out its own audit, the Supervisory Board concurred with the Executive Board's proposal on the appropriation of profit.

Personnel Changes

Supervisory Board

Peter Wenzel, former State Secretary of the Hamburg Ministry for the Economy, Transport and Innovation, was appointed as a member of the Supervisory Board until the end of the 2011 Annual General Meeting by Hamburg Local Court. The shareholders at the Annual General Meeting on 16 June 2011 elected Michael Pirschel, Departmental Head at the Hamburg Ministry for the Economy, Transport and Innovation, to succeed him as a member of the Supervisory Board for the period up to the end of the Annual General Meeting which passes a resolution discharging the Board for the 2011 financial year. Hamburg Local Court also appointed Torsten Ballhause, ver.di trade union secretary for the Harbours work group, as an employee representative on the Supervisory Board. He succeeds Uwe Schröder, who retired from his position on the Board in June 2011. Mr. Ballhause's appointment expires at the end of the next Annual General Meeting. The Supervisory Board would like to thank Mr. Schröder and Mr. Wenzel for their good work and dedication.

Executive Board

Dr. Sebastian Jürgens resigned as a member of the HHLA Executive Board effective 31 December 2011 by mutual consent. Klaus-Dieter Peters, Chairman of the Executive Board, will assume Dr. Jürgens' duties for the time being. The appointments of Dr. Stefan Behn and Dr. Roland Lappin (each commencing on 1 May 2011), the Chairman of the Executive Board Klaus Dieter-Peters and Heinz Brandt (each commencing on 1 January 2012) were all extended for five years.

The Supervisory Board would like to thank the members of the Executive Board and all employees and their representatives at HHLA and its affiliated companies for their commitment and hard work in the 2011 financial year.

Hamburg, 28 March 2012

The Supervisory Board

Prof. Dr. Peer Witten
Chairman

Corporate Governance Report

Responsible and transparent corporate management geared towards sustainable value has always been an essential foundation of HHLA's commercial success. For this reason, HHLA's Supervisory Board and Executive Board expressly support the German Corporate Governance Code ("the Code") and the objectives and purposes which it pursues.

Corporate Management Declaration

Division of Responsibilities between the Executive Board and the Supervisory Board

In accordance with the stipulations of German stock corporation law, HHLA has a dual system of management with an Executive Board and a Supervisory Board as management bodies, both of which have their own defined areas of competence. This system is characterised by having separate personnel to carry out the management and supervision functions: the Executive Board manages the company on its own responsibility, while the Supervisory Board monitors the Executive Board and discusses relevant matters with it. Simultaneous membership of both bodies is not permissible. HHLA's Executive Board and Supervisory Board work closely together for the company's benefit in an atmosphere of mutual trust.

Function of the Supervisory Board

The Supervisory Board oversees the Executive Board's management of the company, advises it on company management, and is involved in decisions of fundamental importance. Decisions of fundamental importance must be approved by the Supervisory Board. It also decides on the composition of the Executive Board. The examination and approval of the annual financial statements is another of the Supervisory Board's main tasks.

In accordance with the company's articles of association, Sections 95 and 96 of the German Stock Corporation Act (AktG) and Section 7 of the German Co-Determination Act (MitbestG), the Supervisory Board consists of six shareholder representatives elected by the Annual General Meeting and six employee representatives elected in accordance with the German Co-Determination Act (MitbestG). No former members of HHLA's Executive Board sit on the Supervisory Board. Unless the Annual General Meeting specifies a shorter period of office, Supervisory Board members are elected for a period ending with the Annual General Meeting which passes a resolution discharging the Board for the fourth financial year following the start of its term of office. The financial year in which the term of office begins is not included.

Members of the Supervisory Board are obliged to disclose any conflicts of interest to the Supervisory Board as a whole, especially resulting from any advisory role or seat on a management body involving customers, suppliers, creditors or other business partners. If a member of the Supervisory Board has significant conflicts of interest which are not merely temporary, this should result in the termination of his/her period of office. The Supervisory Board is required to give notification of any conflicts of interest which arise and how they are being handled in its report to the Annual General Meeting.

The company has arranged for D&O insurance with an appropriate deductible for members of the Supervisory Board.

The Supervisory Board carries out its work both in full council and in individual committees. The Supervisory Board has adopted own rules of procedure, which also outline the committees' responsibilities. In order to fulfil its duties as efficiently as possible, the Supervisory Board has currently constituted the following six committees:

- The Finance Committee prepares Supervisory Board meetings and resolutions of major financial importance, such as approvals or other resolutions to be adopted concerning significant borrowing and lending, guarantees for third-party liabilities, financial investments and other financial transactions. It also deals with planning and investment issues, such as the budget and medium-term planning.

- The Audit Committee monitors accounting processes and the audit of financial statements, particularly the independence of the auditor and the additional services provided by the auditors. The committee prepares the Supervisory Board's resolution proposal to the Annual General Meeting on the election of the auditor and, after these have been elected by the Annual General Meeting, awards the audit assignment for the consolidated and annual financial statements. It also deals with the fee agreements and determines which areas the audits should focus on. In addition, it concerns itself with the effectiveness of the internal accounting control system, the risk management system, the internal audit system and the compliance system. As an independent member of the Supervisory Board, the Chairman of the Audit Committee, Jörg Wohlers, has expertise and experience in the areas of accounting, the auditing of financial statements and internal monitoring procedures.

- The Arbitration Committee was constituted for the purposes laid down in Section 31 (3) of the German Co-Determination Act (MitbestG). Its task is to make proposals for appointing members of the Executive Board if the statutory majority of two thirds of the Supervisory Board members' votes is not reached after the first round of voting.

- The Personnel Committee prepares the personnel decisions to be taken by the Supervisory Board. The committee ensures there is a long-term succession plan in place and that diversity considerations are taken into account in the Executive Board's composition. It prepares the Supervisory Board's resolution specifying the remuneration of the Executive Board and the examination of the remuneration system for the Executive Board, and handles the Executive Board contracts, provided German law or the Code does not require the full council of the Supervisory Board to handle these responsibilities. Furthermore, the Personnel Committee fulfils the role of Nomination Committee – consisting solely of shareholders' representatives when performing this role – in compliance with the Code. In line with the criteria stipulated in Section 5.4.1 of the Code, it proposes suitable candidates to the Supervisory Board for its suggestions to the Annual General Meeting for the shareholder representatives on the Supervisory Board.

- As HHLA is divided into two subgroups (Port Logistics subgroup [A division] and Real Estate subgroup [S division]), a Real Estate Committee was constituted for the latter. This committee receives all Executive Board reports on behalf of the Supervisory Board and is involved in discussing all affairs that relate to the Real Estate subgroup. It also decides on whether to grant Supervisory Board approval for all legal transactions requiring such approval and all other matters which affect the Real Estate subgroup, either primarily or in their entirety. In addition, the Real Estate Committee is responsible for examining the documents relating to the annual financial statements and preparing the Supervisory Board's decision on the adoption of the financial statements, but only insofar as these relate to the affairs of the Real Estate subgroup. Its tasks also include preparing the approval of the Consolidated Financial Statements and confirming the Executive Board's proposal for appropriation of the distributable profit by the Supervisory Board, insofar as these relate to the Real Estate subgroup.

For the current composition of the Supervisory Board and its Committees, ► please see page 50 et seq., Board Members and Mandates.

Function of the Executive Board

The Executive Board manages the company's business under the joint responsibility of its members. It determines the company's goals, its fundamental strategic orientation, and Group policy and organisation. These tasks include, in particular, steering the Group and managing its financing, developing a personnel strategy, appointing and developing managers and representing the company before the capital markets and the general public.

HHLA's Executive Board consisted of five members during the reporting period and currently consists of four members. For a list of members, ► see page 50 et seq., Board Members and Mandates. In accordance with Article 8 of the articles of association, the Executive Board must consist of at least two members. The Executive Board's members are appointed by the Supervisory Board. Executive Board members are given responsibility for particular departments in line with a schedule of responsibilities, which forms part of the rules of procedure specified by the Supervisory Board for the Executive Board. When appointing company executives, the Executive Board takes diversity considerations into account. In particular, it aims to ensure the appropriate inclusion of women.

The Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all matters that are relevant for the Group. These include, in particular, the intended business policy, corporate profitability, the course of business and the position of the company, planning, the current risk position, risk management and compliance. The Executive Board must notify the Chairman of the Supervisory Board without undue delay of any important events of fundamental significance for the assessment of the position and development or the management of the Group. These include operational malfunctions and illegal actions which disadvantage the company, for example. Certain actions and transactions of fundamental importance by the Executive Board require the approval of the Supervisory Board in accordance with the Executive Board's rules of procedure. No conflicts of interest regarding members of the Executive Board requiring immediate disclosure to the Supervisory Board arose in the reporting year. Executive Board members may only take on other duties, especially supervisory board posts at companies outside the Group, with the approval of the Supervisory Board. Transactions of material importance between Group companies and members of the Executive Board, parties related to them, or companies closely associated with them also require the approval of the Supervisory Board. All such transactions must be performed at generally accepted market terms. There were no transactions of this nature in the reporting period.

Declaration of Compliance

The Executive Board and the Supervisory Board again dealt with matters relating to Corporate Governance in great depth during the 2011 financial year. On 8 December 2011, they jointly issued the following declaration of compliance for 2011 as per Section 161 of the German Stock Corporation Act (AktG). The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG herewith state after due examination that in the period starting 15 December 2010 (the date on which the previous declaration of compliance was issued), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code") in the version dated 26 May 2010 and published on 2 July 2010 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions:

a) Section 4.2.3 of the GCGC specifies that in concluding Executive Board contracts care is to be taken to ensure that payments made to an Executive Board member on premature termination of contract without good cause or as a result of change of control do not exceed certain levels (severance payment caps) and that the severance payment cap in question is based on the total remuneration for the previous year and, where applicable, on the probable total compensation for the current financial year. According to the compensation provision in the current contracts of employment, any Executive Board member whose contract is being terminted early without good cause does not receive compensation exceeding the remaining term of their contract. This arrangement only complies with the GCGC's requirements in part. In our view, an additional inclusion of severance payment caps would not be practicable since contracts of Executive Board members are regularly concluded for the duration of the term for which they are appointed and a regular termination of these contracts is in principle impossible.

b) According to Section 7.1.2 of the GCGC, half-yearly and any quarterly financial reports are to be discussed with the Executive Board by the Supervisory Board or its Audit Committee prior to publication. HHLA does not comply with this recommendation because compiling such reports on the basis of individual segment reporting for the A and S divisions takes more time than for companies with only one type of share. As a result, an effective prior discussion by the Supervisory Board or its Audit Committee cannot be assured at present. In order to increase the level of detail and frequency in which the company's reports are examined, the half-yearly financial report and the interim management report were reviewed by the auditor again this year. It is intended that this will continue in the future.

Hamburg, 8 December 2011

The Executive Board
of Hamburger Hafen und Logistik Aktiengesellschaft

The Supervisory Board
of Hamburger Hafen und Logistik Aktiengesellschaft

The above declaration and the declarations of compliance relating to previous years can be viewed on HHLA's website at ► www.hhla.de/corporategovernance.

Key Corporate Governance Practices

Compliance

Compliance with corporate guidelines and the statutory provisions relevant to the company's activities (hereinafter also referred to as "corporate compliance") is regarded as an essential part of Corporate Governance at HHLA. The management team in each corporate unit is therefore responsible for working to achieve compliance with the regulations that are relevant for their field of activity and area of responsibility. Workflows and processes must be structured in line with these regulations. The cornerstone of HHLA's compliance management system is a code of conduct, which formulates overriding principles on topics with special relevance for compliance, such as conduct in the competitive environment, the prevention of corruption, discrimination and conflicts of interest, and how to deal with sensitive corporate information, especially insider information. See ► www.hhla.de/compliance. The overall coordination of the compliance management system is performed by a Compliance Officer, who reports directly to the Chief Financial Officer and synchronises his or her activities closely with those of the Internal Audit and Risk Management departments. In 2011, further extensive steps were taken to enhance HHLA's compliance management system. These included stepping up preventive work, e.g. by producing and updating Group guidelines and conduct guidance, systematically analysing compliance risks, and training staff at HHLA companies in Germany and abroad on the code of conduct and special issues, such as preventing corruption or observing occupational health and safety requirements. The Audit

Committee also monitored the development of the compliance management system in the reporting period by means of regular reports from the Executive Board and the Compliance Officer. The system will be further extended in the future.

Sustainability

Sustainability has been an integral part of HHLA's business model since the company was established. Port terminals provide an ecologically sound link between global goods flows on the one hand and hinterland networks and logistics centres on the other. HHLA's actions are characterised by responsibility towards its employees, the environment and society as a whole and by taking responsibility for its business activities. ► See also Sustainability, page 73 et seq.

Further Information about Corporate Governance at HHLA

Diversity Objectives for the Supervisory Board and Progress to Date

At its meeting on 15 December 2010, the Supervisory Board of Hamburger Hafen und Logistik Aktiengesellschaft adopted the following statement of intent for its future composition as per Section 5.4.1 of the German Corporate Governance Code ("the Code"):

According to the Supervisory Board's rules of procedure, HHLA's Supervisory Board should "always consist of members with the necessary knowledge, skills and industry experience to fulfil their responsibilities properly". These requirements apply regardless of the members' gender, nationality or other personal characteristics.

In addition, the current version of the Code (dated 26 May 2010) calls in Section 5.4.1 for concrete objectives to be defined regarding the Supervisory Board's composition. Against the backdrop of an organisation's specific situation, these should take into account the company's international operations, potential conflicts of interest, a definable age limit for Supervisory Board members and diversity. In particular, these concrete objectives should stipulate the appropriate inclusion of women.

HHLA's Supervisory Board has incorporated these requirements into its rules of procedure. The following objectives have been defined for the composition of the Supervisory Board:

Diversity

Diversity should be taken into account in the composition of the Supervisory Board.

Diversity in the Supervisory Board is – inter alia – reflected by shareholder representatives with different career paths and fields of activity who can draw on a wide range of different experiences (e.g. from international assignments).

In 2009, women made up around 13.8 percent of the workforce at HHLA's German companies (average for the year). With regard to the appropriate inclusion of women on the Supervisory Board, the company is pursuing two goals. Firstly, the company aims to increase the number of qualified women included in the selection stage and put forward in election proposals to the Annual General Meeting. Secondly, once the current period of office comes to an end in 2012, the company aims to recruit at least one woman onto the HHLA Supervisory Board so as to better reflect relations within the workforce.

The possibility of filling Supervisory Board posts with female candidates has always been taken into consideration in the past. However, when positions become available, the number of male candidates is regularly substantially larger. For this reason, the Supervisory Board of HHLA decided on the following concrete measures at its meeting on 15 December 2010, which are designed to give qualified women a better chance of gaining a seat on the Supervisory Board:

- The profile requirements for Supervisory Board positions will be formulated specifically with equal opportunities for men and women in mind.

- When searching for and selecting candidates in the future, use will be made of external databases of female candidates established specifically for this purpose.

- If personnel consultants are employed to support the candidate search and selection process, they will be instructed to identify at least one potential female candidate in the future.

International Orientation

Due to HHLA's business model, the company's operations have a rather regional and site-related focus. However, as some of the members of the company's Supervisory Board have extensive relevant experience of managing international companies, it is currently not necessary to sharpen the Board's focus on an international orientation.

Age Limit for Supervisory Board Members

The rules of procedure of HHLA's Supervisory Board already stipulate that only candidates under the age of 70 may stand for election or re-election as members of the company's Supervisory Board.

Conflicts of Interest

To prevent conflicts of interests, the rules of procedure of HHLA's Supervisory Board state that Supervisory Board members may not hold a seat on a management body or fulfil an advisory role involving major competitors of the company. Members of the Supervisory Board are obliged to disclose any conflicts of interest to the Supervisory Board as a whole, especially conflicts which may arise as a result of an advisory role or seat on a management body involving customers, suppliers, creditors or other business partners. If a member of the Supervisory Board has significant conflicts of interest which are not merely temporary, this should result in the termination of his/her period of office. The Supervisory Board gives notification of any conflicts of interest which arise and how they are being handled in its report to the Annual General Meeting. The company will continue to ensure that – in its view – a sufficient number of independent members are appointed to the Supervisory Board in the future.

Progress to Date

The objectives concerning international orientation, the age limit and conflicts of interests have already been achieved and/or will continue to be taken into account when selecting future candidates and making election proposals. In addition to this, the Nomination Committee and the Supervisory Board will place a special focus on the diversity target during the current process of selecting potential Supervisory Board members for the next period of office commencing in mid-2012 and when making corresponding election proposals to the Annual General Meeting.

Directors' Dealings

In the 2011 financial year, the company did not receive any notifications regarding directors' dealings with HHLA shares.

As of 31 December 2011, the Executive Board and Supervisory Board overall did not possess more than 1 percent of the shares issued by HHLA.

Risk Management

The HHLA Group's risk management system is described in detail in the risk and opportunity report of the management report. ► See also page 97 et seq.

In accordance with the statutory provisions, it is designed to identify significant risks in advance so that they can be minimised, diversified, transferred or averted, ensuring the continued existence of the HHLA Group and its operating companies. The risk strategy and risk policies of HHLA form the primary guidelines for dealing with risks in the HHLA Group. In performing its duties, the Risk Management department receives material support from the Controlling department, the Compliance Officer and the Internal Audit department.

Transparency

HHLA informs capital market participants and interested members of the general public comprehensively about the position of the Group and important company developments, particularly by means of its financial reporting (Annual Report and Interim Reports), press conferences for analysts and financial press conferences, dialogue with analysts and the press, press releases and ad hoc announcements as required, and its Annual General Meetings. As a permanently available and up-to-date communication medium, the website ► www.hhla.de provides all the relevant information in both German and English. In addition to comprehensive information about the HHLA Group and the HHLA share, it contains a financial calendar which gives an overview of the main events. Any enquiries over and above this from shareholders, investors and analysts should be addressed to the Investor Relations department.

Shareholders and Annual General Meeting

Shareholders exercise their rights, in particular their voting rights, at the Annual General Meeting. According to the articles of association, the Annual General Meeting is held in Hamburg, another major German city or the seat of a German stock exchange within the first eight months of each financial year. Each share entitles its holder to one vote at the Annual General Meeting. There are no shares with multiple voting rights, no preference shares and no caps on voting rights.

Shareholders may exercise their voting rights at the Annual General Meeting in person, by appointing a representative of their choice or by giving voting instructions to a proxy designated by the company. The articles of association also authorise the Executive Board to provide for shareholders to cast their votes in writing or by means of electronic communication without attending the Annual General Meeting (postal vote). The invitation to the Annual General Meeting includes explanations of the participation conditions, the voting procedure (including proxy voting) and the rights of shareholders. In addition, the company has a telephone hotline for shareholders' questions. The reports and documents required by law for the Annual General Meeting, including the annual report, are published on the company's website at ► www.hhla.de/agm together with the agenda. The information on attendance at the Annual General Meeting and the voting results can likewise be found on the company's website after the Annual General Meeting.

Accounting and Auditing

HHLA prepares its Consolidated Financial Statements and its Interim Reports in accordance with International Financial Reporting Standards (IFRS). This Annual Report provides further information on IFRS in the Notes to the Consolidated Financial Statements. The individual financial statements for HHLA Aktiengesellschaft are prepared in line with the accounting regulations of the German Commercial Code (HGB). The appropriation of profits is based solely on the individual financial statements.

Arrangements have been made with the auditor for the 2011 financial year – Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hamburg – for the Chairman of the Audit Committee to be informed immediately of any possible grounds for exclusion or bias arising during the audit, insofar as these are not rectified without delay. The auditor should also report immediately on any findings or incidents arising from the audit of the financial statements which are of significance for the Supervisory Board's remit. Furthermore, the auditor is to inform the Supervisory Board and/or record in its report if – when conducting the audit – it identifies facts which indicate that the declaration of compliance issued by the Executive Board and Supervisory Board as per Section 161 of the German Stock Corporation Act (AktG) is incorrect. The audit conducted includes an extended audit as stipulated under Section 53 of the German Budgetary Procedures Act (HGrG). This requires an audit and assessment of the propriety of the company's management and its financial situation as part of the audit of the annual financial statements.

Remuneration Report

The following Remuneration Report is part of the Group Management Report.

Executive Board Remuneration

Following preparatory work by its Personnel Committee, the Supervisory Board in its entirety is responsible for setting remuneration for individual Executive Board members in accordance with Section 87 (1) of the German Stock Corporation Act (AktG) and a corresponding provision in the Supervisory Board's rules of procedure. The German Corporate Governance Code also stipulates that the full Supervisory Board does not merely provide advice on, and examine the structure of, the remuneration system, but also decides the remuneration system for the Executive Board, including the core contractual components. When conducting their reviews, the Personnel Committee and the Supervisory Board take into account HHLA's size and activities, its financial and economic position and the amount and structure of Executive Board remuneration at comparable companies. The responsibilities and services provided by each Executive Board member are also taken into account. As mentioned in the previous year's Remuneration Report, following the introduction of the German Act on the Appropriateness of Management Board Remuneration (VorstAG), the Supervisory Board approved a new remuneration system adjusted to the requirements of the Act at its meeting in December 2010 with the support of an independent remuneration consultant. This system has been in use since 1 January 2011.

In the period under review, the remuneration of Executive Board members was made up of a non-performance-related annual salary, a performance-related bonus and other benefits.

Executive Board members receive their fixed annual salary as twelve monthly payments. This fixed salary includes benefits in the form of non-monetary compensation. These consist of the right to use an appropriate company car (for business and private purposes) and the payment of insurance premiums by the company. The members of the Executive Board pay tax on these benefits as components of their remuneration.

The performance-related bonus is usually set using a three-year assessment period as a basis. For the 2011 financial year – the first year using the new remuneration system – the last two financial years will be used instead. The calculation is based on the average earnings before interest and taxes (EBIT) for the last three years (before additions to pension provisions and reduced by any extraordinary income from the disposal of real estate and companies), the average return on capital employed (ROCE) and the achievement of targets relating to environmental issues (reduction of the carbon footprint of each container handled and transported) and social issues (broken down into training and continuing professional development, health and employment) in the same period.

Individual Remuneration of Executive Board Members

in €

	Performance-unrelated payments									
	Basic salary		Supplementary payments		Performance-related components		Total remuneration		Appropriation to pension provisions	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Klaus-Dieter Peters	**465,000**	350,000	**13,451**	13,521	**543,586**	350,214	**1,022,036**	713,735	**258,532**	242,391
Dr. Stefan Behn	**325,000**	275,000	**12,188**	12,237	**380,132**	175,107	**717,321**	462,344	**157,582**	147,176
Heinz Brandt	**325,000**	275,000	**13,594**	12,734	**380,132**	175,107	**718,726**	462,841	**185,272**	163,997
Dr. Sebastian Jürgens	**325,000**	275,000	**231,902**	8,955	**325,000**	175,107	**881,902**	459,062	**90,772**	79,528
Dr. Roland Lappin	**325,000**	275,000	**7,665**	5,906	**380,132**	175,107	**712,798**	456,013	**99,001**	91,201
Total	1,765,000	1,450,000	278,800	53,353	2,008,983	1,050,642	4,052,783	2,553,995	791,159	724,293

[1] Unlike in the previous year, additions to pension provisions only include the service and interest expenses attributable to the reporting year. The figure for the previous year has been restated accordingly for ease of comparison.

Target ranges were set for each of the components used in the calculation for the period from 2011 to 2013. Achieving these targets triggers the payment of the relevant bonus. When making these calculations, roughly equal weight is given to EBIT on the one hand and the above-mentioned sustainability components on the other. Variable remuneration is capped at 150 % of the basic salary. It is paid out once the annual financial statements have been approved.

In addition to this, there is a pension commitment for each Executive Board member. Pensions are paid to former Executive Board members either after five or eight years' service on the Executive Board if they leave the Board for reasons unrelated to the Board member, or as a result of incapacity or due to reaching retirement age. Pensions consist of a percentage of the entitlement salary, which in turn is based on the annual basic salary. This percentage is between 35 and 50 %. Several different forms of income are taken into account for this, such as earnings from self-employment or employment and, in some cases, income from statutory pensions and related benefits from public funds.

Surviving spouses of Executive Board members receive a widow(er)'s pension of 55 to 60 % of the pension entitlement and children receive an orphan's allowance of 12 to 20 % of the pension. Should the pension entitlement have been suspended or no longer apply, transitional or interim pay will apply for a limited period on the basis of the annual basic salary.

After leaving the Executive Board on 31 December 2011, Dr. Jürgens will receive his contractually agreed basic salary until 31 December 2013 at the latest. The sum of € 325,000 has been stipulated as the basis for calculating his performance-related pay. If the employment relationship ends before 31 December 2013, Dr. Jürgens will receive compensation equivalent to 42 % of the remaining remuneration payable until 31 December 2013. Only half of this amount will be payable if Dr. Jürgens starts working for a direct competitor in Hamburg before 30 June 2012. The provision of € 223,000 already accrued for Dr. Jürgens' benefits was paid out to him during the period under review. ▶ See also page 47, Individual Remuneration of Executive Board Members.

The service contracts valid in the reporting period include a compensation provision relating to change-of-control or comparable circumstances. This entitles Executive Board members to receive their remuneration entitlements as a lump sum for the remaining duration of their respective contracts, discounted by 2 % per annum, should their service contracts be terminated prematurely in such circumstances. This does not affect their pension entitlements. Should the service contracts be terminated prematurely for another reason without good cause, the payment of compensation by the company shall be limited to the remaining term of the contract.

The members of the Executive Board were not granted any loans or similar payments. The members of the Executive Board received total remuneration of approximately € 4.1 million for their services in the 2011 financial year (previous year: € 2.5 million), representing an increase of 11.8 % on the amount paid in the 2008 financial year. Former members of the Executive Board and their surviving dependants received total payments of € 781,666 (previous year: € 820,880). Total provisions of € 10,339,784 (previous year: € 11,691,935) have been formed for pension obligations to former members of the Executive Board and their surviving dependants.

Supervisory Board Remuneration

In accordance with Section 16 of HHLA's articles of association, Supervisory Board members are remunerated as resolved by the Annual General Meeting. This remuneration is based on the scope of the Supervisory Board members' activities as well as on the company's financial position and results. The current remuneration clause was adopted at the General Meetings held on 24 September and 18 October 2007. The members of the Supervisory Board receive fixed remuneration of € 10,000 per financial year. The Chairman receives three times this amount and the Vice Chairman is paid one and a half times the basic figure. This remuneration increases by 35 % when a dividend is paid to the holders of the company's Class A shares for the financial year in question. Supervisory Board members who belong to a committee receive an additional €2,500 per committee per financial year, while the Chairman of the respective committee receives €5,000, but altogether no more than € 10,000. Supervisory Board members who have belonged to the Supervisory Board or a committee for less than a whole year receive a corresponding pro rata payment. Furthermore, Supervisory Board members receive a meeting attendance fee of €250 for each meeting of the Supervisory Board or one of its committees.

No loans or similar payments were granted to members of the Supervisory Board. Other than the remuneration payable to the employee representatives under their contracts of employment, the members of the Supervisory Board did not receive any other payment for additional services rendered. The total remuneration paid to members of the Supervisory Board amounted to €291,148 (previous year: €291,395).

Individual Remuneration of Supervisory Board Members
in €

	Fixed remuneration		Variable remuneration		Remuneration for committee work		Meeting fee		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Prof. Dr. Peer Witten	30,000	30,000	10,500	10,500	5,000	5,000	2,750	2,500	48,250	48,000
Wolfgang Rose	15,000	15,000	5,250	5,250	2,500	2,500	2,500	2,250	25,250	25,000
Torsten Ballhause	3,890	0	1,362	0	1,616	0	1,000	0	7,868	0
Dr. Bernd Egert	10,000	10,000	3,500	3,500	7,753	7,500	2,500	3,250	23,753	24,250
Carsten Frigge	0	5,945	0	2,081	0	1,486	0	1,500	0	11,012
Holger Heinzel	10,000	10,000	3,500	3,500	0	0	1,500	750	15,000	14,250
Jörg Klauke	10,000	10,000	3,500	3,500	5,000	5,000	3,500	3,000	22,000	21,500
Dr. Rainer Klemmt-Nissen	10,000	10,000	3,500	3,500	10,000	10,000	4,000	3,250	27,500	26,750
Thomas Mendrzik	10,000	10,000	3,500	3,500	3,308	2,500	2,500	1,500	19,308	17,500
Arno Münster	10,000	10,000	3,500	3,500	10,000	10,000	5,250	5,000	28,750	28,500
Michael Pirschel	5,452	0	1,908	0	1,616	0	1,000	0	9,977	0
Peter Wenzel	4,575	3,589	1,601	1,256	651	788	1,000	1,000	7,827	6,633
Uwe Schröder	4,959	10,000	1,736	3,500	3,719	7,500	2,750	4,500	13,164	25,500
Walter Stork	10,000	10,000	3,500	3,500	5,000	5,000	3,250	3,500	21,750	22,000
Jörg Wohlers	10,000	10,000	3,500	3,500	5,000	5,000	2,250	2,000	20,750	20,500
Total	143,877	144,534	50,357	50,587	61,164	62,274	35,750	34,000	291,148	291,395

All figures exclude VAT.

Board Members and Mandates

The Supervisory Board members and their mandates*

Prof. Dr. Peer Witten
Chairman
Businessman, Hamburg
Former member of the Otto Group's Executive Board
Other Supervisory Board mandates
- KWG Kommunale Wohnen AG, Hamburg (Chairman)
- Lufthansa Cargo AG, Frankfurt am Main
- Otto Group, Hamburg
- Otto AG für Beteiligungen, Hamburg

Advisory Board mandates
- Forum Grundstücksgesellschaft GmbH & Co. KG, Hamburg
- Röhlig & Co. Holding GmbH & Co. KG, Bremen
- Verwaltungsgesellschaft Otto mbH, Hamburg

Wolfgang Rose
Vice Chairman
Banker, Hamburg
Executive at ver.di (trade union) in Hamburg
Other Supervisory Board mandates
- Hapag-Lloyd AG, Hamburg
- Asklepios Kliniken Hamburg GmbH, Hamburg

Torsten Ballhause (since 12 August 2011)
Dipl. Wirtschafts- und Arbeitsjurist (HWP) (business and employment law graduate), Hamburg
Trade union secretary for Harbours work group, Hamburg
Other Supervisory Board mandates
- HHLA Container Terminals GmbH, Hamburg

Dr. Bernd Egert
Physicist, Winsen (Luhe)
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation
Other Supervisory Board mandates
- Flughafen Hamburg GmbH, Hamburg
- LZN Laser Zentrum Nord GmbH, Hamburg, (Chairman)
- HWF Hamburgische Gesellschaft für Wirtschaftsförderung mbH, Hamburg (since 29 March 2011)
- hySOLUTIONS GmbH, Hamburg (since 18 August 2011)
- Erneuerbare Energien Hamburg GmbH, Hamburg (since 29 March 2011)
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (since 29 March 2011)

Holger Heinzel
Graduate in business administration (Dipl.-Kaufmann), Hittfeld
Director of Finance and Controlling at HHLA
- Member of the representative committee Hafen Hamburg Marketing e.V., Hamburg
- Member of the management committee Hafenfonds Gesamthafenbetriebs-Gesellschaft m.b.H., Hamburg

Jörg Klauke
Port technician, Hamburg
Vice Chairman of HHLA works council
Other Supervisory Board mandates
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- Service Center Burchardkai GmbH, Hamburg
- HHLA Container Terminals GmbH, Hamburg

Dr. Rainer Klemmt-Nissen
Administrative lawyer, Hamburg
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
Other Supervisory Board mandates
- Hamburger Hochbahn AG, Hamburg
- HHLA Container Terminals GmbH, Hamburg
- HSH Nordbank AG, Hamburg
- HMC Hamburg Messe und Congress GmbH, Hamburg
- Hapag-Lloyd AG, Hamburg (since 30 March 2011)
- Hapag-Lloyd Holding AG, Hamburg (since 30 March 2011)

Thomas Mendrzik
Electrical technician, Hamburg
Chairman of the HHLA Container-Terminal Altenwerder GmbH works council
Other Supervisory Board mandates
- HHLA Container Terminals GmbH, Hamburg
- HHLA Container-Terminal Altenwerder GmbH, Hamburg
- HHLA CTA Besitzgesellschaft mbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg

Arno Münster
Port technician, Hamburg
Chairman of the works council at HHLA and the Group works council
Other Supervisory Board mandates
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- Service Center Burchardkai GmbH, Hamburg
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HHLA Container Terminals GmbH, Hamburg

* Seats on statutory supervisory board or comparable supervisory bodies at domestic and foreign companies.

Board of Partners mandates
- HHLA Personal-Service-Gesellschaft mbH, Hamburg

Michael Pirschel (since 16 June 2011)
Economist, Bispingen
Departmental head at the Hamburg Ministry for the Economy, Transport and Innovation
Other Supervisory Board mandates
- HHLA Container Terminals GmbH, Hamburg
- Fischmarkt Hamburg Altona GmbH, Hamburg
- HHLA Rosshafen Terminal GmbH, Hamburg
- ReGe Hamburg Projektrealisierungsgesellschaft mbH, Hamburg (until 17 May 2011)
- Projektierungsgesellschaft Finkenwerder mbh & Co. KG, Hamburg (until 17 May 2011)

Uwe Schröder (until 30 June 2011)
Trade union secretary, ver.di Hamburg

Walter Stork
Logistics manager, Hamburg
Former chairman of the Executive Board of NAVIS Schifffahrts- und Speditionsgesellschaft AG, Hamburg
Other Supervisory Board mandates
- DAKOSY Datenkommunikationssystem AG, Hamburg
- HHLA Container Terminals GmbH, Hamburg
- NAVIS Schiffahrts- und Speditionsgesellschaft AG, Hamburg (Chairman)

Advisory Board mandates
- DIHS-DAKOSY Interessengemeinschaft Hamburger Spediteure GmbH, Hamburg

Peter Wenzel (until 16 June 2011)
Banking services professional, Hamburg
Former State Secretary at the Hamburg Ministry for Economic and Labour Affairs
Other Supervisory Board mandates
- Dedalus GmbH & Co. KGaA, Stuttgart (until 29 March 2011)
- ReGe Hamburg Projektrealisierungsgesellschaft mbH, Hamburg (until 29 March 2011)
- Projektierungsgesellschaft Finkenwerder mbH & Co. KG, Hamburg (until 29 March 2011)
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (until 29 March 2011)
- Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg (until 29 March 2011)
- HMC Hamburg Messe und Congress GmbH, Hamburg (until 29 March 2011)
- HHT Hamburg Tourismus GmbH, Hamburg (until 29 March 2011)

Jörg Wohlers
Dipl.-Sparkassenbetriebswirt, Hamburg
Haspa Finanzholding, Member of the Executive Board (Deputy spokesman of the Executive Board)
Hamburger Sparkasse AG, Hamburg, (Member of the Executive Board)
Other Supervisory Board mandates
- Haspa Beteiligungsgesellschaft für den Mittelstand mbH, Hamburg (Deputy Chairman)
- S Broker AG & Co. KG, Wiesbaden (Deputy Chairman)
- DAL Deutsche Anlagen-Leasing GmbH & Co. KG, Wiesbaden
- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
- Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe (Deputy Chairman)
- Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft, Bad Homburg v. d. Höhe
- Deutsche Leasing AG, Bad Homburg v. d. Höhe
- NRS Norddeutsche Retail-Service AG, Hamburg/Bremen
- S Broker Management AG, Wiesbaden
- S Rating und Risikosysteme GmbH, Bonn
- Sparkasse zu Lübeck Aktiengesellschaft, Lübeck
- Cenito Service GmbH, Hamburg (Chairman)

Administrative Board mandates
- BTG Beteiligungsgesellschaft Hamburg mbH, Hamburg (Chairman) (until 12 April 2011)
- Bürgerschaftsgemeinschaft Hamburg GmbH, Hamburg (until 7 May 2011)

Committees of the Supervisory Board

Finance Committee
Dr. Rainer Klemmt-Nissen (Chairman)
Arno Münster (Deputy Chairman)
Torsten Ballhause (since 5 September 2011)
Dr. Bernd Egert (until 5 September 2011)
Jörg Klauke
Michael Pirschel (since 5 September 2011)
Uwe Schröder (until 30 June 2011)
Walter Stork

Audit Committee
Jörg Wohlers (Chairman)
Arno Münster (Deputy Chairman)
Torsten Ballhause (since 5 September 2011)
Dr. Bernd Egert (until 5 September 2011)
Jörg Klauke
Dr. Rainer Klemmt-Nissen
Michael Pirschel (since 5 September 2011)
Uwe Schröder (until 30 June 2011)

Real Estate Committee
Dr. Rainer Klemmt-Nissen (Chairman)
Thomas Mendrzik (Deputy Chairman)
Dr. Bernd Egert (until 8 December 2011)
Arno Münster
Michael Pirschel (since 8 December 2011)

Personnel Committee
Prof. Dr. Peer Witten (Chairman)
Arno Münster (Deputy Chairman)
Dr. Bernd Egert (since 5 April 2011)
Thomas Mendrzik (since 5 September 2011)
Wolfgang Rose
Uwe Schröder (until 30 June 2011)
Walter Stork
Peter Wenzel (until 5 April 2011)

Nomination Committee
Prof. Dr. Peer Witten (Chairman)
Dr. Bernd Egert (since 5 April 2011)
Walter Stork
Peter Wenzel (until 5 April 2011)

Arbitration Committee
Prof. Dr. Peer Witten (Chairman)
Dr. Bernd Egert (since 5 September 2011)
Arno Münster
Wolfgang Rose
Peter Wenzel (until 16 June 2011)

The Executive Board members and their mandates*

Klaus-Dieter Peters
Chairman
Forwarding merchant, Hamburg
Appointed: 2003
Areas of responsibility
- Executive Board coordination
- Corporate communications
- Corporate development
- Sustainability
- Intermodal segment (since 9 December 2011)
- Logistics segment (since 9 December 2011)

Supervisory Board mandates
- HHLA Container Terminals GmbH, Hamburg
- HHLA Container-Terminal Altenwerder GmbH, Hamburg
- HHLA CTA Besitzgesellschaft mbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg
- HHLA Container Terminal Tollerort GmbH, Hamburg
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- Service Center Burchardkai GmbH, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg
- HHLA Intermodal GmbH, Hamburg
- CTD Container-Transport-Dienst GmbH, Hamburg
- POLZUG Intermodal GmbH, Hamburg (since 22 December 2011)
- METRANS a. s., Prag, Tschechien (since 16 December 2011)
- Ulrich Stein GmbH, Hamburg (since 22 December 2011)
- HHLA Logistics GmbH, Hamburg (since 22 December 2011)
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg (since 22 December 2011)
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg (since 22 December 2011)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg (since 22 December 2011)

Dr. Stefan Behn
Graduate in business administration (Dipl.-Kaufmann), Hamburg
Appointed: 1996
Areas of responsibility
- Container segment
- Information systems

Supervisory Board mandates
- HHLA Container-Terminal Altenwerder GmbH, Hamburg
- HHLA CTA Besitzgesellschaft mbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg
- HHLA Container Terminal Tollerort GmbH, Hamburg
- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- Service Center Burchardkai GmbH, Hamburg
- Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven
- Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven
- HHLA Rosshafen Terminal GmbH, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg
- DAKOSY Datenkommunikationssystem AG, Hamburg

Advisory Board mandates
- LZU Leercontainer Zentrum Unikai GmbH, Hamburg
- CuxPort GmbH, Cuxhaven
- HCC Hanseatic Cruise Centers GmbH, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg
- UNIKAI Hafenbetrieb GmbH, Hamburg
- SC HPC Ukraina, Odessa, Ukraine

* Seats on statutory supervisory board or comparable supervisory bodies at domestic and foreign companies.

Heinz Brandt

Legal assessor, Bremen
Appointed: 2009
Areas of responsibility
- Human resources
- Purchasing & supplies/materials
- Health and safety in the workplace
- Legal and insurance

Supervisory Board mandates
- HHLA Logistics GmbH, Hamburg
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg
- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg

Advisory Board mandates
- HHLA Personal-Service-Gesellschaft mbH, Hamburg
- Mitglied des Verwaltungsausschusses für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg

Dr. Sebastian Jürgens (until 31 December 2011)

Attorney at law, Hamburg
Appointed: 2009
Areas of responsibility
- Intermodal segment (until 8 December 2011)
- Logistics segment (until 8 December 2011)

Supervisory Board mandates
- POLZUG Intermodal GmbH, Hamburg (until 9 December 2011)
- METRANS a. s., Prag, Tschechien (until 16 December 2011)
- Ulrich Stein GmbH, Hamburg (until 9 December 2011)
- TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main (until 9 December 2011)
- HHLA Logistics GmbH, Hamburg (until 9 December 2011)
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg (until 9 December 2011)
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg (until 9 December 2011)
- HHLA Intermodal Polska Sp. z o.o., Warschau, Polen (until 9 December 2011)
- HPC Hamburg Port Consulting GmbH, Hamburg (until 9 December 2011)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg (until 9 December 2011)
- Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg (until 9 December 2011)
- IPN Inland Port Network GmbH & Co. KG, Hamburg (until 9 December 2011)
- IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg (until 9 December 2011)

Advisory Board mandates
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg (until 9 December 2011)
- CIT Container Inland Trucking GmbH, Hamburg (until 9 December 2011)

Dr. Roland Lappin

Graduate in industrial engineering (Dipl.-Wirtschaftsingenieur), Hamburg
Appointed: 2003
Areas of responsibility
- Finance and Controlling
- Organisation
- Internal audit
- Investor Relations
- Real Estate segment

Supervisory Board mandates
- HHLA Rosshafen Terminal GmbH, Hamburg
- HHLA Container Terminals GmbH, Hamburg
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- Service Center Burchardkai GmbH, Hamburg
- TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- Fischmarkt Hamburg-Altona GmbH, Hamburg
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- Ulrich Stein GmbH, Hamburg
- HHLA Intermodal GmbH, Hamburg
- HHLA Intermodal Polska Sp. z o.o., Warschau, Polen
- CTD Container-Transport-Dienst GmbH, Hamburg
- METRANS a. s., Prag, Tschechien
- POLZUG Intermodal GmbH, Hamburg
- IPN Inland Port Network GmbH & Co. KG, Hamburg
- IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg

Advisory Board mandates
- SC HPC Ukraina, Odessa, Ukraine

Business Development at a Glance

Volume growth outperformed market development

- Above-average growth rates in throughput and transport volumes
- Gain in new liner services and robust growth momentum in key markets
- Strengthened market position versus competing European ports

Group revenue increased to € 1,217.3 million

- Revenue mainly driven by strong volume surge
- Intense price competition due to surplus capacity in the market
- Increase in lower income feeder traffic; while storage fees tended generally higher

Operating result (EBIT) improved to € 207.0 million

- Cost increase below volume growth
- Catch-up effects from postponed maintenance and ceased short-time labour scheme
- Enlarged expenditures due to peak loads in mega-ship handling

Free cash flow of € 128.1 million generated

- Earnings driven growth in cash flow from operating activities
- Larger cash outflows for investments in fixed assets
- Proposal to increase dividend payment

Balance sheet total expanded to € 1,811.5 million

- Growth in equity and equity ratio
- Available liquidity raised
- Strong financial fundament with scope for further development

Ambitious targets for the 2012 financial year

- Increase in throughput and transport volume above market trend
- Revenue growth in the region of 5 %
- EBIT margin in the region of the previous year offsetting cost inflation

Table of Contents

Group Management Report

Group Structure

Group: HHLA

Holding/Other
- Corporate and segmental strategic development
- Management of resources and processes
- Provision of shared services

- Floating crane operations
- Development and tenancy of port-related real estate

Subgroups

Port Logistics	Real Estate
Listed Class A shares	Non-listed Class S shares

	Container	Intermodal	Logistics	Real Estate
Segments	**Container**	**Intermodal**	**Logistics**	**Real Estate**
Main Services	- Container handling - Container transfer between modes of transport (ship, rail, truck, barge) - Container-related services (e.g. storage, maintenance, repair)	- Rail- and road-bound transport services in the ports' hinterland - Loading and unloading of carriers - Operation of hinterland terminals	- Special handling of bulk goods, fruits, vehicles, etc. - Consulting and training - Warehousing and contract logistics	- Management of real estate in Hamburg's historical warehouse district (Speicherstadt) and at the fish market Hamburg-Altona - Development - Tenancy - Facility management
Selected Group Companies with % shareholding	HHLA Container Terminal Burchardkai 100.0 % HHLA Container Terminal Altenwerder 74.9 % HHLA Container Terminal Tollerort 100.0 % SC HPC Ukraina 100.0 %	Metrans Group 51.5 % TFG Transfracht 50.0 % Polzug Intermodal 33.3 % CTD Container-Transport-Dienst 100.0 %	Unikai Lagerei- und Speditionsgesellschaft 51.0 % HHLA Frucht- und Kühl-Zentrum 51.0 % HPC Hamburg Port Consulting 100.0 % Hansaport 49.0 % HHLA Logistics 100.0 %	Real estate in the historical warehouse district of Hamburger Hafen und Logistik AG 100.0 % Fischmarkt Hamburg-Altona GmbH 100.0 %

► Please see page 180 et seq. for a full list of HHLA's shareholdings, listed by business sector.

Group Management Report

Group Overview

Hamburger Hafen und Logistik AG (HHLA) is a leading company in the European seaport transportation industry. As an integrated handling, transport and logistics provider, the HHLA Group offers services along the logistics chain between overseas ports and their European hinterland. Since its foundation, HHLA's activities have also included the development and letting of properties in Hamburg. HHLA runs the Group as a strategic management holding company. Its operations are carried out by 34 domestic and seven foreign subsidiaries which make up the consolidated group. In order to simplify the Group structure, several affiliates were merged while one has been withdrawn from the scope of consolidation in the 2011 financial year. ▸ See also no. 3 in the Notes to the Consolidated Financial Statements, page 132.

No other significant legal or organisational changes were made to the company structure in the reporting period.

The HHLA Group is divided into two subgroups, Port Logistics and Real Estate. The Class A shares, which are listed on the stock exchange, belong to the subgroup Port Logistics and entitle shareholders merely to participate in the result and net assets of these commercial operations. The subgroup Port Logistics encompasses the Container, Intermodal and Logistics segments. The Holding/Other division is likewise part of the Port Logistics subgroup, although according to International Financial Reporting Standards (IFRS) it does not constitute a separate segment. The Holding division is responsible for strategic corporate development, the central management of resources and processes, and the provision of shared services for the operating companies. It also includes the properties specific to HHLA's port handling business and the Group's floating crane operations.

Through its subgroup Port Logistics, HHLA is one of the leading port logistics companies in the European North Range, i.e. the ports between Hamburg in Germany and Le Havre in France. The geographical focus of its commercial activities is on the Port of Hamburg and its hinterland. The Port of Hamburg is a major international hub for container transport by sea and land, with an optimal hinterland link to the economies of Central and Eastern Europe, Scandinavia and the Baltic region.

The subgroup Real Estate includes those HHLA properties which are not specific to port handling, i.e. the properties in Hamburg's historical warehouse district (Speicherstadt) and at the fish market Hamburg-Altona. The performance and financial result of the Real Estate subgroup, which also follows urban development objectives, are represented by the Class S shares. These shares are not traded on the stock exchange and are held solely by the Free and Hanseatic City of Hamburg (FHH). Under a separate agreement, the FHH municipal authority is responsible for indirectly assuming any losses for the subgroup Real Estate.

The HHLA Management Structure

As a German stock corporation (Aktiengesellschaft), HHLA, has a dual structure of management and supervision consisting of an Executive Board and a Supervisory Board, in line with common German practice. The Executive Board manages the company on its own responsibility. The Supervisory Board appoints, advises and monitors the Executive Board.

In 2011, the Executive Board of HHLA comprised five members, whose areas of responsibility are defined by their specific tasks and operating segments.

Organisational Structure

	Supervisory Board				
	Executive Board				
Executive Board Members	Klaus-Dieter Peters	Dr. Stefan Behn	Heinz Brandt	Dr. Sebastian Jürgens*	Dr. Roland Lappin
Fields of Responsibility	Coordination Executive Board Corporate Communications Corporate Development Sustainability	Container Segment Information Systems	Human Resources Purchasing and Supplies/ Materials Legal and Insurance Health and Safety in the Workplace	Intermodal Segment Logistics Segment	Finance and Controlling Investor Relations Internal Audit Real Estate Segment

until 31.12.2011

Dr. Sebastian Jürgens retired from the Executive Board of HHLA by mutual consent effective 31 December. The Chairman of the Executive Board, Klaus-Dieter Peters, has assumed his responsibilities until further notice.

The Supervisory Board consists of twelve members in total, with six representing the shareholders and six representing the employees. ► See also Board Members and Mandates, page 50.

Group Segments

Container Segment

The Container segment pools the Group's container handling operations and is its largest business unit in terms of revenue and results. The Group's activities in this segment consist primarily of handling container ships (the loading and discharging of containers) and transferring containers to other carriers (rail, truck, feeder ship or barge). HHLA operates three high-performance container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort, abbreviated as CTA, CTB and CTT, respectively). It also provides handling services in Odessa, Ukraine, where it operates an additional container terminal (CTO). The portfolio is rounded off by supplementary container services, such as maintenance and repairs provided by its subsidiary HCCR.

Intermodal Segment

The Intermodal segment is the second-largest of HHLA's segments in terms of revenue and results. As a core element of HHLA's business model, which is vertically integrated along the transportation chain, the segment provides a comprehensive seaport-hinterland rail and truck network. Together with strategic partners, HHLA operates the railway companies Metrans, Transfracht and Polzug, which maintain regular rail links to and from Central and Eastern Europe. The trucking company CTD transports containers in the Hamburg, Berlin, Bremen and Stuttgart metropolitan areas, as well as over long distances within Europe. The segment's service portfolio also includes loading and unloading carriers and operating inland terminals.

Logistics Segment

The Logistics segment is the third pillar of HHLA's vertically integrated business model and offers a supplementary range of services. These encompass a wide range of contract and warehousing logistics, specialist handling services and consulting. Its service portfolio comprises both stand-alone logistics services and entire process chains for the international procurement and distribution of merchandise, including the operation of handling facilities for dry bulk, fruit and motor vehicles, as well as the processing of cruise ships. In this segment, HHLA also provides consulting and management services for

Important Income and Expense Items

Income

- Handling fees
- Transport fees
- Fees for additional services (storage, repairs, maintenance, etc.)
- Consulting fees
- Building rental

Expenses

- Wages and salaries
- Fuel and energy
- Leases for land and quay walls
- Usage fees (locomotives, railway tracks)
- Depreciation and amortisation
- Maintenance and repair
- External services
- Financing costs

clients in the port and transport industry. Most of the logistics services are provided together with partner companies.

Real Estate Segment

The HHLA Real Estate segment equates to the Real Estate subgroup. Its business activities comprise the development, letting and managing of properties in the Port of Hamburg's peripheral area. These include the historical warehouse district (Speicherstadt), the largest complex of traditional warehouses in the world. In this central location, HHLA offers some 300,000 m² of commercial space. Other prime properties are managed by Fischmarkt Hamburg-Altona GmbH in the exclusive environment of the river Elbe's northern banks. The segment's core competencies are real estate services tailored to customers' requirements, as well as services such as sales, property management, facility management, project development and construction engineering.

Market Position

With its publicly listed core business Port Logistics, HHLA operates on the European market for international sea freight services. The company's handling, transportation and logistics services focus primarily on the interface between overseas traffic and seaborne feeder services, as well as on landbound pre- and onward-carriage systems.

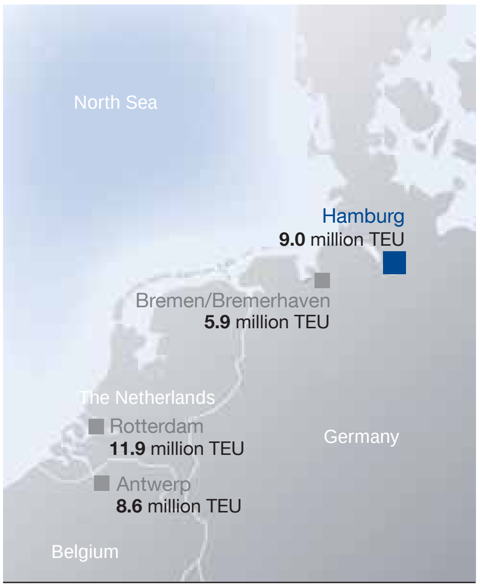
Sea freight shipping as a whole is regarded as a growth market since falling transport costs and looser trade restrictions have created a favourable environment for the global division of labour in procurement, production and sales. Maritime shipping is by far the most important mode of transport used in intercontinental trading as it is the most cost-effective and environmentally friendly option per transported unit. In addition to the efficiency benefits of the container as a standardised transport receptacle, it is the increasing integration of the emerging economies of Central and Eastern Europe and Asia in particular which has led to rising freight volumes. The development of many emerging economies is closely linked to their export business. In turn, the consumer markets and manufacturing opportunities offered by these countries are becoming increasingly important for the industrialised nations.

The relevant market for port services along the Northern European coast between Hamburg and Le Havre (the North Range) is characterised by its high density of ports. Competition is currently strongest between the major North Range ports of Hamburg, being HHLA's main hub, Bremen/Bremerhaven, Rotterdam and Antwerp.

Other handling sites – such as Zeebrügge, Southampton and Felixstowe – are considerably smaller in terms of their local freight volume and the size of their catchment areas. At present, the Baltic Sea ports are primarily served by feeder traffic operating via central distribution points in the North Range (hub-and-spoke system). Overseas services docking directly at the ports compete with this network system. Expansion projects – notably the new terminal being built in Wilhelmshaven (JadeWeserPort near Bremerhaven) and the extension of Rotterdam's harbour (Maasvlakte 2) – will gradually increase the amount of handling capacity available on the market in the next few years.

Depending on economic trends and the resulting development in demand, this may lead to more intense competition, especially for freight volume with greater geographical flexibility, such as seaborne feeder traffic.

Largest North Range Ports
by container throughput, 2011



Source: Port Authorities

Seaborne Container Throughput
by shipping region in the port of Hamburg, 2011

- 58 % Asia
- 12 % East Europe (Baltic Sea)
- 10 % Scandinavia
- 5 % North America
- 5 % South America
- 5 % Rest of Europe
- 2 % Africa
- 3 % Other

Source: Hamburg Hafen Marketing e.V.

Seaborne Traffic at the Port of Hamburg

split into key classes of goods, 2011

in million tonnes	Incoming	Outgoing
Food and stimulants	6.7	6.8
Agricultural and forest products	7.2	3.8
Chemical products	5.9	10.3
Textiles and leather goods	2.4	1.2
Electronic products, machinery	4.5	5.5
Ores, stones and soils	10.6	0.6
Iron, steel and non-ferrous metals	3.9	3.9
Glassware and porcelain	1.8	1.9
Vehicles	1.5	2.1
Waste	1.0	1.4
Mineral oil products	5.3	2.9
Wooden articles, paper and cardboard	3.1	2.3
Coal, crude oil and natural gas	9.8	0.2
Furniture, jewellery, instruments	1.6	1.0
Miscellaneous items and groupage cargo	1.9	3.3
Total	67.2	47.2

Source: Statistics Office North

Top 20 Ports

by container throughput, 2011

in million TEU

1. Shanghai, China	31.7
2. Singapore	29.9
3. Hong Kong, China	24.4
4. Shenzhen, China	22.6
5. Busan, South Korea	16.1
6. Ningbo, China	14.8
7. Guangzhou, China	14.2
8. Los Angeles/Long Beach, USA	14.0
9. Qingdao, China	13.0
10. Dubai, United Arab Emirates	13.0
11. Rotterdam, Netherlands	11.9
12. Tianjin, China	11.6
13. Port Kelang, Malaysia	9.6
14. Kaohsiung, Taiwan	9.6
15. Hamburg, Germany	9.0
16. Antwerp, Belgium	8.6
17. Tanjung Pelepas, Malaysia	7.5
18. Xiamen, China	6.5
19. Dalian, China	6.4
20. Bremerhaven, Germany	5.9

Source: AXS Alphaliner

The **Container segment** benefits from the Port of Hamburg's position as the most easterly North Sea port, which makes it the ideal hub for the entire Baltic region and for hinterland traffic to Central and Eastern Europe. In addition to this, the long-standing trading relationships between the Port of Hamburg and the Asian markets are advancing Hamburg's role as an important European container hub.

With throughput of 9.0 million standard containers (TEU), Hamburg reassumed its position as Europe's second-largest container port behind Rotterdam in 2011. Import and export volumes were once again largely balanced. This resulted in a comparatively low proportion of empty containers, adding to Hamburg's attractiveness as a port from a shipping company's perspective.

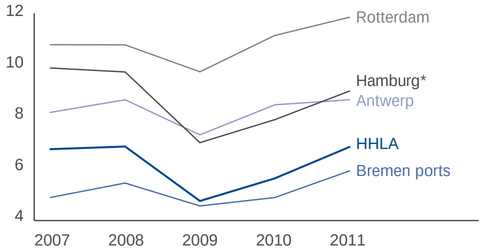
After Chinese ports, in particular, have risen to occupy leading places on account of their massive growth in recent years, Hamburg ranks 15th in the list of the world's leading international ports. Consignments to and from Hamburg often originate from, or are destined for, China.

In the Container segment, HHLA competes directly with other terminal operators in Hamburg and additional locations in Northern Europe. Primary competitive factors – apart from pricing – are the reliability and speed of ship handling, and the scope and quality of container handling services. Other factors affecting the terminal operators' competitive position are the port's geographical position, its hinterland links and its accessibility from the sea.

In Hamburg, HHLA maintained its position as the largest container handling firm with a total throughput volume across all segments of 6.8 million TEU in 2011. A good 75 % of container traffic (previous year: 70 %) at the Port of Hamburg was handled by HHLA. HHLA's terminals also recorded the strongest growth in volumes within the North Range. Among the major North Range ports, their market share rose to 19.3 % (previous year: 17.4 %). This was due to significantly stronger demand on trade routes which traditionally contribute major throughput volumes – i.e. from and to Asia and Eastern Europe – and strong growth in the North America shipping region. HHLA benefited from improving its range of services for handling ultra large vessels and coordinating feeders, while high ship operating

Change in Container Throughput at the North Range Ports, 2007–2011

in million TEU



Source: Port Authorities
* incl. HHLA

costs (especially increased bunker prices) helped to highlight the port's geographical advantage as the year progressed. ► See also Course of Business, Container Segment, page 84.

The **Intermodal Segment** strengthens HHLA's market position by offering a complementary range of seaport-hinterland traffic services. In particular, HHLA utilises the advantages of the Port of Hamburg's rail infrastructure – Europe's most important rail traffic hub. The affiliates which transport containers by train compete with other rail operators in Germany and abroad, but also with other carriers such as trucks and, in some cases, feeder ships. As the rail infrastructure is for the most part publicly owned, various authorities guard against discrimination in both access and usage fees. These include the Federal Network Agency and the Federal Railway Authority in Germany as well as corresponding bodies abroad and at EU level. Against this background, key competitive factors include the density of the available network, the frequency of departures, opportunities for freight pooling and storage in the hinterland, the geographical distance to destinations, on-schedule operation and infrastructural capacity. The Metrans Group – part of the HHLA rail network – has steadily expanded its market position as a leading rail operator for intermodal transportation from Hamburg, Bremerhaven, Koper and Rotterdam to the Czech and Slovak Republics and Hungary. Polzug is an established provider of rail-bound transport services from Hamburg, Bremerhaven and Rotterdam to the Central and Eastern European hinterland (primarily Poland and the CIS) and ultimately Central Asia. Proprietary inland terminals play a major role in HHLA's service offering in Eastern Europe and give the company a significant competitive edge. They enable the use of more productive shuttle trains with shorter transit times and allow the efficient pooling of rail freight to and from the port. This is distributed and collected using a hub-and-spoke model centring on facilities such as those in Prague and Poznán. Transfracht – also part of the HHLA rail network – has established itself as a leading provider of intermodal transportation from Hamburg and Bremerhaven to the German-speaking world. The firm operates numerous train connections within Germany, to and from Austria and to Switzerland. In the delivery and collection of containers by truck, the Group's affiliate Container-Transport-Dienst CTD has built on its sound market position in the greater Hamburg region by means of a joint venture with the major trucking company EKB Container Logistik and now offers services throughout Germany. ► See also Course of Business, Intermodal Segment, page 85.

The **Logistics Segment** serves various market sectors, some of them highly specialised. Via Hansaport, for example, HHLA has a stake in Germany's largest seaport terminal for handling iron ore and coal. With its fruit and refrigeration centre, HHLA is also one of the most up-to-date and high-performance providers of fruit handling for the Northern European market, including Scandinavia. Other terminal operators in the North Range offer rival services in both fields. HHLA's complementary range of warehouse and contract logistics services supports the Group's market positions in the handling and transportation sectors. In the field of port consultancy, the Group's affiliates Hamburg Port Consulting (HPC) and Uniconsult work on pioneering development projects around the world. ► See also Course of Business, Logistics Segment, page 87.

For the **Real Estate Segment**, Hamburg is one of the largest and most interesting property markets in Germany, with its population of around 1.8 million and its significance as an economic centre. The HHLA Real Estate segment owes its outstanding market position to the special attractiveness of the properties it manages in Hamburg's historical warehouse district (Speicherstadt) and on the Northern bank of the Elbe, as well as their customer-specific and sustainable enhancement. The segment competes with German and international investors marketing high-quality properties in comparable locations. ► See also Course of Business, Real Estate Segment, page 88.

Sales and Customer Structure

The customer base in the **Container and Intermodal segments** consists mainly of shipping companies and freight forwarders. The services provided in the Logistics segment are aimed at various customer groups, from retail companies (in the field of fruit logistics) to international operators of ports and other logistics centres (in the field of port consulting). The Real Estate segment lets its office and industrial premises to German and international corporate customers from a variety of sectors, ranging from logistics and trading companies, to media, consulting and advertising agencies, fashion firms and restaurants.

Revenue Distribution

split by customers in the Container segment at the main location Hamburg, 2011

- 50 % Top 1– 5
- 24 % Top 6 –10
- 14 % Top 11–15
- 12 % Other

Globally operating container shipping companies are the customers which account for the largest share of HHLA's revenue. In ship handling, HHLA's container terminals work with many shipping companies (multi-user principle) and can therefore offer their customers a wide range of high-quality services. In the 2011 financial year, HHLA's customer base included 19 of the 20 largest container shipping companies. HHLA therefore believes that it will be able to respond flexibly to changes in the consortia and collaborations formed by its clients in the shipping sector, such as the partnership announced at the end of 2011 between CMA CGM and MSC and the merging of the Grand Alliance (Hapag-Lloyd, NYK, OOCL) with the New World Alliance (APL, Hyundai, MOL) to create the G6 Alliance. Many shipping companies are currently following the trend towards optimising their service portfolios by forming new consortia or exchanging capacities and thereby strengthening their competitive position. HHLA is accompanying this development closely based on its long-standing contacts. In the 2011 financial year almost unchanged to the previous year, HHLA's five most important customers accounted for 50 %, its ten most important for 74 % and its 15 most important for 88 % of revenue generated by the HHLA container terminals in Hamburg. HHLA has maintained commercial relationships with 75 % of its most important customers for more than two decades.

HHLA generally concludes individual framework contracts with its major customers. These contracts contain comprehensive descriptions of the services to be rendered and of the remuneration arrangements. The actual usage of the services is not fixed beforehand, as the shipping companies transport the cargo, but the freight volumes and transport routes are determined by the producers or purchasers of the goods. Volumes in the Container segment therefore do not constitute an order backlog in the traditional sense. Sales activities are organised by means of traditional key account management with individual advice and support for major customers. Selling the services on offer is not the only objective of these activities. They are also aimed at optimising processes and thereby helping to increase added value for customers. HHLA therefore provides container shipping companies with their own key account managers. These managers are responsible for providing comprehensive advice at strategic and operational level.

Top 20 Shipping Companies

by transportation capacity, 2011

in thousand TEU		
1.	APM-Mærsk	2,539
2.	MSC	2,122
3.	CMA CGM	1,342
4.	COSCO	648
5.	Hapag-Lloyd	645
6.	APL	626
7.	Evergreen	607
8.	CSCL	548
9.	Hanjin	478
10.	MOL	434
11.	Hamburg Süd	409
12.	OOCL	406
13.	NYK	400
14.	CSAV	379
15.	Yang Ming	341
16.	K Line	337
17.	Zim	322
18.	Hyundai M.M.	295
19.	PIL (Pacific Intl. Line)	278
20.	UASC	237

Source: AXS Alphaliner

The **Intermodal and Logistics segments** are aligned locally with the specific needs of their customers. Sales activities are usually managed by the individual companies. As far as possible, they follow the strategic approach of vertical integration, i.e. offering comprehensive transport and logistics services from a single source. The companies in the Intermodal segment each maintain their own sales departments at their headquarters in Hamburg, Frankfurt / Main, Prague and Warsaw. They also use regional offices at the seaports, in the target markets and central locations overseas to provide local support for their shipping and forwarding customers and to acquire new business.

In HHLA's **Real Estate segment**, sales activities are organised according to the two main locations, Hamburg's Speicherstadt historical warehouse district and the northern banks of the Elbe, as well as logistics properties in and around the port. Professional real estate staff specialising in the respective properties can therefore advise potential customers and tenants across the whole spectrum of services and offer customised solutions based on their location expertise. Construction and consulting services are also provided.

Corporate Strategy

HHLA's strategy is aimed at the sustainable growth of its enterprise value. This long-term approach to corporate development considers the company's economic, ecological and social responsibilities in equal measure with the goal of strengthening the Group's future prospects. Thanks to its business model of vertical integration along the transport chain between the international seaport and its European hinterland, HHLA is favourably positioned to exploit the intensification in global trade and achieve profitable growth. This is underlined by Hamburg's role as an international hub linking the Far East, especially China and India, with the economies of Central and Eastern Europe.

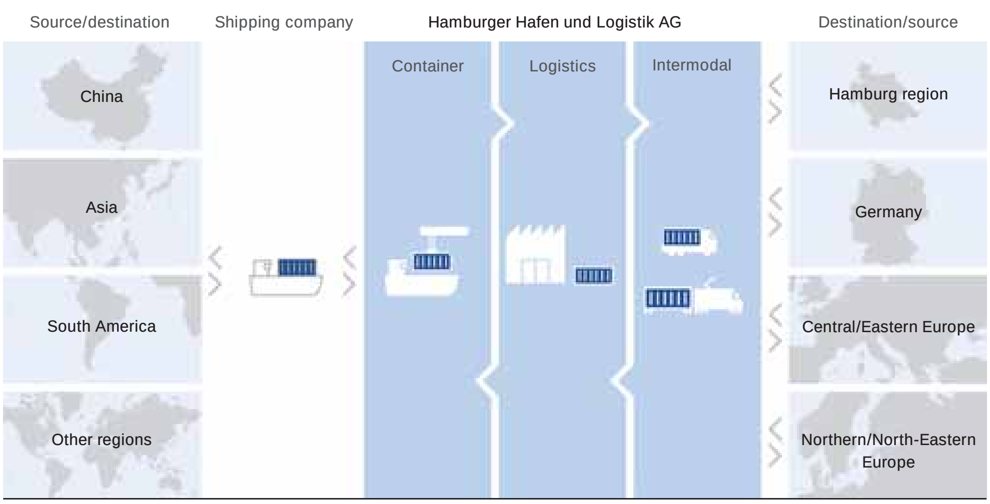
No fundamental changes were made to corporate strategy in the 2011 financial year. HHLA pursues the following strategic guidelines with the aim of securing and expanding its leading position as a port logistics group in the European North Range:

Enhancing Quality and Efficiency Leadership

HHLA plans to constantly improve its competitiveness by further enhancing its service quality and technological capabilities. It concentrates both on retaining its broad customer base and attracting new clients. Its ship handling activities focus primarily on continuously improving the efficiency of its services and responding to the requirements of growing vessel sizes which prompt peak loads in handling. This involves systematically gearing the design and operation of facilities towards maximising the productivity of land-usage, manpower and capital. In order to strengthen its leading position in handling technology and efficiency, HHLA works particularly on innovating its systems and optimising processes. To this end, HHLA continuously improves its IT basis. To ensure that it is largely independent from external IT providers, HHLA develops and maintains systems critical to success itself – unless standard modules can be procured and used for such purposes. ► See also Research and Development, page 71.

Vertical Integration

HHLA's strategic foundation



In order to ensure a consistently high standard of service, HHLA will continue to pursue its multi-user concept in the Container segment, i.e. providing a non-exclusive service to as many shipping companies as possible in the handling of ships and the allocation of berths. The company believes that this concept will secure the long-term existence of a balanced customer portfolio and the profitability of its services.

In order to steadily improve the quality of its pre- and onward-carriage systems, the company also plans to systematically increase its control over the hinterland network at key transport junctions and further enhance its coordination of maritime feeder traffic. In this way, freight traffic and the accompanying information can be intelligently linked and thus optimally managed. By tailoring these activities to the specific demands of maritime transport chains, HHLA paves the way for an efficient link between sales and procurement markets in the seaports' hinterland and via seaborne transport within Europe.

Expanding the Integrated Service Portfolio

HHLA plans to continuously improve the services it provides by expanding intermodal transport between international ports and the rail and road networks. Besides increasing the scope and range of its services, HHLA also focuses on raising the level of its value generation. This approach is geared primarily towards making effective use of the Port of Hamburg's advantageous geographical position in terms of transport links by utilising synergies between handling and transport services and by adding complementary services (container repairs, empty container storage facilities, special logistics, etc.). HHLA's activities are therefore mutually beneficial: greater handling volumes in the Port of Hamburg result in more traffic for hinterland transport and increased demand for logistics services. At the same time, the provision of efficient transport systems and high-quality logistics services generates additional handling volumes for the HHLA container terminals.

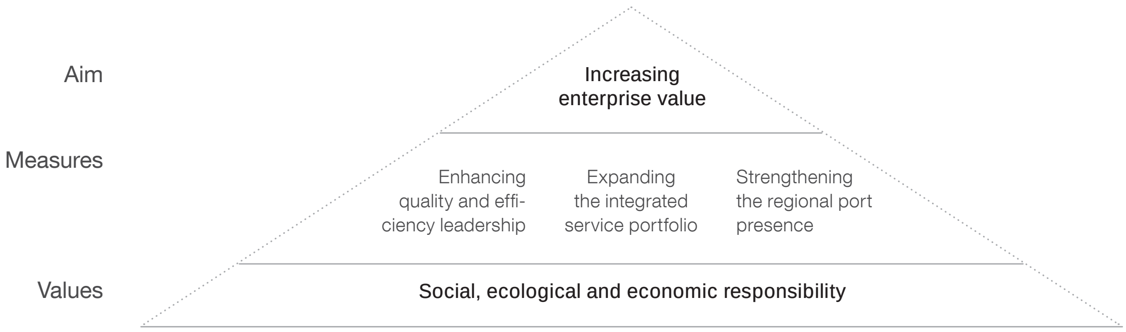
In the rail sector, HHLA will continue to strengthen the market position of its intermodal subsidiaries with the main geographical focus on the growth markets of Central and Eastern Europe. Investments will concentrate on inland terminals and their connection via highly efficient shuttle systems, i.e. direct links to distribution centres. HHLA will accompany these measures by expanding its truck platform, which focuses on offering a comprehensive network for delivering and collecting sea containers over the "last mile". All additions to the Group's integrated service portfolio will be principally managed in dialogue with customers and according to demand.

Strengthening the Regional Port Presence

In addition to organic growth, HHLA regularly examines opportunities for acquisitions. Potential acquisitions and equity investments focus on port projects in attractive growth markets within the company's core region. Based on the economies of scope offered by the existing network and the opportunities it presents to tap additional potential, HHLA's core region stretches from the North Sea coast to the catchment

Corporate Strategy

Sustainably increasing enterprise value at HHLA



area between the Baltic region, the northern Adriatic and the Black Sea. HHLA pursues a selective, opportunity-driven approach which has already proved successful with the takeover of terminal operations in Odessa on the Black Sea, for example. Both the Group's international consultancy activities and its ongoing corporate development work can provide starting points for this approach. In addition to strategic compatibility, key decision-making criteria include growth prospects, the anticipated return on capital employed, and the extent to which entrepreneurial risks can be reasonably limited.

In its non-listed Real Estate subgroup, HHLA pursues a long-term and value-oriented approach to enhancing the activities pooled in this segment. This includes in particular the development of areas and properties, their marketing, commercial property management and facility management.

HHLA's strategic development as a whole is supported and safeguarded by sound financial resources and a good corporate creditworthiness, based on the criteria for investment-grade ratings. This ensures that HHLA can seize opportunities for value-enhancing corporate development and actively shape consolidation processes in the port logistics sector at any time. ► See also Financial Position, page 88.

HHLA uses a system of key figures to assess the achievement of its objectives. This is based on the return on capital employed (ROCE), which acts as a central gauge of the contribution made by business activities to value creation. The system is also embedded in a number of financial and non-financial progress indicators. These include revenue growth, cost efficiency and margin progression, as well as customer satisfaction, handling speed, geographical range and many other factors. Together, all the key indicators form a self-contained framework for the value-oriented implementation and further development of the corporate strategy. ► See also Corporate and Value Management, page 66.

Legal Framework

In its business operations, HHLA is subject to numerous German and foreign statutory provisions and regulations such as public law, trade, customs, labour, capital market and competition regulations.

As the bulk of HHLA's commercial activities are concentrated in and around the Port of Hamburg, its regulatory environment is largely determined by the Hamburg Port Development Act (Hamburgisches Hafenentwicklungsgesetz – HafenEG). HafenEG formulates the structural framework for the sound development of commercial activity in the Hamburg port area. HafenEG's objectives are to maintain the Port of Hamburg's competitiveness as an international all-purpose port, to safeguard freight volumes and to use the public infrastructure as effectively as possible. To this end, the Port of Hamburg currently employs a "landlord model", by which the Hamburg Port Authority retains ownership of the port area and responsibility for building and maintaining the infrastructure, while the privately owned port operators are responsible for the development and maintenance of the superstructure (buildings and facilities). HHLA has concluded a long-term lease agreement with Hamburg Port Authority for those port areas of importance for its business operations.

For the construction, alteration and operation of its handling facilities, HHLA is reliant on the issuance and continued existence of authorisations under public law, especially official authorisations in accordance with the German Federal Emissions Control Act (Bundesimmissionsschutzgesetz – BImSchG), the applicable local building regulations and water and waterways laws. All construction and extension measures require separate authorisations by the respective authorities, irrespective of the planning approval procedure for the expansion of the throughput areas. HHLA's Group companies are subject to a number of strict regulatory requirements, especially if they are involved in the handling of materials which can have damaging effects on people or the environment, e.g. the handling, storage and transportation of environmentally dangerous materials and hazardous goods. These regulatory requirements also include regulations on technical safety, health and safety in the workplace and environmental protection.

HHLA's commercial activities are governed predominantly by the provisions of German and European competition law. This means that its pricing is determined by the market and is, as a matter of principle, not regulated.

Due to the dangers posed by international terrorism, there are strict security precautions at all ports. An essential component of these precautions is the International Ship and Port Facility Security Code (ISPS Code), which requires the internationally standardised installation of measures to prevent terrorist attacks on ocean-going vessels and port facilities. For the operators of port facilities, compliance with the code involves observing strict access control and implementing numerous other measures for averting danger.

The aforementioned international provisions are implemented in the Port of Hamburg's area by means of the German Port Security Act (Hafensicherheitsgesetz – HafenSG). The act contains far-reaching regulations which take account of the increased security requirements of the Port of Hamburg.

The legal framework for HHLA is subject to constant change at national and international level, particularly by the European Community, in order to keep pace with technical progress and increasing public sensitivity with regard to safety and environmental issues. The European Commission is currently working on guidelines for the issuing of licences and/or construction, service or supply agreements in the transport sector. Depending on which form these guidelines take, they may affect HHLA in the future. In the 2011 financial year, however, there were no amendments to the legal framework with a significant impact on the Group's operating activities, its earnings or its financial position.

Corporate and Value Management

HHLA's primary objectives include the long-term, sustainable growth of its enterprise value. The company believes this is only possible in the long run if economic success is coupled with ecological and social responsibility. For this reason, all corporate decisions observe the principle of achieving a balance between economic, environmental and social considerations. ► See also Sustainability, page 73 et seq. and Corporate Strategy, page 63.

HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2011 financial year. The key performance indicator for financial management is the ratio ROCE (return on capital employed). This benchmark takes account of all the Group's relevant earnings and assets parameters, thereby encouraging value-generating corporate decisions in the interest of a closely coordinated management of profitability and capital employed.

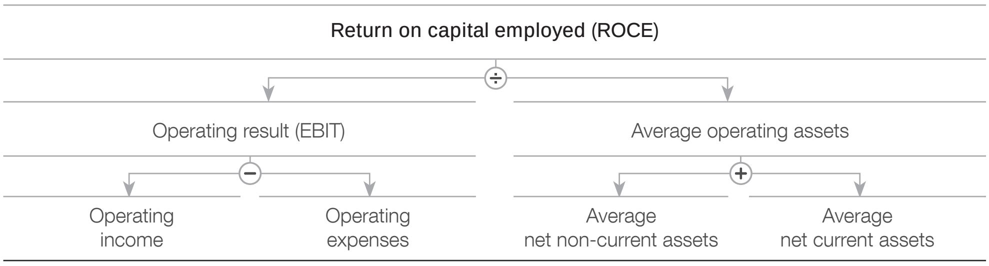
The HHLA Group calculates ROCE as a ratio of the operating result (EBIT) and the average operating assets used.

The reported unadjusted EBIT figure was used to calculate ROCE for the 2011 financial year. The earnings indicator ROCE therefore principally represents the average return on that capital which is employed to generate the operating performance. ► See also Note on the Reporting, page 80.

Return on capital employed is not only a central criterion for assessing investments, but also a significant parameter for determining variable remuneration components for executives with

Value Management

ROCE – defining parameters and influential factors



operational responsibility. The focus on this target has been additionally emphasised since 2010, when a multi-year assessment time frame was introduced for calculating performance-related remuneration components for executives.

Value-oriented management via the key performance indicator ROCE therefore serves to align all operating activities with the aim of promoting sustainable economic growth and raising enterprise value. Commercial activities are generally regarded as value-generating if the return on capital employed exceeds the cost of capital and they therefore make a positive value contribution. Such capital costs correspond to the weighted average of equity costs and the cost of borrowed capital. As in the previous year, HHLA used a weighted average cost of capital of 10.5 % before tax to calculate its value growth at Group level in the 2011 financial year. This cost of capital is based on the Executive Board's assessment of a stable, long-term rate of return arising from a balanced relationship between equity and borrowed capital. This approach aims to prevent short-term fluctuations which can impair sustainable corporate development.

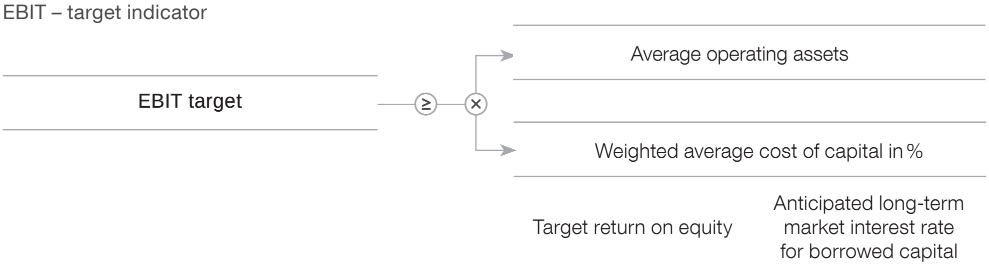
Group management follows a vertically integrated business model which enables the operating units to derive a high level of mutual benefit from their business activities. For this reason, the segments and companies are not measured in isolation using a central return target. Instead, they are steered individually depending on their contribution to the Group, i.e. with regard to their specific segment and company characteristics.

HHLA's objective is to earn a sustainable premium on its capital costs. For this reason, considerable importance is attached to managing capacities in line with demand and in dialogue with customers – wherever allowed by the highly capital-intensive nature of the industry and investment projects that often take several years to be realised. Potential acquisition and investment possibilities that might constitute strategically useful additions are also mainly assessed according to their expected value contributions. The Group refrains from engaging in commercial activities with negative value contributions if they are unlikely to achieve the required internal return targets in future.

As a result of strong year-on-year growth in container throughput, ROCE improved noticeably in the 2011 financial year. As EBIT growth outstripped the increase in tied-up capital, ROCE improved to 15.4 % and was thus once again well above the weighted average cost of capital of 10.5 %. This represented another positive value contribution in 2011, with an increase of 22.8 % or € 12.2 million on the previous year.

Value Management

EBIT – target indicator



Key Performance Indicators

in € million	2011	2010	Change
Operating income[1]	1,268.8	1,114.8	13.8 %
Operating expenses[1]	- 1,061.8	- 924.1	14.9 %
EBIT[1]	207.0	190.7	8.6 %
Ø Net non-current assets	1,257.9	1,226.5	2.6 %
Ø Net current assets	86.7	79.0	9.8 %
Ø Operating assets[2]	1,344.5	1,305.5	3.0 %
ROCE in %	15.4	14.6	0.8 pp
Cost of capital before tax[2] in %	10.5	10.5	0.0 pp
Cost of capital before tax[2]	141.2	137.1	3.0 %
Value added in %	4.9	4.1	0.8 pp
Value added	65.8	53.6	22.8 %

[1] 2010 based on continuing activities (EBIT unadjusted: € 192.9 million).
[2] of which 7.5 % for subgroup Real Estate.

In the operating business units, various non-financial performance indicators are used in addition to the ROCE benchmark. For example, the number of handling moves per hour, energy efficiency or the number of containers handled per square metre, the so-called land usage productivity, are important indicators for the quality of services rendered and the container terminals' performance. These and other performance indicators are therefore used intensively for the ongoing optimisation of specific operational processes, although they also serve the overriding objective of value-generating management.
► See also Sustainability, page 73 et seq.

In addition to the continuous dialogue HHLA maintains with its customers, the company makes extensive use of macroeconomic forecasts as early indicators for its operating activities. These include the anticipated development of gross domestic product for important trading partners, and the subsequent estimates for foreign trade and import/export flows, as well as for container traffic on relevant routes.

Employees

Staffing Situation

HHLA had a total of 4,797 employees at the end of 2011. Compared with the previous year's total, there were 118 employees more, or an increase of 2.5 %. In geographical terms, the workforce was concentrated mainly in Germany, with 3,587 staff members (74.8 %), of whom 3,482 are based in Hamburg. The 1,210 jobs at foreign sites consisted mainly of 687 workers (14.3 %) at the Intermodal companies in the Czech Republic and Slovakia and 477 employees (9.9 %) in Ukraine.

Employees

by segment as of 31.12.

	2011	2010	Change
Container	2,898	2,891	0.2 %
Intermodal	902	777	16.0 %
Logistics	422	441	- 4.4 %
Real Estate	38	38	0.0 %
Holding / Other	538	531	1.3 %
Total	4,797	4,679	2.5 %

Headcount in the Container segment – which accounts for 60.4 % of all jobs at HHLA – remained virtually unchanged at 2,898. Staffing levels in the Intermodal segment rose at a much faster rate, due primarily to an increase in Eastern European rail services by the Metrans companies. With growth of 16.0 % to 902 employees, the segment accounted for 18.8 % of the total workforce. By contrast, the number of employees in the Logistics segment fell by 4.4 % to 422 mainly as a result of natural fluctuation. It therefore accounted for 8.8 % of the total HHLA headcount. The number of jobs in the Real Estate segment remained unchanged at 38 or 0.8 % of the HHLA workforce. Meanwhile, the number of staff in the strategic management holding company and associated areas rose by 1.3 % to 538, corresponding to 11.2 % of the Group's total headcount.

A collective bargaining agreement governs pay and working conditions for 92 % of staff at German sites. The fluctuation rate at the German locations (excluding reassignments within the Group) was 4.3 % in 2011 (previous year: 5.2 %). As in the previous year, the average employee age was 42 (men: 43, women: 38).

In the year under review, HHLA in Hamburg provided vocational training for a total of 130 young people (previous year: 126). Women made up 22 % of this total and accounted for 29 % of the trainees in parallel career and degree programmes. As a result, the company maintained its strong commitment to training and diversity in the reporting year.

The number of accidents at the companies in the Port of Hamburg fell to 88 in 2011 (previous year: 111), due primarily to a reduction in the number of weather-related incidents. As well as taking steps to prevent accidents, HHLA kept up its continuous efforts to maintain and improve the occupational safety of its employees and protect their health. The company's occupational safety and health programme includes company doctors, help with addictions and social problems, an integration management programme for employees following a lengthy period of illness, representatives for the severely disabled and staff sporting activities. The works council and HR management also play a part in running the various schemes.

Key measures are evaluated at the statutory meetings of the Occupational Safety Committee, which are held four times a year. The occupational safety management activities also include informing and instructing staff by means of in-house tuition, training and practical exercises focusing on emergency precautions, such as preventing fires and water pollution, advisory services, prevention and risk management programmes.

Other preventive measures to improve health, safety and environmental protection include regular one-day campaigns at the HHLA companies. In the reporting year, the HHLA Container Terminal Altenwerder held a week-long health campaign and the Service Center Burchardkai staged a day of special events focusing on preventing addiction and promoting occupational health. As part of the prevention campaign, HHLA employees were offered advice and help at work. The system of in-house counsellors was extended and made more professional by means of thorough training. These counsellors are the first point of contact within the company for staff seeking advice on social and addiction issues. In 2011, the authority responsible for occupational safety awarded the HHLA subsidiary HCCR a prize for the exemplary systems in place at all four of its facilities in the Port of Hamburg.

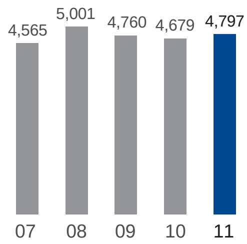
Strategic HR Management

The Group attaches great importance to HR management and has thus established it as a central division at Executive Board level. The main strategic focus is placed on encouraging vocational qualifications and management skills as well as achieving a good work-life balance.

The majority of jobs at HHLA are in a segment of the labour market in which men are traditionally employed and women are proportionately less represented. In order to fully utilise the change in working conditions at the port, HHLA offers development opportunities specifically for women in all areas and at all levels. The female proportion of HHLA's workforce in Germany again increased slightly to 14.2 % (previous year: 14.0 %). In order to promote equal opportunities and diversity, the Executive Board agreed in 2010 on a minimum proportion of women of 20 % for all managerial positions. A systematic process is to be introduced to plan corresponding managerial and specialist careers for female staff. Adjustments will also be made to the recruitment process.

Wherever commercially viable, the number of part-time positions available has been increased to help employees reconcile their work and family commitments. Employees on maternity or paternity leave are actively advised and supported by the central HR management team while they are off work. Since April 2011, staff on maternity or paternity leave have also been invited to regular parents' get-togethers at the Group's head office along with their children. At these events, the HR department informs them about the company's development, current vacancies and training opportunities. Staff also have the opportunity to share their experiences with one another. This is intended to ensure that HHLA can permanently meet its requirements for highly qualified employees.

Employees
HHLA Group
as of 31.12.



Staff Development and Selection

Staff development schemes for all groups of employees throughout the company's hierarchy are managed and developed by the central HR management division in Hamburg. Needs-based training programmes are offered for young professionals and prospective managers, while individual development measures are provided for more experienced managers and specialist members of staff. These include programmes for knowledge management, continuous learning processes and specific training sessions.

HHLA implemented a programme developed by Germanischer Lloyd to train certified ship planners in 2011. Its aim is to train existing staff in order to meet the need for such specialists at HHLA's container terminals. In this qualification scheme, a female ratio of 30 % was achieved.

In the period under review, HHLA introduced assessment centres, i.e. a structured staff selection process, as a further personnel development tool. They are used to select employees as part of recruitment procedures, to identify staff potential and to establish suitable development measures. More than 100 employees attended assessment centres designed to fill management vacancies in 2011.

Purchasing and Materials Management

Procurement Volume

by class of goods, 2011

- 55 % Equipment/energy
- 13 % MRO
- 20 % Construction
- 12 % IT

Organisation

Purchasing is a shared service largely provided by the HHLA Group's management holding company. Pooling buying processes is the best way to meet internal customers' requirements regarding products and services. The main focus is the reliable and timely provision of long-lived capital goods, raw materials, consumables and supplies, services and other products. Cost is not the only consideration – quality and sustainability are also important criteria. Purchasing strives to constantly improve supply chains and optimise supply processes. All staff engaged in this field are obliged to uphold HHLA's code of conduct. ► See also Compliance, page 43.

In 2011, all purchasing employees completed supplementary training and professional development courses in the fields of operational and strategic procurement.

The timely procurement of operating supplies and spare parts continues to play a fundamental role in ensuring the operational readiness of handling facilities and equipment. Although procurement is subject to growing demands regarding flexibility and automation, there were no supply bottlenecks in the year under review.

Purchasing is divided into four classes of goods, thus offering internal customers a high degree of transparency, service and quality. In the reporting year, the construction class accounted for approx. 20 % of total Group-wide procurement volumes, while the MRO class (maintenance, repairs and operations) accounted for 13 %, equipment and energy for 55 % and IT for 12 %. All in all, procurement volumes rose slightly in line with the development of business. Pooling buying activities enabled the Group to benefit from more favourable conditions.

The weighting of the various classes of goods changed considerably in comparison with the previous year. Equipment and energy experienced the strongest growth. This category includes the maintenance of heavy equipment as well as new acquisitions and replacement investments. The procurement of container gantry cranes and ground-handling vehicles (straddle carriers) was a major factor here. Purchases in the construction class were above average in the previous year as inland terminals were being built. In the reporting year, however, the main focus was on maintaining facilities. Purchases in the MRO class primarily consist of consumables, which were decreased in relative share by plant purchases. As in the previous year, the IT product group continued to make stable progress.

The Group deliberately diversifies its procurement activities. As a result, there were no significant dependencies on individual suppliers in the 2011 financial year, neither at Group nor at segment level. There was a further increase in the strategic integration of the Group's suppliers into the development of products, facilities and processes by means of partnerships. At the same time, it is becoming more and more important to analyse and evaluate every aspect of the supplier relationship, such as reliability, quality, innovative strength, cost structures and economic stability.

It is also becoming increasingly important for suppliers to meet environmental requirements – not only regarding their products and services, but also their corporate policy – especially as globalisation continues to gather pace. Sustainability and compliance considerations were also given greater weight in line with the company's requirements and guidelines.

Process Optimisation

As part of the drive to optimise procurement processes, digital contract documentation and e-procurement (SAP-SRM) were introduced in 2010. The systems were integrated throughout the Group in the 2011 financial year. Increased use of e-procurement in particular has dramatically reduced the percentage of paper and form-based order processes.

In order to achieve the Group's CO_2 emissions targets, green power was used in the year under review for the annual consumption of the HHLA Group's non-handling electricity consumers and the Container Terminal Altenwerder, rendering them carbon-neutral.

As a result of the amendments to the German Electricity Tax Act (StromSG) effective 1 January 2011, the energy trading company established in 2009 was merged as part of the Container segment to capitalise on positive effects in energy management and related services. The tranche model used for energy procurement in 2010/2011 enabled the Group to keep benefiting from low prices.

Research and Development

One of HHLA's strategic objectives is to continuously improve the efficiency of its operating systems, and consequently its competitiveness, by developing application-oriented technologies. The main focus of these activities is therefore on engineering and IT-based innovation projects. HHLA's project portfolio comprises more than a dozen interdisciplinary model projects. A good example is the HHLA Container Terminal Altenwerder, which is regarded as one of the world's most technologically advanced handling facilities. The intelligent, compact terminal layout, cutting-edge handling technology, innovative IT systems and high level of automation all ensure that loading and unloading is conducted efficiently. Especially in the case of container mega-ships, this leads to short lay times, giving the terminal a significant competitive advantage.

Development activities are largely carried out decentrally at HHLA's respective operating sites. The specialist departments assemble teams of employees with a wide range of qualifications for the various development projects based on the specific requirements. In some cases, these teams include staff from different departments and even different Group companies. Thanks to close collaboration with technical universities, institutes, industry partners and the German Federal Ministry of Economics and Technology, joint projects can be planned, managed and developed by specially assembled task forces. As a result of the collaboration with numerous partners, the technological innovations are generally not registered as HHLA exclusive patents. A unique feature is however, the largely proprietary software for terminal operations at the port.

Prototype for Battery-powered Container Vehicles

As a technological leader in the port handling industry, HHLA is involved in researching new, eco-friendly drive systems as part of its sustainable business model. Together with Gottwald Port Technology and several research bodies, HHLA completed its Zero Emissions pilot project – which involved operating driverless, battery-powered container transport vehicles – at the HHLA Container Terminal Altenwerder (CTA). Known as automated guided vehicles (AGV), they transport containers between the ship and the block storage yard using fully automated navigation technology. There are no comparable battery-run commercial vehicles designed for loads of up to 60 tonnes anywhere else in the world. The battery AGVs are powered by batteries weighing approx. 11 tonnes, which supply 335 kilowatt-hours of energy. Batteries can be quickly replaced at an automatic battery-changing station. The empty batteries are automatically plugged into the charging system in a high-bay warehouse and recharged with energy from renewable sources. Depending on the operating conditions, an AGV can run for an average of 17 hours on one full battery. This significantly reduces exhaust fumes and noise emissions, without making it necessary to compromise on performance. The Zero Emissions project was part of the German Federal Ministry for the Environment's incentive scheme "Flottenversuch Elektromobilität im Wirtschaftsverkehr" (Fleet Test of Electromobility in Commercial Transportation). It was completed in autumn 2011. Following on from the project, there are now plans to prepare the battery-powered AGV for large-scale production. In December 2011, the pilot project was awarded the Hanse-Globe 2011, a sustainability prize presented by the Logistics Initiative Hamburg.

Innovative Seaport Technologies II

Innovative technologies for German seaports and their hinterland links are being examined and developed as part of the support initiative "Innovative Seaport Technologies II" (ISETEC II). The aim is to enable them to cater for fast-growing transport volumes, which remain a long-term trend. The project is funded by the German Federal Ministry of Economics and Technology. Several HHLA companies are involved in various development projects. The main focus of these projects is on enhancing and optimising operating processes at HHLA's container terminals and throughout the transport chain.

The joint project Lean Port Management (LPM) strives to minimise port throughput times in order to make more efficient use of existing resources and improve capacity utilisation during the container import process. The less time containers spend at the port, the more efficiently existing resources can be used. The key requirements are as follows:

- Defining identical processes and multi-port, customer-friendly standards and developing code lists and interfaces.
- Drawing up and integrating new customs requirements into the workflow with the assistance of the relevant customs authorities.
- Creating an intelligent, centralised information platform covering the whole import process from the arrival of a ship at the port to the delivery of the goods to customers in the hinterland.

In addition to the HHLA container terminals, other terminal operators, shipping companies, freight forwarders, public bodies and IT partners are also involved in the project.

The research project Container ID aims to establish a system which automatically identifies containers in the handling process and integrates them into the information chain. At present, there is a system which automatically logs container details in the hinterland/truck handling part of the CTA. This records container numbers, ISO codes and vehicle numbers. The project's objective is to introduce automatic container identification as well as using optical character recognition (OCR) technology at the quayside. OCR should provide a technical solution which fulfils customers' requirements for containers to be tracked throughout the transport chain. Automatic container identification will simplify and speed up processes at the terminal and increase data security and availability.

The research project VESUHV is dedicated to networking seaports and railbound hinterland transportation. It focuses on developing a standardised system which will enable the German seaports and hinterland rail service operators to exchange data (e.g. on container availability) reliably at an early stage. The project's aim is to boost the transport chain's performance by improving reliability at the operational planning stage. Together with its network partners, HHLA subsidiaries from the Container and Intermodal segments are developing a concept to implement an improved flow of information.

Since mid-2011, test operations have been under way which focus on the unloading and loading cycles of container gantry cranes. The cycles are to be combined as part of the Dual Cycle project. Separate work cycles are currently used to load and unload containers at the HHLA Container Terminal Altenwerder, meaning that container gantry cranes and AGVs run empty. The new system aims to combine vessel loading and unloading processes and put an end to this empty running. For example, when a container is unloaded from a vessel and placed on the lashing platform, the main trolley of the container gantry crane lifts an outgoing container onto the ship for loading on the next cycle. This makes the back and forth trips of the portal crane trolley more efficient and significantly boosts productivity at the quayside, whilst at the same time reducing CO_2 emissions.

Other subprojects within the ISETEC II support initiative include optimising operations and maintenance in order to improve capacity utilisation, increase the availability of machinery and improve occupational health and safety.

Two projects were also successfully completed in the 2011 financial year: “Position detection during port handling” and “Optimising operations at container terminals”. By acting on project findings and installing new position detection systems at the terminals, the company was able to stabilise processes, improve its handling quality and performance, and reduce throughput times. It is possible to ramp up these systems and make more widespread use of the technologies in question, both of which will enhance productivity even further.

Self-Service Terminals for Trucks

Self-service terminals have been introduced as part of the “TruckLoad 2.0” programme being rolled out throughout HHLA. The scheme’s aim is to improve and standardise the many workflows associated with processing trucks at the HHLA container terminals.

Initial test results from the Container Terminal Altenwerder showed that the new touch screens installed there for fast self-service led to shorter queues and also meant that more trucks could be processed. Since December, truckers with standard containers at the Port of Hamburg have been able to use this self-service system at all HHLA container terminals without prior registration. Details of where each container is to be delivered or collected are available in two minutes or less. In the long run, the company hopes to further increase the existing infrastructure’s capacity by means of organisational steps, standardised IT processes and more pre-bookings.

Performance Certified

In order to document its performance, the HHLA Container Terminal Altenwerder once again conducted the certification in accordance with the Container Terminal Quality Indicator (CTQI) in the reporting year. The standard, which was developed by the Global Institute of Logistics and Germanischer Lloyd, checks criteria such as the safety, performance level and efficiency of a terminal on both the water and land sides, as well as its links to pre-carriage and on-carriage systems. With its successful certification, CTA proved once again that it is one of the most productive container terminals in the world.

Moreover, HHLA was named a “Global Benchmark in Container Terminal Quality Assurance” by the Global Institute of Logistics in December 2011. The institute voted the HHLA Container Terminal Altenwerder ‘best in class’ for container handling.

Sustainability

HHLA’s actions have always been guided by economic considerations and a sense of responsibility towards its employees, the environment and society as a whole. Ever since it was established, the Group has attached the utmost importance to sustainable business practices. Due to high levels of capital intensity and long useful lives, those who build and operate handling facilities, hinterland networks and logistics centres are compelled to take a wider view and gear their business operations towards long-term success spanning several economic cycles.

HHLA’s business model aims to provide an ecologically sound link between global goods flows

Sustainability Initiatives

	Fields of Activity	Guidelines
Environment	Ecological transport chains	Active networking with other logistics operators and creation of sustainable, environmentally friendly transport chains
	Space conservation	Increasingly efficient use of port and logistics areas
	Nature conservation	Minimise impact on nature and actively protect natural habitats
	Climate protection	Utilise technically and economically viable means of reducing specific CO_2 emissions
Society	Occupational safety/ health protection	Safety, appropriate working conditions and promotion of health-conscious behaviour
	Staff development	Vocational education and training as well as tailored staff development programmes
	Social responsibility	Step up dialogue with society; information and discussions regarding port logistics
Economy	Added value	Make an ongoing and significant contribution to added value and consequently raise prosperity at all locations
	Business partners	Tailor-made customer solutions and reliable cooperation with suppliers
	Shareholders	Long-term increase in enterprise value and transparency for investors

at port terminals on the one hand and railways, hinterland networks and logistics centres on the other. Ecological transport chains are therefore the focus of HHLA's sustainability strategy. The company provides highly efficient handling facilities, high-performance transport systems and comprehensive logistics services to put such transport chains in place. By extending its facilities and networks, HHLA is laying the foundations for a disproportionately high increase in the percentage of hinterland transport accounted for by rail. The central interfaces in the international flow of goods are operated in an environmentally friendly manner which also conserves land. They are foresight fully developed further.

In 2009, HHLA established a Sustainability Council headed by the Chairman of the Executive Board. Its members meet regularly with HHLA's stakeholder groups – especially customers, staff, investors, suppliers and the general public – to discuss key sustainability issues of relevance to HHLA. Also in 2009, the Group set up a specialist function dedicated to sustainability which reports directly to the Chairman of the Executive Board.

HHLA's sustainability strategy is based on three pillars: the environment, society and the economy. Ten fields of activity and guidelines have been defined and implemented within each of these areas. This puts HHLA in a position to take a leading role in the area of sustainability.

The fields of activity focus on environmentally friendly transport chains, climate protection and surface area conservation. HHLA has also been publishing its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative which now manages one of the world's largest databases of corporate greenhouse gas emissions on behalf of institutional investors and makes this information widely available. HHLA calculates its CO_2 emissions on the basis of the Greenhouse Gas Protocol, a global standard for recording greenhouse gas emissions.

In light of its commitment in this field, the research institute Fraunhofer Supply Chain Solutions named HHLA as one of six sustainability pioneers in Germany's logistics industry in its sustainability index published in the year under review. It commends HHLA for its "outstanding level of sustainability". The index assessed the top 150 logistics providers in terms of revenue.

Data relevant to sustainability is recorded and presented by HHLA's central departments for specific dates or periods of time. Unless stated otherwise, the data pertain to the Group as a whole.

The measures implemented to minimise the impact of transport on the environment are rounded out by environmental and resource conservation measures. HHLA strives to conserve resources at its terminals. For example, by using a total of 14,389 tons of recycled building materials to extend berth 3 at the Container Terminal Burchardkai in 2011, by optimising the allocation of containers to bays to minimise the routes for equipment transport, and by using retreaded tyres for straddle carriers.

Well-trained employees are the foundation for all of the company's activities. In combination with exemplary occupational safety standards, they guarantee a high level of quality. HHLA's activities in the field of corporate social responsibility (CSR) focus on port and logistics-related education issues.

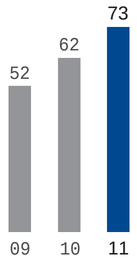
Environment

Within the HHLA Group, air pollution is largely restricted to absolute CO_2 emissions, which are primarily influenced by handling and transportation volumes and the use of electricity from renewable sources. As part of its ongoing efforts to provide more meaningful information about its carbon footprint – and having achieved its climate protection target last year – HHLA started using a new, more sophisticated calculation model at the beginning of the reporting year. This new approach fulfils the requirements of the Greenhouse Gas Protocol. Following a change in the consolidated group and an adjustment to external electricity mix factors, the Group restated its CO_2 figures for 2009 and 2010 accordingly. In line with the Greenhouse Gas Protocol, electricity from renewable sources was classified as carbon-neutral. The power needed by a terminal depends largely on the number of seaborne containers it handles and the number of containers which are transported onwards by land. In the past, seaborne handling was used as an indicator. However, HHLA changed its CO_2 reporting system in the year under review and now uses seaborne and overland throughput to provide a more accurate picture. To guarantee complete transparency and document the improvement in its CO_2 efficiency over recent years, the figures for the 2008 financial year serve as the basis for the new calculation model and HHLA's new climate protection target. By 2020, the Group intends to reduce CO_2 emissions by more than 30 % for each container it handles. In the period from 2008 to 2011, the company already succeeded in reducing CO_2 emissions by 21 % per container handled.

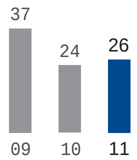
Total CO_2 emissions rose at a slower pace than volumes in the reporting period, with an increase of 15.2 % to 99,220 tonnes. A long-term increase in the percentage of electricity used within the Group's energy mix will enable the company to utilise more renewable energies and thereby substantially reduce its carbon footprint. To achieve this goal, HHLA is converting more and more of its equipment and machinery to electricity. Equipment and machinery that has been electrified does not just produce fewer emissions and less noise, it is also easier to service. HHLA has been making greater use of power from renewable sources since 2009. As of this date, the electricity required by all office buildings and workshops occupied by HHLA has come from renewable energies. The Container Terminal Altenwerder has been making exclusive use of green electricity since 2010. This reduced HHLA's CO_2 emissions by 22,800 tonnes in the reporting year (previous year: 16,575 tonnes). Compared to the previous year, specific CO_2 emissions at three of HHLA's four container terminals fell by between 0.4 % and 3.8 %, while one terminal recorded an increase of 2.1 %. Overall, this meant that specific CO_2 emissions rose slightly by 1.0 %. In addition to power from renewable energies, HHLA continued with a number of energy-saving projects at the Group's various affiliates to improve the CO_2 balance. For example, a total of 32 new low-consumption, low-emission straddle carriers went into service in 2011. These vehicles burn around 25 % less diesel per operating hour than former models which have been partially replaced. Logistics processes and the use of building technology at the fruit and refrigeration centre were further optimised to make them more CO_2 efficient. This made it possible to improve CO_2 efficiency in the reporting year by over 40 % month on month since the project began. On an annual basis, this represents a reduction in electricity consumption of over 5 million kWh.

In the year under review, a number of pilot and model projects were carried out using electrified equipment and machinery. HHLA and the AGV manufacturer Gottwald Port Technology were jointly awarded the coveted Hanse Globe sustainability award in September 2011 for their "Zero Emissions" project. This project involved testing two driverless, battery-powered AGVs for container transport. ► See also Research and Development, page 71. Several electric cars were tested in 2011 regarding their suitability for every-

Direct CO_2 Emissions
in thousand tonnes



Indirect CO_2 Emissions
in thousand tonnes



CO_2 Emissions
by equipment type, 2011

- 54 % Straddle carriers
- 18 % AGVs
- 12 % Container and rail gantry cranes
- 9 % Lighting for buildings and open areas, etc.
- 6 % Reefer containers
- 1 % Storage cranes

The CO_2 emissions are based on measured and calculated data as well as estimates.

Direct and Indirect Energy Consumption

	Diesel in millions of litres	Heating oil in millions of litres	Petrol in millions of litres	Natural gas in millions of m³	Electricity in millions of kWh	District heating in millions of kWh
2008	26.8	0.1	0.1	1.9	137.6	1.7
2009	18.0	0.1	0.1	2.1	121.8[2]	1.7
2010	21.3	0.1	0.1	2.4	134.4[3]	5.6
2011	**26.0**	**0.1**	**0.1**	**2.1[1]**	**144.5[4]**	**5.2**

[1] Consumption of natural gas in 2011 is based on measured and estimated figures.
[2] Of which 12 million kWh from renewable energies.
[3] Of which 65 million kWh from renewable energies.
[4] Of which 72 million kWh from renewable energies.

Commercial Waste

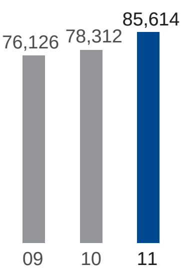
by type, 2011

- 26 % Food unsuitable for processing/consumption[1]
- 21 % Sludge from oil/water separators
- 12 % Commercial waste
- 9 % Scrap metal
- 7 % Paper waste
- 3 % Engine/hydraulic oils and equipment containing oil
- 22 % Other waste

[1] Over 50 % was recycled to generate biogas

Water Consumption

at HHLA's sites in Germany and the Ukraine in m³



day use in the port environment. The results of the pilot trial were positive; HHLA will therefore continue to look into making greater use of electric vehicles. Another electrified rail checkmobile also went into service.

As well as choosing highly energy-efficient machinery and equipment, HHLA is actively stepping up its use of renewable energy. In summer 2011, photovoltaic arrays were installed on the roofs of the logistics centre in Altenwerder and the Container Terminal Tollerort. Set up and operated by the energy supplier Hamburg Energie Solar, the systems had already produced approx. 210,000 kWh of zero-carbon electricity by the end of 2011.

In addition to this, HHLA Logistics GmbH and HHLA Logistics Altenwerder GmbH & Co. KG were certified for the first time by Germanischer Lloyd according to the environmental management standard ISO 14001.

Water is mostly used in the HHLA Group to clean large-scale equipment and containers and for employee hygiene. Compared to the previous year, the amount of water consumed by operations in Hamburg and the Ukraine increased by 7,302 m³ or 9.3 % to 85,614 m³ in 2011. Water usage therefore rose at a much slower rate than throughput. HHLA's facilities in Hamburg draw water from the public supply network, which is fed by a total of 17 groundwater-based waterworks.

HHLA separates rubbish for recycling wherever possible so that reusable waste can be fed back into the resource cycle. Excluding soil and building rubble, the amount of waste produced at the Hamburg sites rose by 10 % year on year to 10,734 tonnes in 2011. This meant it grew at a slower pace than handling volumes. While 3,629 tonnes or 41.3 % of waste was classified as hazardous in 2009, the figure fell to 33.7 % in 2010 and dropped further to 32.5 % in 2011. This is equivalent to 3,489 tonnes. Of the total waste volume, 2,803 tonnes or 26.1 % was made up of overripe bananas and other foodstuffs unsuitable for processing or consumption. More than 50 % of this food waste was recycled to generate biogas. In this way, some 320,000 kWh of zero-carbon electricity was produced in the reporting year. 2,254 tonnes or 21.0 % of the annual waste total was attributable to sludge from oil/water separators collected at the washing, fuelling and parking spaces for straddle carriers and AGVs. This mixture of sludge, oil and water undergoes treatment at a chemical water treatment plant operated by a specialist waste disposal company. Once it has been separated from the oil, the water passes through a biological wastewater treatment plant.

Commercial waste accounted for 12.1 % of total waste, while scrap metal made up almost 9.0 % and 6.5 % was paper-based waste. 3.4 % of waste consisted of engine/hydraulic oils or supplies containing oil. Other waste accounted for the remaining 21.9 %.

Society

Well-trained and motivated employees are the foundation for all of the company's activities. In combination with exemplary occupational safety standards, they guarantee the company's high level of quality. Relations with staff are dominated by the Group's sense of responsibility for its employees. The foundation for a successful working relationship is a close, responsible and active involvement of staff representatives in the Group.

Compliance with legal requirements and internal company guidelines is a key part of HHLA's corporate governance policy. HHLA's compliance system centres on a code of conduct which formulates overriding principles on topics of relevance for compliance, such as conduct in the competitive environment, the prevention of corruption and conflicts of interest, and how to deal with sensitive corporate information. ► See also Compliance, page 43.

Our sustainability guidelines place a clear emphasis on occupational health and safety. The company therefore strives to continually improve health and safety standards in the workplace. There are numerous preventive measures and guidelines in place to ensure that staff from both HHLA and external companies, customers, suppliers and visitors do not come to any physical harm. Protecting and promoting good health is important as it has a great bearing on staff performance levels. The company's health promotion programmes are geared towards specific needs at the sites.

Approximately one in eight jobs in Hamburg is connected with cargo handling at the Port of Hamburg. This means that the port and the industries linked to it are major employers in the greater Hamburg metropolitan region. HHLA processes around 75 % of Hamburg's container throughput (in TEU), or approx. 50 % of the total throughput in tonnes. The company therefore sees itself as an integral part of economic developments in the greater Hamburg metropolitan area. It is well aware of its responsibility towards society both here as well as at all other sites.

The company's dialogue with society focuses on raising awareness of port and logistics-related issues. Its most important education project is the "Aqua-Agenten" initiative launched by the Michael Otto Foundation. In November 2011, the scheme was once again named as an official project within the "United Nations Decade of Education for Sustainable Development". It takes a fun approach to teaching schoolchildren aged about eight or nine why water is important for people, nature and economy. Pupils learn about the significance of shipping and ports for world trade at HHLA's container terminals. In the reporting year, 225 schoolchildren visited HHLA facilities as part of this education project. Since the project was launched in 2009, another 4,000 or so children have been taught about the importance of water and ports at school. To coincide with Hamburg's role as European Green Capital 2011, HHLA joined forces with the coach company Jasper to offer environmental tours of the Port of Hamburg and HHLA facilities. More than 150 visitors found out about sustainable developments and initiatives at HHLA as a result of these trips. HHLA also held its first sustainability day at the Container Terminal Altenwerder. This offered all members of staff the opportunity to learn about the latest projects in this field. ► See also Employees, page 68 et seq.

Economy

Net added value rose by € 57.9 million to € 560.0 million in 2011. At 44.4 %, the added value ratio remained unchanged on the previous year. Net added value serves as an indicator of business activities' economic value creation. It is calculated by taking the value of production and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, lenders, the public authorities (taxes) and shareholders. The largest proportion, 66.9 % or € 374.3 million, went to employees. Shareholders accounted for the second-largest share of € 118.8 million (21.2 %), followed by the public authorities with € 56.1 million (10.0 %) and payments to lenders amounting to € 10.8 million (1.9 %).

Added Value in the HHLA Group

in € million	2011	2010	Change
Employees	374.3	332.5	12.6 %
Shareholders	118.8	113.9	4.3 %
Public authorities	56.1	44.6	25.7 %
Lenders	10.8	11.1	- 3.3 %
Total	560.0	502.1	11.5 %

HHLA's procurement costs (for its majority-owned subsidiaries in Germany) totalled € 222 million in 2011. The greater Hamburg metropolitan area accounted for 50.5 % or € 112 million of this total.

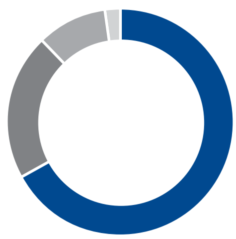
Source of Added Value

Production value
€ 1.262 million = 100 %

- 45 % Added value
- 34 % Cost of materials
- 11 % Other expenses
- 10 % Depreciation/amortisation

Application of Added Value

Added value
€ 560 million = 100 %



- 67 % Employees
- 21 % Shareholders
- 10 % Public authorities
- 2 % Lenders

Economic Environment

Macroeconomic Development

Global economic growth slowed down in 2011. In the course of the year, the recovery was impaired by the debt crisis in the eurozone, somewhat weaker growth in the emerging markets and growing unease on the capital markets. Global gross domestic product (GDP) increased by 3.8 % in 2011. Rising uncertainty also impacted on the global exchange of goods. Following dynamic growth of 12.7 % in 2010, the global trade volume increased by a mere 6.9 % in the year just ended.

The economic cool-off affected almost every corner of the globe. Following the strong upturn in 2010, growth almost came to a halt in a number of advanced economies. By contrast, the economies of other industrialised nations proved relatively robust last year. Current estimates put GDP growth in the advanced economies at 1.6 % overall for 2011. At the same time, the expansion of the emerging markets also lost pace. At 6.2 %, however, growth was still fairly strong here in 2011. China is a good example of the wider trend. In the full year 2011, the world's second-largest economy still managed growth of 9.2 %, compared to 10.4 % in 2010. The People's Republic of China continued to drive global economic growth in the past year.

Growth in Gross Domestic Product (GDP)

in %	2011	2010
World	3.8	5.2
USA	1.8	3.0
Industrialised countries	1.6	3.2
Emerging markets	6.2	7.3
China	9.2	10.4
Russia	4.1	4.0
Central and Eastern Europe	5.1	4.2
Eurozone	1.6	1.9
Germany	3.0	3.6
World trade	6.9	12.7

Source: IMF

The US economy charted a modest GDP increase of 1.8 % in the year under review, after enjoying significant growth of 3.0 % in the previous year. However, the world's largest economy rallied in the fourth quarter of 2011 and posted growth of 2.8 % over the previous quarter. This trend was driven by consumer spending and rising capital expenditure.

There was only moderate growth in total economic output of the European Union's member states. Gross domestic product in the EU and the eurozone was up by just 1.6 % year on year in 2011. Germany's economic output is believed to have expanded by 3.0 % in 2011 as a whole. Exports increased by 8.2 % on the previous year, while imports were up 7.2 %. However, the economies of the Southern eurozone in particular either flatlined or shrank as a consequence of consolidation efforts and the overall pessimistic mood.

By way of contrast to the eurozone, output in the emerging economies of Central and Eastern Europe expanded quite rapidly. GDP in this economic region rose by an average of 5.1 % in 2011. Following 17 years of tough negotiations, the World Trade Organisation (WTO) Ministerial Conference finally resolved to admit Russia to the WTO in December 2011. The WTO's compulsory rules and the opening of the Russian market are expected to create a more stable framework for international trade with Russia and, above all, provide strong growth stimuli.

Sector Development

Current estimates put growth in container traffic at 6.8 % in 2011 as a whole. This was driven primarily by the emerging economic regions of the Far East, Latin America and Eastern Europe. Despite an increase in container volumes, stronger growth in fleet sizes led to further surplus capacity on the supply side. A total of 187 container ships with a combined capacity of 1.2 million TEU were delivered to customers between January and December 2011. Measured by carrying capacity, the whole container vessel fleet grew by 7.9 % to 15.4 million TEU last year. In addition to this, the shipyards currently have orders on hand for 621 container ships with a carrying capacity of 4.3 million TEU. This corresponds to approx. 28 % of the current fleet capacity.

The growing imbalance in supply and demand placed pressure on charter rates as the year progressed. Following a positive trend at the beginning of the year, charter rates tumbled for all classes of fully containerised vessels in 2011. The weighted overall Harper Petersen Charter Rate Index (HARPEX) for time charter rates fell by almost half (down 43 %). The economic slowdown and excess supply of carrying capacity also led to a sharp fall in freight rates for container shipping last year. This downward trend in freight rates was exacerbated by intense competition for market share between a number of shipping lines.

Due to this development, shipping companies struggled as falling freight rates coincided with rising costs – a stark contrast to 2010, when most of them posted record results. According to initial estimates by market researchers, the shipping lines posted losses totalling more than €5 billion in 2011.

A series of new alliances emerged in the container shipping industry in response to this dramatic development. Several of these focused on the major trade route between the Far East and Europe, with shipping companies such as MSC and CMA CGM or the newly formed G6 Alliance (Hapag-Lloyd, NYK, OOCL, APL, HMM and MOL) launching joint operations. The aim is to improve service, drive down costs and raise freight rates by offering a more comprehensive route network, more frequent departures and greater reliability.

Following on from lower throughput due to the 2009 economic crisis, Europe's four largest container ports – Rotterdam, Antwerp, Hamburg and the Bremen ports – built on the growth trend initiated in 2010 during the reporting year. Zeebrügge was the only port to record falling handling volumes last year. All in all, the North Range ports handled approx. 38 million standard containers (TEU). This was a 7.7 % increase in container throughput compared to the previous year.

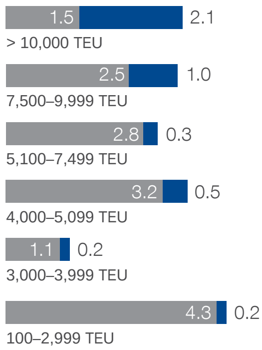
The Port of Hamburg achieved a container throughput volume of 9.0 million TEU in 2011. This represented above-average growth of 14.2 % on the previous year. Meanwhile, the western ports of Rotterdam and Antwerp posted increases of 6.3 % and 2.3 % respectively. Thanks to its stronger-than-average growth, the Port of Hamburg regained market share within the North Range. As a result of this dynamic development, Hamburg reassumed its position as Europe's second-largest container port – behind Rotterdam and ahead of Antwerp. It last claimed this spot in 2008.

In 2011, rail freight in Germany recovered from the downturn caused by the economic crisis. At 374 million tonnes, the industry recorded its largest transport volume since 1993. Freight increased by 5.1 % last year, while transport volumes rose by 5.3 % to 113 billion tonne-kilometres. 4.5 million TEU were hauled via intermodal transport in the first three quarters of 2011 (containers and swap bodies). Compared with the same period of the previous year, this represents growth of 8.5 %.

Hamburg's port railway posted its best-ever result in 2011. A record-breaking volume of over 2 million TEU was transported in this way last year. Container volumes in the port railway network increased by 4 % against the previous year. Including the transportation of bulk goods, the total rail freight volume at the Port of Hamburg exceeded 41 million tonnes. This enabled Hamburg to consolidate its position as Europe's leading rail port. Some 12 % of all German rail freight starts or ends its journey in Hamburg. An impressive 34 % of all containers transported by rail in Germany also pass through Hamburg.

Current World Fleet and Order Book until 2015

by vessel size categories
in TEU million

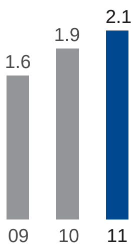


World fleet: 15.4 million TEU (4,938 ships)
Order book: 4.3 million TEU (621 ships)

Source: AXS Alphaliner

Port Railway: Container Transport

via Hamburg in TEU million



Source: Hamburg Hafen Marketing e.V.

Course of Business and Economic Situation

Group Performance

Key Figures

in € million	2011	2010	Change
Revenue	1,217.3	1,067.8	14.0 %
EBITDA	333.4	306.9	8.7 %
EBITDA margin in %	27.4	28.7	- 1.3 pp
EBIT	207.0	192.9	7.3 %
EBIT margin in %	17.0	18.1	- 1.1 pp
Profit after tax and minority interest	89.3	76.2	17.1 %

Earnings Position

Overall View. In the management team's opinion, the 2011 financial year was highly satisfactory on the whole. HHLA achieved stronger growth than initially anticipated in container throughput and there was a further significant increase in hinterland transportation. Improvements in the company's competitive position in the form of market share gains were particularly gratifying. As a consequence, the company succeeded in meeting its revenue forecast in full, having upgraded its guidance during the course of the year and issued a more precise outlook in autumn. At the same time, HHLA's early prediction that the handling of larger freight volumes would lead to increased operating requirements proved true. These were further exacerbated by the additional challenges presented by delays in the dredging of the Elbe shipping channel, the need to carry out postponed maintenance work and ongoing reorganisation measures. As a result, it proved necessary to adjust the company's ambitious target of also improving margins in the second half of the year. Despite additional expenses in the form of write-downs, HHLA was able to exceed its slightly downgraded earnings forecast. Compared to the operating result, there was even stronger growth in net profit for the year after minority interests. HHLA continued to tailor its capital expenditure programme to actual needs. Delays to certain projects resulted in shifts to 2012. In addition to ongoing investments in existing facilities, the Group focused in particular on expanding its hinterland terminals to pave the way for further growth.

Notes on the Reporting. Due to the high level of flexibility required in the sector, handling and transport services are generally not ordered or arranged months in advance. Consequently, an order backlog and order trends do not serve as reporting indicators as they do in other industries.

As the company completed the sale and/or suspension of its discontinued activities last year, "EBIT from continuing activities" is no longer disclosed. The reported EBIT is therefore the key indicator for the development of the operating result.

In order to show the net rental income relevant for the Real Estate subgroup more precisely, incidental rental expenses charged on to tenants are reported under other operating income rather than revenue as of the 2011 financial year. To ensure that figures are presented uniformly at Group level, this reclassification has also been implemented for the Port Logistics subgroup. Figures for the previous year have been restated accordingly. This did not affect the operating result.

A lease with the Hamburg Port Authority (HPA) for port areas used mainly for an empty container centre came to an end on 30 June 2011. The compensation payment of € 15 million agreed with HPA for the early release of the areas was made in the third quarter and recognised under "Other operating income".

Forecast and Actual Figures

	Forecast 31.03.2011	Forecast 13.05.2011	Forecast 12.08.2011	Forecast 11.11.2011	Actual 31.12.2011
Revenue	Increase in the region of 10 %	Increase in the region of 10 to 15 %	Increase in the region of 15 %	In the region of € 1.2 billion	**€ 1,217.3 million +14.0 %**
EBIT	Margin improvement	Margin improvement	Margin improvement	In the region of € 210 million before risks resp. € 200 million after risks	**€ 207.0 million after risks 17.0 % margin**

Several companies in the Group were merged retroactively as of 1 January 2011. At Group level this had no effect on revenue and earnings performance. However, the services exchanged between the Container and Holding/Other segments were reduced due to a cross-segment merger, resulting in a decline in inter-segment revenue. Moreover, there was a change to the consolidated group following the disposal of a company in the Container segment. None of the changes mentioned had any material effect on the Group's revenue and earnings performance. ► See also Notes to the Consolidated Financial Statements, page 130.

Currency effects also had no material impact on the earnings position of the Group. The 2011 Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union, taking the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) into consideration.

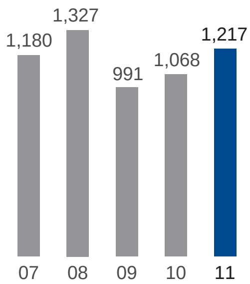
Revenue and earnings. Following strong growth in the previous year, HHLA succeeded in improving on its performance data again in 2011. Driven by the gain in new liner services and robust growth in the company's core markets, throughput in the Container segment increased by 21.3 % to 7.1 million TEU (previous year: 5.8 million TEU). Hinterland transport figures saw a return to their pre-crisis levels with double-digit growth of 11.3 % to 1.9 million TEU (previous year: 1.7 million TEU).

Based on this trend in volumes, the HHLA Group increased revenue by 14.0 % to € 1,217.3 million (previous year: € 1,067.8 million), with the listed Port Logistics subgroup once again acting as the main growth driver. The Port Logistics subgroup generated revenue of € 1,190.6 million with its Container, Intermodal and Logistics segments – an increase of 14.2 % (previous year: € 1,042.8 million) – and thus accounted for 97.6 % of total external revenue (previous year: 97.4 %). The relative increase in lower-income feeder traffic was offset by higher storage charges and price increases for rail services. However, the early termination of land use for the empty container centre in Hamburg and pressure on earnings in Odessa had a negative impact on revenue. The non-listed Real Estate subgroup raised revenue by 6.5 % to € 31.7 million (previous year: € 29.8 million). Its share of total external revenue fell to 2.4 % (previous year: 2.6 %), however, as the Port Logistics subgroup posted even stronger growth.

At € 0.6 million (previous year: € -1.1 million), there were only minor changes in inventories at Group level. Own work capitalised also remained largely unchanged at € 7.2 million (previous year: € 7.4 million). Including compensation of € 15 million for the early release of a port area, other operating income totalled € 43.7 million. This was only a slight increase on the 2010 figure (previous year: € 43.1 million including non-recurring income of € 2.0 million for write-backs on container gantry cranes in Lübeck, € 4.2 million from the reversal of a provision for demolition costs and € 6.2 million due to lower utilisation of the provisions for phased early retirement due to the employment situation). ► See also Notes to the Consolidated Financial Statements, page 130.

Expenses. In the 2011 financial year, **operating expenses** rose by 14.9 %, or roughly in line with revenue, and less steeply than total throughput and transport volumes. As expected, however,

Revenue[1]
in € million



[1] Incidental rental expenses charged on to tenants are no longer shown as revenue but as other operating income. The revenue posted for 2007 to 2009 was not restated.

Cost Structure, 2011

- 41 % Cost of materials
- 34 % Personnel expenses
- 13 % Other operating expenses
- 12 % Depreciation / amortisation

there were backlog effects in the period under review caused by necessary maintenance work and the end of the short-time labour scheme. There was also a sharp rise in operating requirements due to an increase in peak-load conditions caused by ultra large ships. The disproportionately strong increase in volumes at those handling facilities which are not yet as efficient as the highly automated Container Terminal Altenwerder also affected developments in expenses. Unbudgeted expenditure resulted from impairment losses in the Intermodal and Logistics segments.

The **cost of materials** rose year on year by 16.3 % to €432.9 million (previous year: €372.4 million). Expenses for purchased services – which primarily include purchased rail services in the field of intermodal traffic (particularly locomotive and track use) – increased in line with volume growth. However, higher procurement costs for fuel, energy and spare parts caused this expense item to rise faster than revenue. The ratio of expenses to revenue climbed by 0.7 percentage points to 35.6 % (previous year: 34.9 %).

Personnel expenses rose by 13.5 % to €359.5 million (previous year: €316.8 million) and thus almost at the same rate as revenue. Consequently, the ratio of expenses to revenue remained virtually unchanged at 29.5 % (previous year: 29.7 %). Expenses here were affected by wage increases and greater use of external staff due to higher volumes, compared with only a small rise in the number of permanent employees. Meanwhile, there were lower expenses for a employee stock purchase plan and compensation paid in conjunction with staffing changes. In 2010, this expense item was reduced considerably by the effect of the short-time labour scheme, which was terminated at the end of the year.

Other operating expenses increased by 18.0 % to € 142.9 million (previous year: € 121.0 million) in the reporting period. While lease expenses for land and quay walls remained largely unchanged, external maintenance costs rose particularly sharply. This was due to greater use of facilities and equipment along with servicing work previously postponed and repairs to weather-related surface damage. In addition to this, a number of buildings in the Speicherstadt historical warehouse district were renovated and a floating crane underwent a general overhaul. Following on from savings in the previous year, there was also a renewed increase in project-related consultancy expenses. As a result, the ratio of expenses to revenue climbed to 11.7 % (11.3 %).

Depreciation and amortisation increased by 10.9 % year on year to € 126.4 million (previous year: € 114.0 million). The ratio of depreciation and amortisation to revenue was 10.4 % (previous year: 10.7 %). Whereas the increase in investment-related expenditure was substantially scaled back following adjustments to the expansion and modernisation programme, impairment losses totalling €6.7 million were responsible for over half the increase in this expense item. In addition, the revaluation of provisions for demolition costs resulted in one-off costs of €2.3 million.

Development of Revenue and Operating Expenses

	in € million	Change	
Revenue	1,217.3	14.0 %	Trend largely in line with volume development Earnings pressure by fierce price competition Contrasting developments in the various market segments
Cost of materials	432.9	16.3 %	Predominantly variable expense item Cost of procuring energy and maintenance services of own workshops outstrip revenue growth
Personnel expenses	359.5	13.5 %	Wage increases twinned with slight rise in headcount Greater use of external staff due to order level Previous year with reduced expenses by the short-time labour scheme
Other operating expenses	142.9	18.0 %	Sharp rise in external provision of maintenance work Additional project-related expenses Largely constant lease expenses
Depreciation and amortisation	126.4	10.9 %	Increase due to ongoing capital expenditure Additional burden from impairment losses in the Intermodal and Logistics segments

Earnings. Against the backdrop of these developments, the operating result before depreciation and amortisation (EBITDA) improved by 8.7 % to €333.4 million (previous year: €306.9 million). The EBITDA margin fell by 1.3 percentage points to 27.4 % (previous year: 28.7 %).

After depreciation and amortisation, HHLA's operating result (EBIT) rose by 7.3 % to €207.0 million (previous year: € 192.9 million). As a result, the EBIT margin reached 17.0 % (previous year: 18.1 %). This improved operating result was once again attributable to the Port Logistics subgroup, which improved EBIT by 8.3 % to € 194.8 million (previous year: € 179.9 million) and thus generated 94.1 % (previous year: 93.3 %) of the Group's operating result. In the Real Estate subgroup, EBIT fell by 6.1 % to € 11.9 million (previous year: € 12.7 million) and accounted for 5.9 % (previous year: 6.7 %) of the Group's operating result.

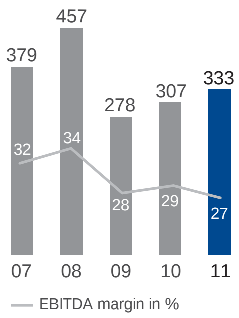
In the financial result, interest income rose to €9.6 million (previous year: €5.0 million). This was primarily due to higher average liquidity and the revaluation of a conditional payment commitment on a profit pooling agreement of a subsidiary with a minority shareholder. Despite higher financial liabilities, however, interest expenses increased only moderately to €42.3 million, compared with €39.9 million in the previous year. At 32.1 %, the effective tax rate was higher in the reporting period than in the previous year (28.1 %). This was due to above-average earnings contributions made by affiliated companies with higher tax rates. In light of the difficult economic environment, the Intermodal and Logistics segments only made limited use of loss carry-forwards respectively made adjustments to capitalised deferred taxes for loss carry-forwards. By contrast, there was a one-off reduction in tax expenses in 2010 caused by changes in the taxation of property management subsidiaries.

Consolidated profit after tax and minority interests rose at a faster pace than the operating result, with growth of 17.1 % to €89.3 million (previous year: €76.2 million). This was largely attributable to a reduction in minority interests. Because of a change in service structures, one minority shareholder was not entitled to a profit share above the respective equity stake in the year under review.

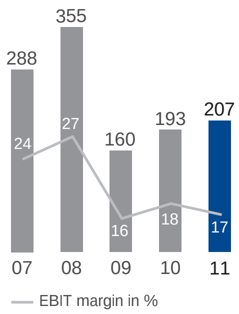
The above-mentioned positive effect on earnings from the revaluation of the conditional payment commitment only served to increase minority interests slightly, however. Shareholders in the parent company benefited additionally from the above-average recovery in volumes at facilities owned solely by HHLA. However, they were also disproportionately affected by pressure on earnings from the Intermodal and Logistics segments. Earnings per share improved correspondingly by 17.1 % to € 1.23 (previous year: € 1.05). The publicly listed Port Logistics subgroup achieved a 20.2 % increase in earnings per share to € 1.20 (previous year: € 1.00). Earnings per share for the unlisted Real Estate subgroup fell short of the previous year's level at € 1.95. As in the previous year, there was no difference between basic and diluted earnings per share in 2011.

Appropriation of Profits. As in the previous year, HHLA's appropriation of profits is oriented towards both the development of results in the financial year ended and the continuation of a consistent profit distribution policy. The individual financial statements of the HHLA Group's parent company, which are relevant for dividend distribution, show a net profit of €92.1 million, according to the German Commercial Code (HGB), for the 2011 financial year. Of this sum, €88.0 million is accounted for by the A division (Port Logistics subgroup) and €4.1 million by the S division (Real Estate subgroup). On this basis, the Executive Board and Supervisory Board of HHLA will propose at the Annual General Meeting on 14 June 2012 that a dividend of €0.65 per Class A share and € 1.00 per Class S share be distributed. Based on the number of shares outstanding as at 31 December 2011, the sum distributed for Class A shares would rise by 18.2 % to €45.5 million and the amount for Class S shares would fall by 16.7 % to €2.7 million. In relation to the consolidated profit and earnings per share, the dividend payout ratio would once again reach a comparably high figure of 54.1 % for the Port Logistics subgroup and 51.4 % for the Real Estate subgroup. By issuing new shares from the Authorised Capital as intended for an agreed employee stock purchase plan for 2011, the sum for the Port Logistics subgroup may rise marginally by clearly less than one percent until submission to the Annual General Meeting.

EBITDA
in € million



EBIT
in € million



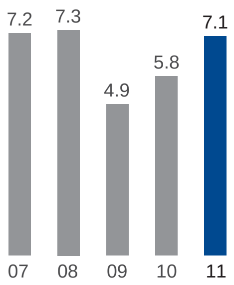
Container Segment

Key Figures

in € million	2011	2010	Change
Revenue	712.9	604.5	17.9 %
EBITDA	282.7	236.3	19.7 %
EBITDA margin in %	39.7	39.1	0.6 pp
EBIT	195.5	155.7	25.6 %
EBIT margin in %	27.4	25.8	1.6 pp
Container throughput in thousand TEU	7,087	5,844	21.3 %

Container Throughput

in TEU million



In the 2011 financial year, the HHLA container terminals in Hamburg and Odessa increased throughput volumes by 21.3 % to 7,087 thousand TEU (Hamburg 6,769 thousand TEU, Odessa 318 thousand TEU). While the container terminal in Odessa grew by just 7.4 % as a result of the sluggish economic recovery in the Ukraine, container throughput at HHLA's Hamburg terminals increased by 22.1 % – much faster than the company's competitors in the European North Range.

The pace of growth at the HHLA terminals was once again shaped by developments in the Far East and Europe shipping regions. HHLA also recorded strong growth in North American traffic by gaining several new services. Below is a description of the developments in detail.

- Far Eastern traffic made the largest contribution to volumes with growth of 19.3 % or 520 thousand TEU to 3,234 thousand TEU. This shipping region therefore represented 48.8 % of total throughput at HHLA's Hamburg terminals.

- With growth of 33.0 % or 473 thousand TEU, European traffic's share of HHLA's throughput in Hamburg rose to 1,906 thousand TEU or 28.2 %. There was a particularly sharp rise of 48.5 % in traffic to and from the Central and Eastern European Baltic ports.

- Driven by a 51.4 % jump in North American traffic, above-average growth was also recorded in the America shipping region, including South American traffic. With a growth rate of 26.8 % or 190 thousand TEU, throughput here amounted to 901 thousand TEU. This represents 12.8 % of HHLA's container throughput in Hamburg.

The above-average growth in throughput underlines the attractiveness of both Hamburg and the HHLA terminals. The number of latest-generation container mega-ships with space for over 10,000 standard containers climbed by around 60 % at HHLA's terminals in Hamburg last year. This is all the more impressive considering that most of them are unable to utilise their carrying capacity to the full due to the delay in dredging the river Elbe's navigation channel.

A number of steps were taken to pave the way for this success. These included investing in terminal expansion, measures to further optimise processes and enhance efficiency, and competitive pricing incentives for European feeder traffic. The new mega-ship berths at the HHLA Container Terminals Burchardkai and Tollerort successfully accompanied the increase in ship sizes.

The high throughput involved in handling many mega-ships is a real test of the terminals' performance capabilities, with peak volumes of up to 12,000 TEU to be loaded and discharged from a single vessel. HHLA succeeded in meeting these operating challenges and acquiring new services by making improvements across the board, from increasing productivity in quayside handling to optimising the steering of container yard and speeding up truck handling by means of self-service terminals.

Although the earnings picture was clouded by a difficult market environment with surplus capacity at major competitors' terminals and falling freight rates for shipping companies, HHLA largely succeeded in translating higher volumes into revenue growth. Revenue in the Container segment was up 17.9 % at €712.9 million (previous year: €604.5 million) and thus lagged slightly behind volume growth. This was primarily attributable to the dual effect of European feeder traffic, which accounted for 24.7 % in the 2011 financial year, compared to 23.0 % one year earlier. Firstly, this traffic generates smaller margins than mega-ship handling. Secondly, seaborne European feeder traffic is additionally included in the terminals' throughput statistics, unlike land-based transportation by rail or road.

Operating expenses in the Container segment were slightly lower than revenue due to expansion projects at the terminals. Higher energy costs, increased servicing work and adjusted rates for the purchase of external services all led to a disproportionately high rise in the cost of materials compared to the previous year. Despite much more demanding peak loads and greater use of external staff twinned with ongoing expansion programmes and wage increases, the upturn in personnel expenses was slightly below average thanks to improved productivity. By contrast, the Group stepped up its utilisation of external services for maintenance work and consultancy projects to optimise working practices and terminal development. This prompted a substantial rise in other operating expenses. Depreciation and amortisation climbed further, predominantly as a result of further capital expenditure.

With growth of 25.6 % to € 195.5 million (previous year: € 155.7 million) in the 2011 financial year, EBIT outstripped the increase in both volumes and revenue. This was partly due to the one-off effect of € 15 million in compensation received for the early termination of a lease and the return of space previously used by the empty container centre in the middle of the free port. HHLA recognised this payment in July 2011. ► See also Notes to the Consolidated Financial Statements, page 130.

In 2011, HHLA continued the strict implementation of its modernisation and expansion programmes. Capital expenditure focused on the Container Terminal Burchardkai, and in particular on extending the modern block storage facility, updating the straddle carrier fleet for container transportation and preparing for the construction of an additional mega-ship berth. At the Tollerort terminal, work concentrated on a new mega-ship berth and the optimisation of its respective container store. Large ships with a carrying capacity of 13,000 TEU have been handled regularly at this berth since July 2011. Work also started on expanding the Container Terminal Odessa, which is being developed to handle larger container ships with deep-water berths and an enlarged terminal area.

Intermodal Segment

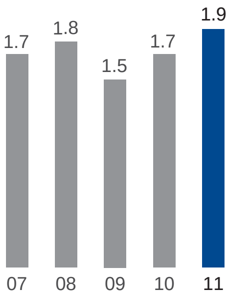
Key Figures

in € million	2011	2010	Change
Revenue	**357.6**	317.3	12.7 %
EBITDA	**43.1**	42.5	1.5 %
EBITDA margin in %	**12.1**	13.4	- 1.3 pp
EBIT	**24.6**	24.8	- 0.7 %
EBIT margin in %	**6.9**	7.8	- 0.9 pp
Container transport in thousand TEU	**1,887**	1,696	11.3 %

In the 2011 financial year, HHLA's intermodal companies posted double-digit growth in the volume of container traffic they transported to the German seaports' European hinterland. At 1,887 thousand TEU (previous year: 1,696 thousand TEU), transportation volumes were up 11.3 % on the previous year, despite tough competition between carriers on the market. The Czech, Slovakian and Polish inland terminals which are by the majority owned by either HHLA or its subsidiaries recorded a similar increase in throughput. With volume growth of 13.5 %, they achieved throughput of 1,392 thousand TEU (previous year: 1,227 thousand TEU).

Container Transport

in TEU million



HHLA's long-term hinterland strategy made a substantial contribution towards this positive development. ► See also Corporate Strategy, page 63. Its aim is to boost the segment's earnings potential and pave the way for a disproportionately high increase in the percentage of container traffic transported by rail. To achieve this, HHLA is raising its added value, for example by expanding its own inland terminals and constructing new ones and industrialising its processes. The HHLA subsidiary Metrans, for example, launched operations at a new inland terminal with an annual capacity of 200,000 TEU in the Czech city of Ostrava and purchased three locomotives, thus substantially raising the traction services it provides itself.

With the opening of the first Polish hub terminal in Poznán in September 2011, an important step was also taken towards establishing the hub-and-shuttle system in seaport-hinterland traffic with Poland – a system which has already proved highly successful in maritime container logistics in the Czech Republic and Slovakia. The use of shuttle trains reduces transport times between Hamburg and Poznán alone by a good third.

At €357.6 million (previous year: €317.3 million), revenue in the Intermodal segment increased by 12.7 % year-on-year in 2011 and thus outstripped growth in transport volumes. This was largely thanks to improvements in earnings quality achieved by increasing prices, raising the level of value generation through the use of the company's own locomotives and expanding the terminal network. The segment's EBIT result was unable to keep pace with the growth in volumes and revenue, shrinking instead by 0.7 % to €24.6 million (previous year: €24.8 million). This was mainly attributable to the factors laid out below.

- Unsatisfactory earnings were achieved by those rail transport companies with a low depth in added value, such as TFG Transfracht and Polzug, which have very limited facilities and production resources. Despite improvements in productivity and train capacity utilisation, the company was unable to compensate for increases in the cost of materials – the segment's largest expense item. Price hikes for purchased services prompted above-average increases, which could not be offset by sales measures or by the comparatively moderate development of personnel expenses or regular depreciation and amortisation. As a result, these companies failed to meet their earnings targets for the 2011 financial year.

- As the earnings situation remained unsatisfactory, a second goodwill impairment charge of €2.9 million was made for TFG Transfracht in the 2011 financial year, following on from goodwill impairment of €3.0 million in 2010. This had an additional impact on the segment result.

In light of these developments, HHLA is stepping up its efforts to raise its added value by constructing further inland terminals and investing in rolling stock. The HHLA subsidiary Metrans started construction work on a second large container hub terminal in Česká Třebová, 180 km east of Prague, in spring 2012. In the first phase of construction, this will create a state-of-the-art facility with an initial handling capacity of 150 trains a week. It will complement the hub in Prague and cost approx. €20 million. Operations at the hub terminal are due to commence in the course of 2012. This will enable the company to further optimise and increase container transport on routes to and from Hamburg as well as to and from Slovakia, Austria, Hungary and the eastern region of the Czech Republic.

Logistics Segment

Key Figures

in € million	2011	2010	Change
Revenue	126.7	120.2	5.4 %
EBITDA	12.0	13.2	- 9.2 %
EBITDA margin in %	9.5	11.0	- 1.5 pp
EBIT	- 1.0	6.2	–
EBIT margin in %	- 0.8	5.1	- 5.9 pp

The companies of the Logistics segment offer a wide range of services in the field of contract logistics, vehicle logistics, fruit logistics, special logistics and consultancy, thus setting Hamburg apart as an all-purpose port. In the 2011 financial year, the various market segments served by the individual companies displayed highly diverging developments. While demand rose considerably for coal handling in the bulk cargo segment and for cruises, for example, market changes in fruit logistics, vehicle logistics and contract logistics resulted in a squeeze on revenue.

In detail, business developed as follows: fruit handling at the multi-function terminal O'Swaldkai fell by 6.5 % to 728 thousand tonnes (previous year 779 thousand tonnes), while coal and ore handling at the bulk cargo terminal Hansaport rose by 1.4 % to 13.9 million tonnes (previous year: 13.8 million tonnes). Developments in vehicle logistics at O'Swaldkai were somewhat differentiated: vehicle throughput was up 10.5 %, due in particular to an increase in used vehicles. Warehousing logistics, however, suffered a strong decline.

Whereas consultancy business remained stable, cruise logistics recorded new records for both the number of ships docking in Hamburg and the volume of passengers processed there. 116 cruise ships (previous year: 99) and 313 thousand passengers (previous year: 248 thousand) passed through the port, corresponding to growth rates of 17.2 % and 26.2 %, respectively.

The 5.4 % rise in revenue to € 126.7 million (previous year: € 120.2 million) was attributable to the intra-Group settling of a major IT contract worth some € 10.4 million. Adjusted for this item, segment revenue declined in comparison with last year. Although EBIT was down 54.1 % after nine months, the segment succeeded in limiting the decrease in its operating result to - 23.3 % for the full financial year 2011. As a result, segment EBIT before impairment reached € 4.7 million (previous year: € 6.2 million).

This trend was primarily attributable to lower earnings quality and higher lease expenses in vehicle logistics. Banana logistics were affected by a market shift towards more containerised banana transportation due to falling rates for reefers. Successful cost-cutting programmes in fruit logistics contributed towards improved earnings in this field as the year progressed and thereby helped to stabilise EBIT at segment level.

€ 2.1 million or 44 % of the segment's operating EBIT before impairment (€ 4.7 million) was generated in the fourth quarter alone. The operating activities of the two companies HHLA Logistics and HHLA Logistics Altenwerder were pooled in one company as of 1 October 2011.

In response to the changed market situation for banana shipping, a one-off impairment charge of € 5.8 million was recognised in fruit logistics. This meant that the overall segment result (EBIT) for the financial year was negative at € -1.0 million (previous year: € 6.2 million).

Volume Developments

in the Logistics segment

	2011	2010
Fruit handling in thousand tonnes	728	779
Vehicles and general cargo in thousand tonnes	1,307	1,292
Bulk cargo handling in million tonnes	13.9	13.8
Cruise ship calls	116	99

Real Estate Segment

Key Figures

in € million	2011	2010	Change
Revenue	31.7	29.8	6.5 %
EBITDA	16.2	16.8	- 3.7 %
EBITDA margin in %	51.1	56.5	- 5.4 pp
EBIT	11.9	12.7	- 6.1 %
EBIT margin in %	37.6	42.6	- 5.0 pp

The market for office space in Hamburg picked up noticeably in the course of last year. According to the latest office market overview by Jones Lang LaSalle, 540,000 m² of space was let in 2011 – 7.4 % more than in the previous year. This figure was well above the ten-year average of 442,000 m². Although the vacancy rate was below last year's figure of 9.6 %, it remained very high at 8.5 %.

Against this background, HHLA Real Estate successfully continued the value-oriented portfolio development of its properties in the Speicherstadt historical warehouse district and the Fischmarkt area on the northern banks of the river Elbe. New projects were placed on the market and lettings were up in both areas. Driven by these developments, revenue climbed by 6.5 % to € 31.7 million in the financial year just ended (previous year: € 29.8 million). However, the implementation of planned major maintenance and refurbishment work in the Speicherstadt historical warehouse district meant that the positive revenue trend was not accordingly reflected in earnings. As a consequence, EBIT fell 6.1 % year on year to € 11.9 million (previous year: € 12.7 million). The reclassification of incidental rental expenses charged on to tenants, which as of 2011 are no longer shown as revenue but as other operating income, led to changes in the absolute figures for revenue and profit margins. In order to facilitate comparison, the figures for the previous year have been restated accordingly. ► See also Notes to the Consolidated Financial Statements, page 130.

A large number of projects were rolled out and implemented in the 2011 financial year. One particular highlight was the successful letting of the fully refurbished Block Q, which offers an attractive mixture of showrooms and offices used predominantly by the fashion industry. The tea emporium "Wasserschloss Speicherstadt" opened in late October 2011, underlining the traditional function of the Speicherstadt historical warehouse district as one of the world's largest tea trading centres. Another project highlights the profile of the Speicherstadt as a creative centre: in November 2011, work started on the modernisation of a large building designated as a historical landmark, which will be used to house a major advertising agency.

Financial Position

Principles and Objectives of Financial Management

Financial management at the HHLA Group is managed centrally and serves the overriding objective of ensuring the Group's long-term financial stability and flexibility. Group clearing pools the Group's financial resources, optimises net interest income and substantially reduces dependency on external sources of funding. Derivative financial instruments are used to lower interest rate risks and, to a minor extent, to reduce currency and commodity price risks. They do not have a material impact on HHLA's Consolidated Financial Statements.

Overall View of the Financial Position

Following the positive business development in 2011, HHLA is in a stable financial position at the time of preparing these annual financial statements. HHLA continues to have a sound balance sheet structure and a low gearing ratio by industry standards. This is reflected in its equity ratio of 40.9 % (previous year: 40.1 %) before financial settlements to minority shareholders. As a result of the profit pooling contract concluded within the Container segment during the 2010 financial year, there is a payment commitment which is classified as debt capital in accordance with IAS 32 *Financial Instruments*. To compensate for the contractually agreed profit pooling, an annual payment must be made to a minority shareholder for a remaining period of four years. This payment is based primarily on future financial results. The total anticipated financial settlement therefore led to a balance-sheet reclassification out of minority interests to other financial liabilities from that time. Taking this balance sheet representation into account, the regular equity ratio now comes to 35.6 %.

Thanks to the company's liquidity base as of the balance sheet date, it has no significant refinancing requirements.

Inflation and exchange rates have no material effect on the HHLA Group's financial position.

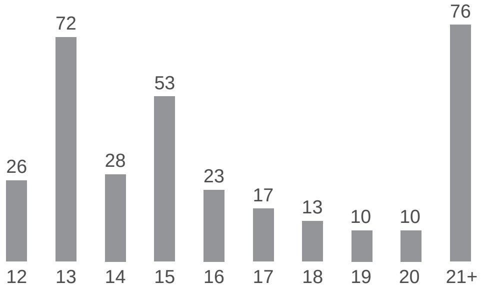
When recognising assets and liabilities, estimates were based on past experience and other relevant factors and made on a going concern basis. ▸ See also Accounting and Valuation Principles/Significant Assumptions and Estimates in the Notes, page 137 and 143.

Financing Analysis

HHLA's core business is dominated by a large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium and long-term loans and finance leases to achieve funding with matching maturities.

At € 331.6 million, its liabilities from bank loans were above their previous year's level (€ 298.9 million) in the 2011 financial year. The Group drew on additional external financing totalling € 65.7 million (previous year: € 0.0 million) in the reporting year. New financing was offset by lower loan repayments. The maturity profile for the coming years includes bullet loans due in 2013 and 2015 from investment projects which have now been completed. These are due to be repaid as scheduled using the cash inflows generated and the available liquidity. Due to the maturities agreed and the stable liquidity base, the company has no other significant refinancing requirements.

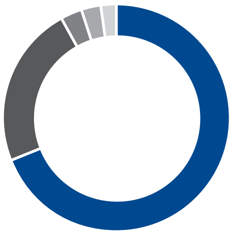
Maturities of Bank Loans
by year in € million



The majority of the liabilities from loans are denominated in euros, with a small proportion in the Czech koruna. In terms of conditions, approx. 64 % have fixed interest rates and some 36 % have floating interest rates. As a result of borrowing, certain affiliates have covenants linked to key balance sheet figures, which mostly require a minimum equity ratio to be met. Covenants are currently in place for around 21 % of the loans. The covenants were met at all agreed audit points throughout the reporting year. As of the balance sheet date, HHLA posted non-current liabilities to related parties totalling € 93.7 million (previous year: € 65.8 million). These resulted from the recognition of the leasing liability to the Hamburg Port Authority in connection with the mega-ship berths at the HHLA Container Terminal Burchardkai and the HHLA Container Terminal Tollerort. With the exception of the operating leases discussed in the Notes, there are no significant off-balance sheet financial instruments. ▸ See also Notes to the Consolidated Financial Statements, page 130. These operating leases relate primarily to long-term agreements with the Free and Hanseatic City of Hamburg and the Hamburg Port Authority for leasing land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district. The HHLA Group forms provisions primarily for pensions; these are therefore available for long-term financing.

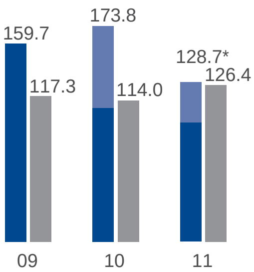
Cash and cash equivalents, the bulk of which is held centrally by the holding company, totalled € 330.0 million (previous year: € 235.5 million) as of the reporting date. These funds are invested at domestic financial institutions with verified high credit ratings as demand deposits, call money and short-term deposits. Current credit lines play a subordinate role due to HHLA having sufficient liquid funds. As of the balance sheet date, the Group had unused credit facilities amounting to some € 27.0 million (previous year: € 26.7 million). The credit line utilisation rate was 17.1 % in the period under review (previous year: 17.9 %). In HHLA's view, the Group's solid balance sheet structure would enable more substantial credit facilities to be arranged at any time if its medium-term liquidity planning were to reveal a need. Of the total cash and cash equivalents, € 30.3 million (previous year: € 21.5 million) was subject to restrictions in Ukraine relating to the transfer of currency abroad.

Investments
by segments, 2011



- 67 % Container
- 25 % Intermodal
- 3 % Real Estate
- 3 % Logistics
- 2 % Holding/Other

Investments, Depreciation and Amortisation
in € million



- Investments
- Depreciation and amortisation

** Of which finance leases amounting to € 32.8 million (previous year: € 66.1 million)*

As HHLA has a wide range of borrowing options at its disposal outside of the capital market, the Group currently sees no need for an external rating. Instead, it provides existing and potential creditors with comprehensive information to ensure that they can derive appropriate internal credit ratings.

Public subsidies awarded for individual development projects which are subject to specific conditions are of minor importance in terms of their volume at Group level.

Investment Analysis

The investment volume in the past financial year totalled € 128.7 million and was lower than the previous year's € 173.8 million. This figure includes non cash-effective additions from finance lease amounting to € 32.8 million. As in the previous year, capital expenditure in 2011 focused on extending the handling facilities in Hamburg. Additionally, most of the investments due to be made to expand the Odessa terminal were postponed until the coming financial year.

Property, plant and equipment accounted for € 117.2 million (previous year: € 158.9 million) of total capital expenditure, € 7.4 million (previous year: € 7.9 million) was for intangible assets and € 4.1 million (previous year: € 7.0 million) for investment property.

As in the previous year, expansion investments accounted for the bulk of capital expenditure. € 98.5 million (previous year: € 158.5 million) was primarily invested in extending and automating the container terminals in Hamburg. Replacement investments amounted to € 30.2 million (previous year: € 15.3 million); the majority of this was invested in straddle carriers.

The largest share of the Group's aggregate investment was accounted for by the **Container segment** with € 87.8 million (previous year: € 137.9 million). It invested above all in storage capacity at the handling facilities in Hamburg. A new quay wall was also completed.

Total investment in the **Intermodal segment** amounted to € 32.2 million, up on its previous year's level of € 21.0 million. The Metrans Group invested further in hinterland terminals and the procurement of locomotives. At the Polish companies, work continued on the planned expansion of the terminal network.

Total investments in the **Logistics segment** came to € 3.9 million (previous year: € 3.7 million). The majority of this expenditure went towards buying a used container gantry crane and investments in multifunctional devices and shunting locomotives for bulk cargo handling.

In principle, the main focus of investment will remain on improving the productivity of existing terminal areas by using state-of-the-art handling technology. At the same time, HHLA will continue to promote its expansion of efficient hinterland connections as well as the extension and optimisation of its logistics activities in line with market requirements.

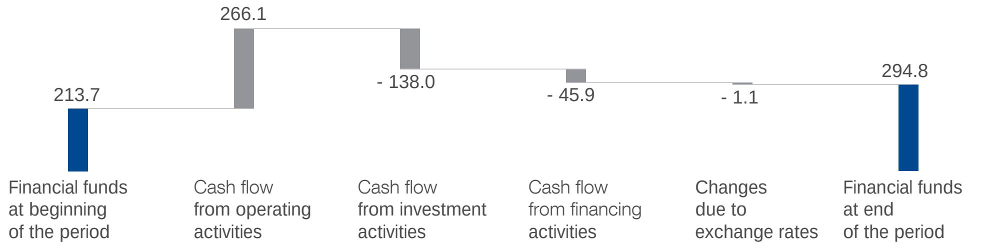
As of year-end, there were financial liabilities for outstanding purchase commitments totalling € 93.0 million (previous year: € 51.1 million). This figure includes € 81.4 million (previous year: € 44.2 million) for the capitalisation of property, plant and equipment.

Liquidity Analysis

in € million	2011	2010
Financial funds as of 01.01	213.7	139.2
Cash flow from operating activities	266.1	206.9
Cash flow from investing activities	- 138.0	- 36.3
Free cash flow	128.1	170.7
Cash flow from financing activities	- 45.9	- 95.2
Change in financial funds	82.2	75.5
Change in financial funds due to exchange rates	- 1.1	- 1.0
Financial funds as of 31.12	294.8	213.7

Change in Financial Funds

in € million



Cash flow from operating activities (inflow) rose to €266.1 million (previous year: €206.9 million) in the reporting period, primarily due to the positive earnings trend.

The cash flow from investing activities (outflow) totalled €138.0 million and was therefore also considerably higher than the previous year's €36.3 million. This was mainly attributable to payments made for investments in property, plant and equipment, investment property and intangible assets amounting to €132.2 million (previous year: €64.4 million). The figure includes payments made for new assets not settled in the previous year. Similarly, the increase in short-term investments of €10.0 million led to a higher cash flow from investing activities (previous year: decrease of short-term investments of €20.0 million). This was partially offset by proceeds from disposals of €5.2 million (previous year: €12.1 million.)

The free cash flow – the total cash flow from operating and investing activities – decreased to €128.1 million from its previous year's level of €170.7 million.

Cash flow from financing activities (outflow) came to €45.9 million (previous year: €95.2 million) in the reporting period and was dominated by dividend payments to shareholders and minority shareholders for the 2010 financial year totalling €78.2 million (previous year: €61.3 million). Debt repayments came to €27.2 million (previous year: €31.3 million) and also contributed to this cash outflow. Payments of €65.7 million were received in conjunction with borrowing, which counteracted this outflow.

With regard to its overall financial position, the HHLA Group has sufficient liquidity as of year-end 2011. There were no liquidity bottlenecks in the course of the financial year. Financial funds are made up of cash and cash equivalents (€330.0 million) offset by short-term deposits at banks (€30.0 million), liabilities from short-term borrowing at HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (€0.5 million) and current liabilities to shareholders outside the Group and banks (€4.7 million). The figure amounted to €294.8 million as of 31 December 2011 and was therefore much higher than at the beginning of the year (€213.7 million).

Acquisitions and Disposals of Companies

No acquisitions or disposals of companies were carried out in the 2011 financial year, therefore there has been no effect on the Group's financial position.

Analysis of the Balance Sheet Structure

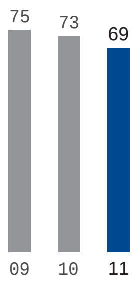
Compared with the end of 2010, the HHLA Group's balance sheet total increased as of 31 December 2011 by a total of €96.4 million to €1,811.5 million.

On the assets side, non-current assets amounted to €1,280.1 million – lower than the figure from the previous year (€1,290.7 million). This resulted primarily from a fall in deferred tax receivables.

Current assets climbed to €531.5 million (previous year: €424.5 million). This rise resulted largely from cash and cash equivalents increasing to €330.0 million (previous year: €235.5 million).

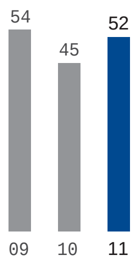
Intensity of Investments

in %



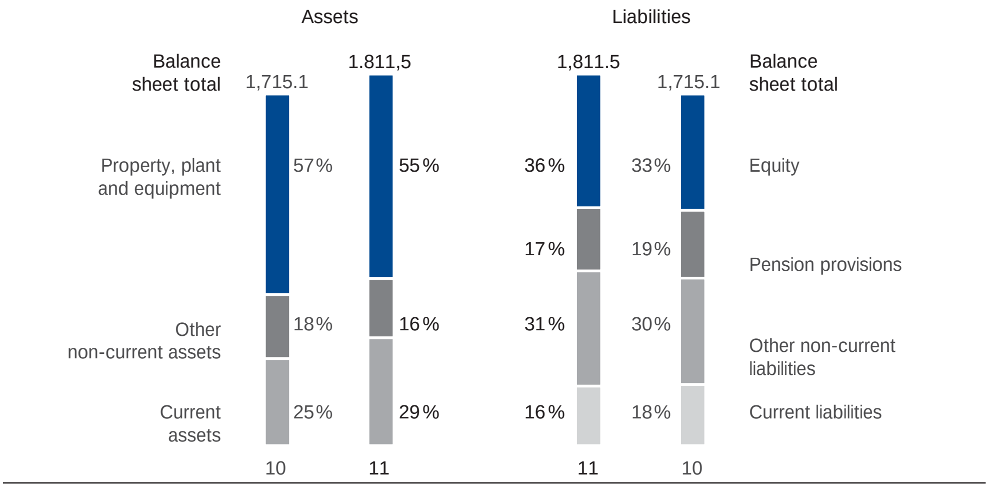
Equity Assets Ratio

in %



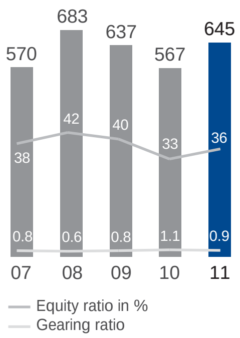
HHLA Balance Sheet Structure

as of 31.12. in € million / in %



Group Equity

in € million



Trade receivables also rose to €151.8 million (previous year: €126.5 million) due to the positive development of business in this year compared to the previous year. This higher figure was offset by a drop in income tax receivables to €3.6 million (previous year: €21.0 million).

On the liabilities side, equity was up €77.7 million at €644.7 million (previous year: €567.0 million) compared with year-end 2010. This was mainly due to consolidated net income of €118.8 million included in retained earnings. Overall, the equity ratio climbed to 35.6% as a result (previous year: 33.1%).

Non-current liabilities increased to €877.6 million as of the balance sheet date (previous year: €850.0 million). This rise resulted primarily from the growth in liabilities to related parties caused by the recognition of leasing liabilities in connection with the opening of another mega-ship berth at the CTB. Borrowing had a corresponding effect on non-current financial liabilities. Use of a higher discount factor to calculate the present value of pension obligations (5.0%; previous year: 4.5%) counteracted this development. The associated actuarial effects played a major role in the €17.4 million drop in pension provisions to €313.7 million (previous year: €331.1 million).

Current liabilities fell by €8.9 million to €289.3 million (previous year: €298.2 million). This reduction was largely brought about by the decrease in other liabilities to €25.6 million (previous year: €34.6 million) and a €5.0 million fall in trade liabilities to €72.0 million. Income tax liabilities went down from €5.6 million in the previous year to €2.5 million. There was an opposing trend in other current provisions, which increased by €6.9 million to €28.8 million, as well as in current liabilities to related parties which rose to €72.1 million (previous year: €68.0 million).

The debt coefficient as a ratio of net financial liabilities and pension provisions to Group equity (gearing ratio) was 0.9 (previous year: 1.1) as of the balance sheet date of 31 December 2011. The lower figure resulted predominantly from an increase in cash and cash equivalents and growth in equity.

Additional Information in Accordance with Section 289 (4) and Section 315 (4) of the German Commercial Code (HGB) and Explanatory Notes

1. The subscribed capital of the company is now €72,679,826.00. It is divided into 72,679,826 no-par-value shares, including 69,975,326 Class A shares and 2,704,500 Class S shares (classes of shares). The Class S shares constitute only shareholdings in the net profit/loss and net assets of the S division, and the Class A shares constitute only shareholdings in the net profit/loss and net assets of the remainder of the company (A division). That part of the company which deals with the acquisition, holding, selling, letting, management and development of properties not specific to port handling (Real Estate subgroup) is known as the S division. All other parts of the company (subgroup Port Logistics) are known as the A division. The dividend entitlement of holders of Class S shares is based on the proportion of the distributable profit for the year attributable to the S division, and the dividend entitlement of holders of Class A shares is based on the remaining proportion of distributable profit for the year (articles of association, Section 4 [1]). Each share entitles the holder to one vote at the Annual General Meeting (articles of association, Section 20 [1]) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG). If the statutory provisions require a special resolution to be adopted by holders of a given class of shares, only the holders of that class of shares shall be entitled to vote.

2. To the Executive Board's knowledge there are no restrictions on voting rights or the transfer of shares, including those arising from agreements between shareholders.

3. As stated in the voting rights notifications issued as per Section 21 (1) of the German Securities Trading Act (WpHG) by the Free and Hanseatic City of Hamburg (FHH), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV) and HHLA Beteiligungsgesellschaft mbH (HHLA-BG), dated 6 November 2007 and 4 January 2008, FHH held voting rights totalling 69.71 % (50,625,000 voting rights) via its subsidiary HGV and the latter's subsidiary HHLA-BG. The voting rights held by HGV and HHLA-BG respectively are attributed to FHH under Section 22 (1) sentence 1 (1) and Section 22 (1) sentence 1 (1) sentence 3 of the German Securities Trading Act (WpHG). The above-mentioned figures relate to the status prevailing on the date indicated in the respective voting rights notification. There were no other notifications on voting rights involving any direct or indirect interest in the capital which entitle the holder to more than 10 % of the voting rights.

4. There are no shares with special rights granting powers of control.

5. Employees who hold stakes in the company's equity exercise their shareholders' rights at their own discretion. There is no control of the voting rights of those employees who hold shares.

6. Members of the Executive Board are appointed and dismissed in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Co-Determination Act (MitbestG) and Section 8 of the articles of association. These stipulate that the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. In accordance with Section 31 of the German Co-Determination Act (MitbestG), it reaches its decisions by a two-thirds majority of its members. If this majority is not reached, the Arbitration Committee has one month as from the Supervisory Board's vote to make a proposal for the appointment. Other proposals may also be made to the Supervisory Board in addition to the proposal by the Arbitration Committee. A simple majority is sufficient for voting on the proposals made to the Supervisory Board. In the event of a vote being tied, the Chairman of the Supervisory Board has two votes in a second round of voting in accordance with Section 31 (4) of the German Co-Determination Act (MitbestG). Amendments to the articles of association can be made by means of a resolution of the Annual General Meeting. Any such amendment becomes effective when it is recorded in the commercial register. In line with Sections 179 and 133 of the German Stock Corporation Act (AktG) and Section 22 of the articles of association, a simple majority of the votes cast at the Annual General Meeting is sufficient for amendments to the articles of association. If a capital majority is required in addition

to a majority of the votes, a simple majority of the nominal capital represented when the resolution is passed is adequate. Exceptions to this rule are amendments to the articles of association for which the law requires a larger majority. In accordance with Section 11 (4) of the articles of association, the Supervisory Board is authorised to carry out amendments to the articles of association which relate only to the edition. If an amendment to the articles of association is designed to change the relationship between Class A and Class S shares, in the event of a capital increase or steps taken in accordance with the German Reorganisation of Companies Act (UmwG), special resolutions by the Class A and Class S shareholders affected are required as per Section 138 of the German Stock Corporation Act (AktG).

7.1 Subject to the approval of the Supervisory Board, the Executive Board is authorised under Section 3 (4) of the articles of association to increase the company's nominal capital until 1 September 2012 by up to €33,742,924.00, by issuing up to 33,742,924 new registered Class A shares for subscription in cash and/or kind in one or more stages (Authorised Capital I). The statutory subscription right of the holders of Class S shares shall be excluded. The Executive Board was further authorised – with the approval of the Supervisory Board – to exclude the statutory subscription rights of holders of Class A shares,

7.1.1 if the capital increase is for subscription in cash and does not exceed 10% of that proportion of the nominal capital attributable to Class A shares and the issue price of the new shares is not significantly below the market price of shares already listed on the stock market at the time the Executive Board sets the issue price,

7.1.2 if it increases the nominal capital by subscription in kind for the purpose of acquiring companies, equity stakes in companies, parts of companies, intellectual property rights such as patents, trademarks or respective licences or other product rights,

7.1.3 as necessary for equalising fractional amounts or

7.1.4 to offer employees in the company and its subsidiaries the opportunity to purchase the new shares (employee share plan).

7.2 Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised under Section 3 (5) of the articles of association to increase the company's nominal capital until 1 September 2012 by up to €1,352,250.00 by issuing up to 1,352,250 new registered Class S shares by subscription in cash and/or kind in one or more stages (Authorised Capital II). The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board was further authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class S shares as is necessary to equalise fractional amounts.

7.3 The company's nominal capital is increased contingently as per Section 3 (6) of the articles of association by up to €6,900,000.00, by issuing up to 6,900,000 new registered Class A shares. The contingent capital increase is only to be carried out to the extent that

a) the holders and/or creditors of bonds with warrants and/or convertible bonds make use of the option and/or conversion rights granted to them up to 15 June 2013 by the issue of bonds with warrants and/or convertible bonds by the company or by companies in which the company holds a majority stake, or

b) the holders and/or creditors of convertible bonds issued by the company or its affiliates up to 15 June 2013 fulfil their conversion obligations. The new Class A shares are entitled to profits from the beginning of the financial year in which they arise by the exercise of conversion or option rights or by the fulfilment of conversion obligations. Notwithstanding the foregoing, the Executive Board can, subject to the approval of the Supervisory Board, determine that the new Class A shares are entitled to profits from the beginning of the financial year for which the Annual General Meeting has not yet adopted a resolution on the appropriation of distributable profit at the time the conversion or option rights are exercised or the conversion obligations are fulfilled.

7.4.1 The Annual General Meeting held on 16 June 2011 authorised the company until

15 June 2016 to acquire Class A shares in the company amounting to up to 10 % of the current nominal capital attributable to Class A shares. Together with other Class A shares held by the company or attributable to it under Section 71a et seq. of the German Stock Corporation Act (AktG), the Class A shares acquired may not at any time constitute more than 10 % of the company's nominal capital accounted for by Class A shares. This authorisation may not be used for the purpose of trading in its own shares. The authorisation may be exercised in whole or in part, in one or more stages, for one or more purposes, by the company or its affiliates or for its or their account by third parties. At the discretion of the Executive Board, the purchase can be made via the stock exchange or by means of a public purchase offer made to all Class A shareholders or by means of a public request for a purchase offer.

(1) If the Class A shares are acquired via the stock exchange, the amount paid by the company per Class A share (excluding incidental purchasing costs) may not be more than 5 % above or below the average market price of the company's Class A shares in the Xetra final auction (or a similar successor system) on the Frankfurt Stock Exchange on the last five trading days before purchase.

(2) If the purchase is made by means of a public offer to all Class A shareholders or a public request for a purchase offer, this is permissible if the price or the threshold of the price range offered per Class A share (excluding incidental purchasing costs) is not more than 10 % above or below the average market price for the company's Class A shares in the Xetra final auction (or a similar successor system) on the Frankfurt Stock Exchange on the last five trading days before publication of the decision to make the purchase offer or the public request for a purchase offer. If the defining stock price is significantly different after a publication of a purchase offer or a public request for a purchase order, the offer or the request to submit such an offer can be amended. Any amendment made in these cases is made on the basis of the average market price for the company's Class A shares in the Xetra final auction (or a similar successor system) on the last five trading days before publication of any amendment. The volume of the offer may be restricted. If the total acceptance of the offer exceeds this volume, the purchase must be pro rata. Preferential purchases of up to 100 Class A shares in the company per shareholder may be admitted subject to the partial exclusion of any possible rights of other shareholders to offer their Class A shares. The purchase offer or the public request for a purchase offer may contain further conditions.

7.4.2 The Executive Board was also authorised, subject to the approval of the Supervisory Board, to use Class A shares purchased under the authorisation to acquire the company's own Class A shares for any legally permissible purpose, including the following:

(1) The Class A shares can be resold by means other than the stock exchange or an offer to all Class A shareholders, provided these Class A shares are resold at a price which is not significantly lower than the price of shares in the company of the same rights at the time of the sale. The defining market price for the purposes of this regulation is the average share price of the company's Class A shares in the Xetra final auction (or a similar successor system) on the Frankfurt Stock Exchange over the last five trading days before the sale of the company's own shares. In these cases the number of shares to be sold, together with the new shares issued under Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) since this authorisation came into effect, excluding subscription rights, must not exceed 10 % of the company's nominal capital in the form of Class A shares at the time this authorisation comes into effect and is exercised.

(2) The Class A shares can be sold as payment in kind to third parties, particularly in the course of mergers with other companies or in order to acquire companies, equity stakes or parts of companies.

(3) The Class A shares can be used to settle rights or obligations held by bearers or creditors under convertible bonds or bonds with warrants issued by the company or by companies in which the company holds a majority stake.

(4) The Class A shares can be transferred or offered for purchase to employees of the company or affiliated companies.

(5) The Class A shares can be redeemed in full or in part without a further resolution by the Annual General Meeting. They can be redeemed in a simplified process in accordance with Section 237 (3–5) of the German Stock Corporation Act. The authorisation to redeem shares can be made use of multiple times. If the shares are redeemed in a simplified process in accordance with Section 237 (3) (3) of the German Stock Corporation Act, the Executive Board is authorised to adjust the number of no-par-value shares in the articles of association.

7.4.3 The right of shareholders to subscribe for the company's own shares is excluded if these shares are used in accordance with the aforementioned authorisations in 7.4.2 items 1 to 4.

7.4.4 The authorisations in 7.4.2 items 1 to 5 also cover the use of shares in the company acquired on the basis of Section 71 (d) sentence 5 of the German Stock Corporation Act.

7.4.5 The authorisations in 7.4.2 can be exercised on a one-off or repeated basis, in whole or in part, and separately or jointly. The authorisations of 7.4.2 items 1 to 4 can also be exercised by independent companies or companies in which the company holds a majority stake or third parties acting for their own account or for the account of the company.

7.5 The Annual General Meeting on 16 June 2010 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 15 June 2013 bearer or registered bonds with warrants or convertible bonds (hereinafter known collectively as "debenture bonds") and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for new Class A company shares subject to the detailed terms of the debenture bonds. The total nominal amount of the debenture bonds issued under this authorisation may not exceed €400,000,000.00. Option and conversion rights may only be issued for Class A company shares accounting for up to €6,900,000.00 of the company's total nominal capital accounted for by Class A shares. Class S shareholders' subscription rights are excluded. The Executive Board is authorised, subject to the approval of the Supervisory Board, to exclude Class A shareholders' subscription rights to the debenture bonds in full or in part,

- for fractional amounts;
- to the extent necessary to grant the bearers or creditors of then outstanding option rights and/or convertible bonds those subscription rights to bonds with warrants or convertible bonds to which they would be entitled after exercising the option or conversion right or fulfilling their conversion obligation;
- to the extent that bonds are issued for cash and the issue price is not significantly lower than the theoretical market value of the separate securities as measured by recognised mathematical methods. However, this authorisation to exclude subscription rights only applies to debenture bonds with rights, options or obligations to convert them into shares accounting for no more than 10 % of nominal capital in total, either at the time this authorisation takes effect or when it is exercised. The exclusion of subscription rights under other authorisations is to be taken into account in determining the extent to which the 10 % limit has been used, in accordance with Section 186 (3) sentence 4 AktG.

Even if the conversion ratio, exercise price or conversion price are variable, the conversion or exercise price set for one Class A company share (issue price) must be equivalent to either

- at least 80 % of the average final auction price for Class A company shares in Xetra trading (or a similar successor system) (i) on the ten trading days before the Executive Board adopts a resolution to issue the bonds or (ii) on the five trading days immediately before an offer to subscribe for the bonds is publicly announced or (iii) on the five trading days immediately before the company declares its acceptance following a public invitation to apply for subscription or
- at least 80 % of the average final auction price of the Class A company shares in Xetra trading (or a similar successor system) during the days on which the subscription rights to the bonds are traded at the Frankfurt Stock Exchange, with the exception of the last two trading days for those rights.

7.6 Under Section 6 of the articles of association and Section 237 (1) of the German Stock Corporation Act (AktG), the company is authorised to mandatorily redeem Class A or S shares against payment of appropriate compensation if the shareholders whose shares are to be redeemed have given their consent.

8. The company has no significant agreements dependent on a change of control resulting from a takeover bid.

9. The contracts of employment with the Executive Board members valid during the reporting period contain clauses which provide for a payment to the respective Executive Board members in the event of them losing their Executive Board seats due to a change of control or similar circumstances. The agreed amount to be paid is the remaining remuneration for the residual terms of their respective contracts of employment, payable to each in one lump sum discounted by 2 % p.a. In calculating this severance pay, the future entitlement to payment of a bonus is calculated based on the average annual net profit for the preceding three full financial years. If an Executive Board member earns additional income in the period up to the original end of his or her contract or employment, this income is in some cases set off against the severance payment up to a certain amount.

The provisions described above correspond to the legal situation and are standard practice at comparable listed companies. Their intention is not to complicate any possible takeovers.

Risk and Opportunity Report

Risk Management

HHLA's risk management system fosters a keen awareness of dealing with corporate risks. It aims to identify risks in good time and take steps to manage or avert them, thereby preventing situations which could jeopardise the continued existence of the HHLA Group. An important element of the system is its compliance with the principles of promoting entrepreneurial thinking and independent, responsible action.

HHLA defines risk in this case as the possibility of any negative deviation from its operational or strategic plans and current forecasts.

In order to manage such risks, the company has established a risk management system comprising the necessary organisational rules and procedures for identifying risks at an early stage, and taking proactive steps to deal with the risks and potential rewards inherent in all commercial activity. To this end, HHLA has created a system covering economic and ecological activities and its business operations. This system is based on risk policies established by the Executive Board. Risk management is carried out according to systematic principles and is subject to a continual improvement process.

The main elements of the risk management system were determined in close cooperation between the Executive Board, Internal Audit and Controlling, and establish clear lines of responsibility for the identification, assessment, control, monitoring and reporting of risks.

Risks are catalogued regularly in the course of the annual planning process. All identified risks are described clearly, classified according to defined risk areas and assigned to a risk manager.

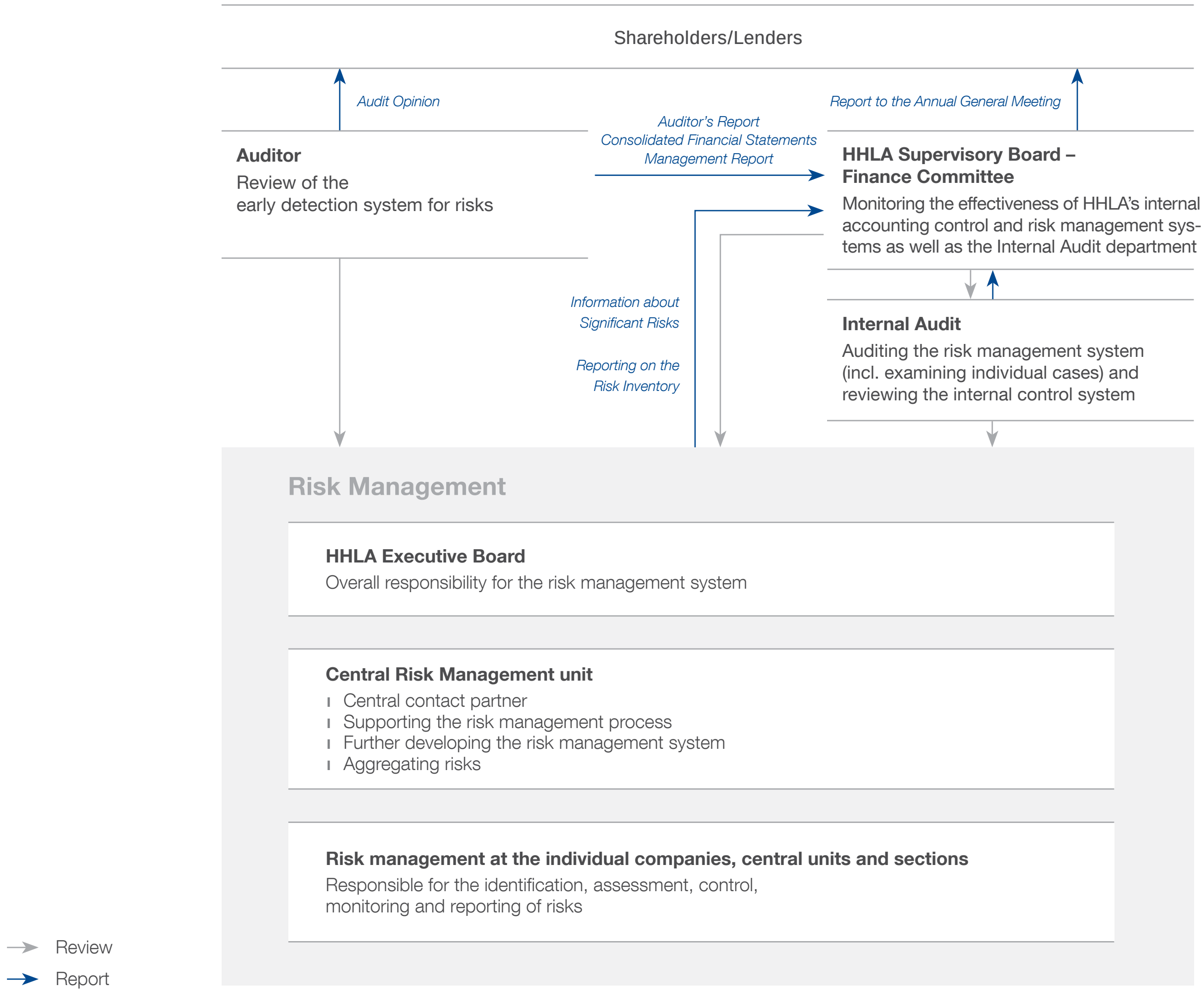
Risks are categorised by the likelihood of their occurrence and the amount by which such an occurrence would reduce the operating result or cash flow before taxes.

When assessing a risk, the level of loss or damage plus the anticipated probability must be stated. A distinction is made here between the gross risk (excluding reduction and management measures) and the net risk (including reduction and management measures). Risks are assessed in the context of the existing circumstances or a realistic projection. In addition to estimates and economic or mathematical/statistical inferences, sensitivities derived from the planning processes can also be used as a basis for assessment.

To ensure that risks of the same kind are recorded uniformly throughout the Group, staff liaise with the central Risk Management unit when assessing identified risks, to establish and calculate the likelihood of the risks arising and the associated potential loss or damage.

After identifying and assessing the risk, the company then defines control measures aimed at reducing the likelihood of its occurrence and/or the loss or damage. Risks are monitored continu-

Organisation of Risk Management



ously and any significant changes are reported and documented on a quarterly basis. Additional ad hoc reports must be issued whenever significant risks emerge, cease to apply, or change. Risks are reported using standard Group-wide reporting formats in order to ensure a consistent overall picture of current risks.

The most important elements of the risk management system and risk reporting are described in a corporate guideline. The Internal Audit department is responsible for auditing the risk management system. The external auditors also assess the early detection system as part of their audit of the annual financial statements.

Internal Control System and Management of Accounting Risks

Structure of the System

HHLA's internal control system is designed to ensure that the (financial) reporting processes used throughout the company are consistent, transparent and reliable. Furthermore, it makes sure they comply with legal standards and the company's own guidelines. It comprises principles, procedures and methods designed to reduce risk and ensure the effectiveness and propriety of HHLA's processes.

The internal control system is regularly monitored and assessed according to documented processes, risks and controls. It therefore ensures transparency with regard to its structure and functionality for the purposes of internal and external reporting.

HHLA's internal accounting control and risk management system is based on the criteria laid out in the "Internal Control – Integrated Framework" working paper published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Accounting processes are assessed to determine whether there is a risk posed to the completeness, existence, accuracy, valuation, ownership and reporting of transactions. The company also conducts a risk assessment regarding the possibility of fraud. Concluding unusual or complex transactions can lead to specific accounting risks. There is also a latent risk of error when processing non-routine transactions. Employees are by necessity given a certain amount of leeway when recognising and measuring balance sheet items, which can give rise to further risks.

Internal controls are intended to reduce accounting risks and make sure that transactions are documented, recorded, processed and assessed correctly in the balance sheet, as well as being quickly and correctly adopted in financial reporting. Controls are in place for all accounting processes. Internal controls guarantee that the accounting process is efficient and avoids – or at the very least detects – the majority of errors.

Accounting processes, risks and controls have been documented and described along with their respective lines of responsibility and reporting structures. A risk control matrix is used to document risks and controls. Processes, risks and controls are updated regularly.

The Internal Audit department is responsible for monitoring HHLA's internal accounting control and risk management systems. The external auditor also assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks.

The internal accounting control and risk management systems will always have certain limitations, regardless of how carefully they are designed. For this reason, it is impossible to fully guarantee that accounting standards will always be met or that every incorrect statement will always be avoided or identified.

Significant Regulations and Controls

Areas of responsibility related to accounting are clearly structured and assigned by HHLA. The Executive Board of HHLA bears overall responsibility for the internal accounting control and risk management system of the HHLA Group. The central units of HHLA Holding and the Group companies are responsible for carrying out adequate and orderly accounting processes. The departments involved in the accounting process are provided with appropriate personnel and resources. All employees involved with accounting activities are suitably qualified.

Accounting tasks and functions are clearly defined within the Group. There is a clear functional demarcation between accounts payable and accounts receivable as well as the preparation of individual financial statements and the preparation of Consolidated Financial Statements. There is also a clear demarcation between these departments and the respective segment accounting. Separating execution, settlement and authorisation functions and giving these responsibilities to different members of staff reduces the risk of fraud. Multi-stage approval and authorisation thresholds for ordering, payment transactions and accounting are employed across the Group. These include using the double-check principle. There is a single accounting manual which covers the consistent application and documentation of accounting rules for the entire Group. Other accounting guidelines are also in place. Like the accounting manual, they are reviewed regularly and updated if necessary.

Most bookkeeping procedures are recorded using accounting systems developed by SAP. For the purposes of preparing HHLA's Consolidated Financial Statements, subsidiaries add more information to their separate financial statements to form standardised report packages, which are then fed into the SAP EC-CS consolidation module for each individual company.

Measures are in place to protect the IT systems from unauthorised access. Access rights are granted in line with each user's role. Only those departments responsible for mapping transactions are given write access. Departments responsible for processing information use read access. Detailed function-related authorisations are defined in a set of SAP authorisation guidelines. IT security guidelines also cover access to IT systems in general.

External service providers are used for pension reports, fiscal issues and for other reports and projects if necessary.

The specific formal requirements for the consolidation process pertaining to the Consolidated Financial Statements are clearly defined. In addition to a definition of the consolidated group, there are also detailed rules requiring affiliates to use a standardised and complete report package. There are also specific provisions regarding the recording and handling of Group clearing transactions and subsequent balance reconciliations, or the determination of the fair value of shareholdings. As part of consolidation, the Group accounting team analyses the separate financial statements submitted by affiliates and corrects them if necessary. Incorrect information is identified and corrected as necessary using control mechanisms already present in the SAP EC-CS system or using system-based plausibility checks.

Risk Items

Strategic Risks

The continuing growth in ship dimensions also impacts the competitiveness of HHLA and Hamburg as a port location. The expansion of regional transport and hinterland infrastructure is therefore essential.

The dredging of the Elbe's shipping channel to allow for a draught of 13.50 m throughout, and 14.50 m depending on the tides, is of considerable significance. Negotiations are currently underway as part of the plan approval process to enable planning approval to be granted as soon as possible. Based on the information currently available, this will happen in 2012. Excavation work can commence once the planning approval decision is enforceable. An appeal against planning approval cannot be ruled out, however. Radical improvements for tidal shipping should start to emerge around nine months after construction work has begun.

For the Port of Hamburg, the deepening of the waterway is a vital prerequisite for maintaining and extending its position as a key hub for international container traffic in future. Delays in carrying out the work may mean that shipping companies increasingly look to other handling sites with better nautical access when planning their liner services. As a consequence, developments in freight traffic might bypass the Port of Hamburg in the long run. These factors may put a strain on HHLA's business development and – depending on the further course of proceedings and the reactions of shipping companies – could severely impact the Group's earnings and financial position.

As well as dredging the shipping channel, the regional road and rail infrastructure must be modernised and expanded if the Port of Hamburg wants to remain competitive and optimise its processes for the inbound and outbound flows of goods in its hinterland. Projects of this kind with special significance for business at the port include constructing the transversal port motorway (A252), modernising the locks and upgrading the Kiel Canal. HHLA is confident that the relevant political decision-makers will continue to press for the completion of these infrastructure projects. HHLA is attempting to prevent any further delay by making sure that HHLA's interests are represented on the appropriate committees, as well as by means of lobbying and active public relations activities.

Market Risks

Stable and ongoing economic growth in HHLA's target markets is crucial for the further development of container handling, transport volumes and logistics services. Leading economic researchers and institutes recently downgraded their forecasts for global economic growth in 2012.

Considerable risks remain due to the volatile macroeconomic environment. One such risk factor is the ongoing sovereign debt crisis in the eurozone, which is jeopardising general economic developments. The question of how budget deficits can be financed sustainably remains unanswered and is fostering a great deal of uncertainty on the financial markets. The necessary consolidation measures and dwindling investments threaten to impair further economic development.

Government intervention by means of monetary policy or the introduction of trade restrictions – such as compensatory tariffs designed to boost a country's own competitiveness – could prompt a wave of protectionist moves, which would hamper world trade.

Prices for commodities such as oil, copper and rare earths may hinder economic developments. If prices do not fall during a phase of contraction, this could also damage the global economy.

Should container throughput, transport volumes or logistics services fail to develop as expected because economic uncertainty has grown since the previous year, planned volumes may not be achieved. This may lead to an underutilisation of handling capacity and train systems. Underutilisation generally entails the risk that it might not be possible to compensate fully for negative divergences in earnings in the short term due to the high level of fixed costs.

Terminal operators in the Hamburg-Antwerp range are gradually bringing the expansion of their handling capacities to a close. The supply of container throughput capacity still far outstrips demand. Drewry and the Bremen-based Institute of Shipping Economics and Logistics (ISL) still anticipate an underutilisation of capacities in Northern Europe over the coming years. A surplus of this kind may lead to even greater competition.

HHLA works with almost all the major global shipping companies in container traffic. The industry is undergoing an intense process of consolidation, which has been exacerbated by overcapacities and the difficult earnings situation of shipping companies. Mergers and alliances among shipping companies, as well as between terminal operators and shipping companies, may result in a change in freight flows and the pricing structure currently in place between handlers in Northern Europe.

Some of the Group companies generate a large percentage of their revenue with a small number of customers. If one of these clients were to switch to a different service provider, it would have a sizeable impact on earnings at the company in question.

The Intermodal companies are exposed to intense competition from competing rail operators as well as from trucks and feeder ships as carriers. The market entry of new competitors with aggressive pricing policies, particularly in Central and Eastern Europe, poses the risk that market share will shift to the detriment of rail operators in which HHLA has interests.

In the Logistics segment, there is a risk that it may prove impossible to achieve the planned revenue targets in a difficult market environment, especially in the fruit handling and warehousing logistics divisions.

In order to confront these sales risks, HHLA takes specific steps to reinforce customer loyalty and develop unique selling points in all of its segments. The Group is also making use of its flexibility in cost and capacity management. HHLA's strategy is to adapt its investments in expanding the container terminals as flexibly as possible to foreseeable demand. Throughput and transport volumes in the affected markets are monitored together with the throughput volumes and service structure of each client, so that any negative developments can be recognised at an early stage. HHLA counters market risks by diversifying its customer base and concluding medium-term contracts of varying duration. The contracts governing the purchasing of traction services contain flexible components which permit the company to respond to market fluctuations and seasonal deviations.

A limited number of companies supply port handling equipment and systems. This could lead to bottlenecks in the procurement of replacement parts and changes to purchasing agreements. In response to this, HHLA constantly looks at alternative procurement strategies and diversifies its purchasing activities where necessary. HHLA also works closely with strategic suppliers in a spirit of partnership. In coordination with HHLA's departments and affiliates, relevant consolidation processes in the markets for handling equipment are also carefully monitored and taken into account when awarding contracts. HHLA also continually tracks its suppliers' credit ratings by means of a monitoring system.

The HHLA companies operating in the Intermodal segment purchase significant traction, carriage and network services from a small number of high-performance rail companies. This leads to a certain amount of dependence on one, or a small number of, service providers. The Intermodal companies take specific precautionary steps to reinforce customer loyalty and develop unique selling points. All rail operators are constantly exposed to the risk of service providers charging excessive usage fees. In order to minimise this dependence, the Intermodal companies maintain regular contact with the relevant service providers, some of which are HHLA shareholders.

Service Provision Risks

The failure of central technical equipment can restrict the ability of equipment-based companies to provide services. Depending on the duration of the downtime, unavailable equipment can lead to decreased revenue and an increase in the costs involved in providing services. Preventative maintenance, contingency plans/repair services and redundant equipment, such as computing centres and transformer stations, reduce the risk considerably. HHLA's affiliates carry out regular inspections and tests to identify possible faults before they happen.

Financial Risks

Liquidity risks in financial management are limited by, among other things, HHLA's centralised responsibility for financing its affiliates. Financing of the direct equity holdings where HHLA exercises operational control is safeguarded, controlled and monitored by HHLA by means of a cash pooling arrangement. Liquidity at the other Group equity holdings is ensured by, for example, including them in the Group's clearing system, arranging for their own credit lines or giving them access to those of HHLA.

As a result of borrowing, certain affiliates have covenants linked to key balance sheet figures. Violating these covenants would authorise the lender to demand additional collateral, a change in conditions or the repayment of the loan. In order to prevent such steps, HHLA constantly monitors compliance with the covenants and, where required, implements measures to ensure that all conditions of the loan are met. As of 31 December 2011, the relevant total borrowings came to €67.5 million. The covenants were met at all agreed audit points throughout the reporting year.

When investing liquid funds, generally in the form of call money or term deposits, HHLA currently restricts itself to investments with domestic financial institutions which are fully secured by a deposit protection fund or comparable arrangement. Since HHLA only enters into transactions with institutions boasting a very high credit rating, and the financial sector is currently being fortified by government measures, the risk of default can be regarded as low.

Changes in interest levels over the long term may alter the necessary pension provisions. A fall in long-term interest levels increases the fair value of the pension obligations. HHLA monitors interest trends so that it can adjust its provisions as necessary.

The HHLA Group uses derivative financial instruments to reduce interest rate risks and, to a lesser extent, exchange rate and commodity price risks. Interest rate risks are largely hedged by interest rate derivatives and by fixed-interest agreements. No speculative hedging transactions are conducted. The theoretical default risk in the case of derivative financial instruments is that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments. The risk of default can be regarded as minimal, as the HHLA Group only conducts derivative financial transactions with counterparties boasting very good credit ratings. ► See also Note 46 in the Notes to the Consolidated Financial Statements, page 173.

The bulk of HHLA's services are rendered within the eurozone, meaning that the majority of its invoices are issued in euros. Even the Group's Eastern European affiliates invoice mainly in euros, or based on euros or US dollars. Currency or transfer risks therefore result primarily from exchange rate fluctuations affecting Eastern European currencies.

In order to reduce the risks associated with exchange rate fluctuations, the affiliates strive to use the relevant functional currency for invoicing, loans and payments. Should currencies fluctuate, this minimises the overall impact of individual contrary effects. All HHLA companies that operate with foreign currencies reduce the risk of exchange rate fluctuations by monitoring rates regularly and, where necessary, transferring free liquidity in local currency to euro or US dollar accounts. The holding company also constantly tracks those currencies of relevance to the Group. If there are indications that currencies will fluctuate, suitable countermeasures are promptly discussed with the units affected.

Predatory competition is currently rife in the global container transport industry, which is manifesting itself in an endless series of new ship orders and persistently low rates. It is therefore impossible to rule out client bankruptcies. In addition to the loss of any outstanding accounts receivable, the insolvency of one of HHLA's shipping clients could lead to freight volumes being taken on by shipping companies which are not clients of HHLA.

As the HHLA Group's customers are international, the Group must adapt its payment transactions to prevailing global practice. For the HHLA Group, this means granting its customers trade credit during the course of its commercial relationships. HHLA uses credit checks to reduce del credere collection risks. To reduce the risk of default, HHLA operates an active receivables management system that enables outstanding accounts to be monitored with precision. HHLA has also taken out loan loss insurance to minimise default risks. Should the financial position of specific debtors change significantly, the insurer may limit the amount of cover it offers for new receivables payable by these debtors and/or no longer be able to provide cover.

Economic developments at certain affiliates remain difficult. This could make it necessary to write down the carrying amount of holdings. It may also prove necessary to assume losses. HHLA checks the value of its equity holdings regularly and makes adjustments where necessary.

Change in the Legal Framework

The rendering of port services has long been a focal point of legislative considerations at EU level. The EU's deliberations so far have aimed at opening up the market for port services and establishing a valid EU-wide legal framework for their rendering. As a result, we may see more EU guidelines and their translation into national law over the next few years.

Starting in 2015, the sulphur limits for the fuel used by ocean-going vessels in the North Sea and the Baltic are set to be reduced from their current maximum of 1 % to 0.1 %. As of 2012, the international limit will be cut from its current 4.5 % to 3.5 %, with a further reduction to 0.5 % starting in 2020. As the stricter limits in the North Sea and the Baltic make transportation costlier, there is a risk of traffic shifting and competition being distorted.

Staff Risks

HHLA's ability to operate relies to a large degree on the skills of its staff. For this reason, the HHLA Group is exposed to individual risks resulting from the age distribution of its workforce, their qualifications and training, and fluctuation among key personnel. In order to minimise such risks, staff selection, recruitment and development are carried out centrally by HHLA Holding in coordination with the subsidiaries and associated companies using standardised processes and procedures. Furthermore, expertise is systematically shared among staff and substitution procedures have been put in place. Staff appraisals are also conducted on a regular basis to retain employees on a long-term basis. A standardised procedure is used to assess managers and help them to develop. This procedure allows HHLA to recognise potential and safeguard succession plans.

Staff risks also include the possibility of fraudulent acts and, at a more general level, employees violating the law during their work. To reduce these risks, HHLA has introduced guidelines, manuals and double-checking, embedded controls in its processes and established spot checks as part of its compliance management system. Furthermore, the Group has issued a code of conduct which applies to all HHLA managers and staff. Training sessions are held regularly on the contents of the code of conduct. New employees and apprentices also receive training on the code. Regular induction and training sessions focusing on special issues are also held for relevant groups of staff. These cover topics such as occupational health and safety, environmental protection, conduct in the competitive environment, preventing corruption and insider trading rules.

IT Risks

As part of the expansion of terminal capacity, major investments were made in hardware and software components. Ever-greater process automation, increasing integration of customers and service providers into organisational processes and the consequent growth of data transfer mean that the availability of IT systems is becoming increasingly important. Redundant copies of key IT components such as computing centres, computer networks and telecommunications systems substantially reduce the probability of downtime.

IT security and SAP authorisation guidelines define the responsible operation of IT systems and serve to prevent IT security violations.

Other Risks

All of the handling sites within the HHLA Group offer ships and port facilities maximum protection against potential terrorist attacks. The requirements of the International Ship and Port Facility Security Code (ISPS Code), which took effect in 2004, are met in full.

Generally speaking, the competent authorities worldwide are looking to tighten the security guidelines in maritime transport even further. These measures would lead to additional costs which it may not be possible to fully recoup, or which cannot be passed on due to the competitive situation. HHLA makes its position clear by means of lobbying and public relations work in the hope of achieving a sensible, economically viable solution.

Increases in rents in the years ahead are expected as a result of contractual step-up clauses in leases for quays and other areas. Planning authorities may require supplementary conditions to be fulfilled when granting permission for container terminal capacities to be expanded. These conditions can relate in particular to environmental and emission protection measures. There is also a general risk of further legal obligations if the project turns out to have any unforeseen negative consequences.

As a result of the existing structural situation and the fact that HHLA's port facilities and buildings operate close to water, a risk of storm flooding must be assumed. Flood protection work undertaken by HHLA and the Free and Hanseatic City of Hamburg in recent years has reduced this risk considerably, however. Should this risk ever become reality, comprehensive emergency programmes have been put in place by public authorities and companies operating in the port to minimise the potential damage. Additionally, anticipated third-party claims for damage to property are insured against.

The HHLA Group companies are active in Central and Eastern Europe via terminals operated there. The general environment in some parts of these countries is different from that in Western Europe, with less political, economic and legal stability. As a result, the HHLA Group is exposed to a number of factors which it cannot influence directly and which could have an impact on its commercial activities in these countries. In particular, it cannot be ruled out that for political or legal reasons, HHLA may not receive all or some of the profits it generates.

Above and beyond the risks mentioned, no further significant risks have currently been identified, while those that do exist are largely insured against.

Opportunities

Strategic Opportunities

Thanks to its favourable geographical location, the Port of Hamburg is the leading international hub for seaborne and overland container transport close to the German North Sea coast. It also enjoys excellent hinterland links to the growing economies of Central and Eastern Europe and the Baltic states. If the planned enhancement of the Elbe shipping channel is completed quickly, this will enable HHLA to maintain and extend its competitive position. The Intermodal segment will also benefit from the growth in container handling. The shift in container traffic from road to rail could be accelerated by new environmental policies in the future.

HHLA's SWOT Profile (Strengths, Weaknesses, Opportunities, Threats)

Strengths

- Unique network between overseas port and European hinterland
- Climate-friendly link between ship and rail carriers
- Highly efficient container terminals with cutting-edge technology
- Direct rail systems for central transport corridors
- Specialised inland terminals for rail traffic
- Highly qualified staff with low fluctuation rate
- Economies of scale arising from capital-intensive business model
- Sound balance sheet structure with a low gearing ratio by industry standards

Weaknesses

- Considerable investments needed for large equipment and terminal development
- Dependence on the expansion and maintenance of public infrastructure (including nautical accessibility)
- Limited cost flexibility due to capital-intensive business model
- Immobility of handling facilities and inland terminals

Opportunities

- Link to emerging economies' growth potential (Asia, Central/Eastern Europe)
- Ongoing liberalisation of world trade
- Distance advantages in the natural catchment area as an easterly hub located well inland
- Increasing use of rail transportation for freight traffic
- Freight volume concentrated at major international cargo hubs
- Rising importance of efficiency, productivity and reliability in the transport chain
- Growing demand for eco-friendly transport solutions

Threats

- Course of business dependent on economic developments
- Change in freight flows
- Surplus capacity among handling operators in Northern Europe
- Shipping lines' difficult financial position
- Protectionism

Market Opportunities

Provided that there are no protectionist tendencies hampering world trade, the international division of labour in the production of consumer and capital goods will also continue in future. The Port of Hamburg's integration into the global exchange of goods gives HHLA the chance to benefit immediately from further developments in the global economy. Experts believe that the prerequisites for such a development are in place, thanks to the decisive response of politicians and central banks to market fluctuations, the stabilisation of financial markets and the further growth of the global economy.

Financial Opportunities

HHLA has a sound balance sheet structure and a low gearing ratio by industry standards. This means that HHLA has various options for financing investments and shareholdings. In addition to the above, HHLA continually assesses the extent to which strategically advantageous acquisition or investment possibilities are available.

Overall Assessment of Risks and Opportunities

The HHLA Group's overall risk position is determined largely by uncertainties surrounding the future development of the global economy and by strategic and market risks. Overall, there has been a slight increase in residual risks after taking countermeasures into account. This is due to the uncertain macroeconomic environment.

The risks identified do not threaten the existence of the Group. As far as the future is concerned, there are also no discernible risks at present which could jeopardise the continued existence of the company.

As the macroeconomic prospects are fraught with uncertainty, this description of risks merely serves as a snapshot. The HHLA Group's quarterly reports contain updated information on any changes to the company's risk position.

Events after the Balance Sheet Date

There were no significant events after the balance sheet date on 31 December 2011.

Business Forecast

Macroeconomic Environment

The economic outlook for 2012 is currently dominated by an exceptional high level of uncertainty. A viable solution to the sovereign debt crisis in the eurozone and the USA is yet to be found, and the risks of an economic downturn have increased considerably in the light of massive public spending cuts and the persistently unstable state of the financial sector. This leads to a trend enforcing the general reluctance regarding stock ordering, investments and consumer spending. The situation is further exacerbated by the restricted lending ability of many banks. As the global economy is heavily interconnected, the export-oriented emerging and developing countries are also greatly affected by restrained demand from the industrialised nations.

In the light of this adverse economic climate, both the World Bank and the International Monetary Fund (IMF) recently downgraded their economic forecasts for 2012 noticeably. Applying the IMF's base case scenario gives rise to moderate projected global economic growth of around 3 %. Due to the multiplier effects of a globalised division of labour, the growth forecast for world trade has been scaled down even more substantially to nearly 4 %.

This scenario is based on key assumptions including a gradual decrease in uncertainty as the year progresses and stronger economic growth in the second half following a muted start to the year. It also assumes that the geopolitical tension between the international community and Iran will not trigger sustained disruption to mineral oil supplies or a further escalation.

Once again, economic growth in those regions of prime importance for the business development of HHLA is likely to differ strongly in 2012. Although Asia's economic expansion is expected to be affected by the debt crisis of the industrialised nations and the resulting fall in exports, the IMF still anticipates comparably strong economic growth of over 7 % in this region. Despite stepping up efforts to prevent overheating, somewhat stronger growth of around 8 % is predicted for China. The People's Republic would therefore remain one of the most important drivers of growth in the global economy.

Due to the influence of the euro crisis, ongoing capital outflows and dwindling external economic stimuli, the IMF believes that economic growth in Central and Eastern Europe will slow to around 1 %. Meanwhile, Russia's economic output is expected to record further robust growth of some 3 %.

In the wake of its fiscal consolidation efforts, the eurozone is likely to experience recession in 2012 with the member states in Southern Europe being hit hardest. However, it is anticipated that this downturn will be mild overall and relatively short, prompting the eurozone's gross domestic product (GDP) to shrink by less than 1 % over the full year. The economy of the European Union as a whole looks set to more or less stagnate this year. The IMF expects a similar fate for Germany's GDP, although it believes that the country will probably recover faster than the rest of the eurozone. In contrast to previous years, growth is expected to be driven above all by Germany's domestic economy. Following on from the recent upturn in its economic prospects, the IMF estimates that the US economy could grow by almost 2 %, although structural problems and high unemployment will continue to hamper growth.

Sector Development

Based on the developments described above, market research institutes such as Drewry Shipping Consultants and Clarkson anticipate reduced growth of between 5 and 6% in worldwide container throughput for 2012. While above-average growth rates are predicted again for container traffic within Asia and transport volumes in Latin America, the forecasts for Northern European ports suggest considerably more restrained growth of 1 to 2%.

Driven by a rising concentration of rival providers in the growing emerging markets, fierce competition in handling and transport services looks set to shape HHLA's market environment again in 2012. Container shipping companies are expected to face persistently high fuel costs and ongoing pressure on earnings. The anticipated delivery of over 250 container ships with a combined capacity of some 1.5 million TEU will drive carrying capacity up by more than 8%, taking it well above the projected development in demand. About half of the additional capacity will be attributable to over 50 new container megaships, each with space for 10,000 TEU or more, which will primarily be used on the trade route between Asia and Europe. Given the surplus stowage capacity, experts from the shipping industry anticipate far-reaching consolidation moves in the shape of partnerships, alliances and possibly also some market exits.

This development will be flanked by the creation of additional handling capacity at the ports along the Northern European coast in 2012. Operations are due to commence at JadeWeserPort in Wilhelmshaven, a new terminal site on Germany's North Sea coast, in the second half of the year. As volume trends are expected to prove modest, surplus handling capacity can also be anticipated in Northern Europe for some time to come. This will place corresponding pressure on the earnings potential of terminal operators.

Considering the development at the seaports, the freight volume for continental pre- and onward-carriage systems looks likely to increase at a slower pace than in the previous year, when strong growth was recorded. Transport volumes and figures – including transit traffic – are therefore expected to grow by a low single-digit percentage. Developments on the routes served by the affiliates in the Intermodal segment are likely to vary, depending on the core region they provide links to. However, respondents to a survey by the German Association for Materials Management, Purchasing and Logistics (Bundesverband Materialwirtschaft, Einkauf und Logistik e.V.) expect capacity utilisation in rail and road traffic to improve as a result of constant or falling stowage capacity, which most believe will prompt transport prices to rise. The proportion of intermodal traffic using rail transport is also expected to increase further.

Given the uncertain macroeconomic outlook, a slight deterioration of business and orders is also expected for the logistics service sector in 2012. The market environment for the affiliates in the Logistics segment is likely to develop differently for each submarket. Steel production is expected to grow by 3 to 4% during the forecast period, with an effect on bulk cargo handling of iron ore and coal. Despite tougher competition, the German automotive industry – which purchases vehicle transshipment services – anticipates stable car output on a par with the previous year's record level. While the increasing containerisation of perishable goods and the shift in consignment and storage activities will continue to exert pressure on volume developments in fruit and contract logistics, the number of cruise ships booked to dock at the port leads HHLA to expect another remarkable increase in handling services.

Group Performance

Expected Earnings Position

In 2012, HHLA aims to utilise the above-mentioned market trends to drive **revenue growth** in the region of 5% at Group level. Despite persistent pressure on earnings, the Group aims to make efficiency gains to the extent of a double-digit millions sum. By compensating for volume and inflation-related cost increases in this way, the company intends to achieve a proportionate **improvement in its operating result (EBIT)** and thereby post a stable margin on the level of the previous year.

The development will again depend to a large extent on the listed **subgroup Port Logistics**.

Business Forecast for 2012

Assumptions

Base case scenario

- Considerably less momentum regarding global economic growth
- More challenging comparative basis
- High degree of uncertainty due to unresolved sovereign debt crisis
- Economic burden due to fiscal austerity programmes
- Work commences on dredging of Elbe shipping channel
- Surplus capacity in container shipping and at handling terminals in Northern Europe

Relevant growth expectations

Gross domestic product	2012
Global economy	approx. 3 %
Germany	0 – 1 %
Asia	approx. 7 %
Central and Eastern Europe	approx. 1 %

Industry indicators	
Global trade	approx. 4 %
Container throughput, worldwide	5 – 6 %
Container throughput, Northern Europe	1 – 2 %
Transport volume, Germany	2 – 3 %

Source: IMF, Drewry, Clarkson, Federal Office for Freight Transport

Group targets

HHLA

- Revenue growth in the region of 5 % (revenue in 2011: € 1,217 million)
- EBIT margin in the region of the previous year (2011: 17.0 %)
- Investments in the range of € 250 million to € 280 million

Subgroup targets

	Port Logistics	Real Estate
Revenue growth	In the region of 5 % (revenue in 2011: € 1,191 million) with continuing pressure on earnings continue due to surplus market capacity and delays to river Elbe dredging	In the region of the previous year (revenue in 2011: € 32 million)
EBIT margin	In the region of the previous year (2011: 16.4 %) offsetting cost increases caused by higher volumes and inflation with efficiency gains	In the region of the previous year (2011: 37.6 %)

Segment targets

	Container	Intermodal	Logistics	Real Estate
Volume growth	Container throughput: Above market growth in the region of 5 % (2011: 7,087 TTEU)	Container transport: Above market growth in the region of 5 % (2011: 1,887 TTEU)	Heterogeneous developments in specialised market segments	The Real Estate segment is equivalent to the Real Estate subgroup (see section above).
Revenue growth	Slightly below volume growth (2011: € 713 million)	Above volume growth (2011: € 358 million)	Below the previous year (2011: € 127 million)	
EBIT margin	Below the previous year (2011: 27.4 % incl. income from compensation)	Improvement on the previous year (2011: 6.9 % incl. impairment charge)	Improvement on the previous year (2011: - 0.8 % incl. impairment charge)	

	Positive case scenario	Negative case scenario
Conditions	Swift and effective solution to the sovereign debt crisis More stable bank lending situation Continuous strong economic growth Considerably improved capacity utilisation Decreasing price competition Prompt start to the dredging of the Elbe waterway	Sovereign debt crisis escalates Increasing instability in the financial sector Recession sets in again Deterioration in capacity utilisation Ruinous price competition Delay in dredging the Elbe waterway
Group performance	Revenue growth of over 5 % EBIT margin above previous year	Revenue comparable to the previous year's or lower in the case of a renewed crisis environment EBIT margin lower than the previous year's or focus on maintaining double-digit margin if conditions deteriorate markedly Concentration on safeguarding financial stability

In its core line of business, HHLA will continue to focus its efforts on outperforming the market with growth in its handling and transport services in 2012. Besides somewhat stronger growth in HHLA's key originating and destination regions than in the catchment areas served by its major rival ports, particularly additional improvements to its service offering are supposed to contribute to expanding the market position. Consistently fierce competition and the delay in dredging the Elbe's navigation channel heavily restrict the company's ability to pass on cost increases, therefore, the Group will strive to achieve a largely stable level of earnings quality.

On the cost side, general price increases – especially for energy sources and external services – are expected to drive up expenses, which will also rise in conjunction with higher volumes. As the number of mega-ships docking at the port is about to increase further, the company will have to compensate for the Elbe's tide restrictions by speeding up its handling processes and once again coping with immense peak loads in 2012. HHLA intends to cushion the pressure on margins which this exerts by improving its capacity utilisation and gradually enhancing efficiency with the help of further technological developments and new work structures. These should bear fruit especially in the second half of the year. The effective tax rate for 2012 is expected to be in the region of 30 % again due to the absence of non-recurring tax effects. HHLA does not expect the atypical fall in the share of profits paid to minority shareholders in 2011 to occur again. On the contrary, their relative share of profit after taxes is likely to increase in 2012. With the exception of this return to normal levels, however, a larger share of profits can be expected to go to the parent company's shareholders in the medium term due to modernisation and expansion programmes at the facilities owned wholly by HHLA.

In the **Container segment** of the Port Logistics subgroup, HHLA anticipates growth in the region of 5 % in container throughput with a weaker first half and stronger second half to the year, also due to effects from the comparative basis of the previous year. The adverse environment and high throughput recorded in 2011 will make for noticeably slower year-on-year growth. As the situation remains challenging for shipping companies and handling capacity is also expected to increase, it is likely to be difficult to pass on higher costs. HHLA believes that revenue growth will therefore lag slightly behind the increase in volumes. Rising costs associated with higher volumes and general price increases will place additional pressure on margins. Although enhanced productivity and improved capacity utilisation at the facilities can counteract this, a comparably low level of growth will mean they are unable to compensate fully. Depreciation and amortisation will also increase further due to capital expenditure. Taking into consideration the one-off compensation received in 2011 and the developments described above, the EBIT margin in the Container segment is expected to come in below the previous year's level.

The rise in transport volume in the **Intermodal segment** is likely to follow the higher volumes in the Container segment in the region of 5 %. Once again, the higher comparative basis will result in slower growth. However, it should prove possible to increase prices on a number of routes thanks to the favourable competitive situation. Revenue is therefore expected to grow faster than volumes in the Intermodal segment. HHLA is continuing to focus on restructuring single rail operators to improve the earnings position of these companies sustainably. In a low-margin environment, this gives rise to risks because of the strong increase in service buying. In addition to this, competition with other modes of transport is intense, especially for Polish traffic. Capacity utilisation rates for HHLA's own systems will prove highly significant as a consequence. Taking into account the impairment recognised in the year under review, HHLA anticipates an improved EBIT margin in 2012.

In the **Logistics segment**, the various submarkets are expected to develop differently again. As the intra-Group settlement of a large-scale IT project led to non-recurring income in 2011, the segment's total revenue is unlikely to match the previous year's level. RoRo operations, bulk cargo handling and consultancy should all continue to make a stable contribution to earnings. In the field of fruit logistics, a structural shift is currently taking place. In addition to ongoing cost management, facility optimisation is extremely important. However, the impairment recorded in the reporting year will ease the strain on future earnings developments. In contract logistics, moves to consolidate activities at the Überseezentrum storage and distribution centre will initially impair the company's earnings position. Nevertheless, the Logistics segment is expected to again make a positive earnings contribution in 2012.

Earnings of the Real Estate subgroup are expected to develop stably once again. Both revenue and the EBIT margin should remain nearly on a par with the previous year. Business developments here will continue to focus on value-oriented portfolio development.

As mentioned above, forecasts are highly uncertain at present. Consequently, actual industry and business developments may follow a considerably worse or somewhat better economic trend than that described here. HHLA will therefore continue to add more specific details to its outlook above and beyond the statements made in this report as soon as the economic environment allows for a more reliable assessment.

Financial Position

HHLA will continue to make important investments in 2012 to secure its long-term prospects. It will make investments, postponed from last year, of approx. € 70 million in the ongoing modernisation of its container terminals, including a delayed major project to expand handling operations in Odessa on the Black Sea. In addition to this, capital expenditure will focus on the acquisition of additional railcars and the construction of more inland terminals. Overall, the HHLA Group plans combined capital expenditure of between € 250 million and € 280 million.

Continued investments will lead to a further increase in the Group's balance sheet total. A rise in non-current assets, primarily in the area of property, plant and equipment, can be expected on the assets side. On the liabilities side, the change in equity will mainly be determined by the net profit for the year, the gradual reduction of an equalisation liability payable to a minority shareholder ► See also Financial Position, page 88. Financial liabilities for the financing of investment projects are also expected to increase.

Other than this, the main funds earmarked for financing the further development of business are the available liquidity reserves, the positive cash flows from ongoing business activities and, to a lesser extent, the raising of loans. Additional financing possibilities arise from HHLA's good credit standing. HHLA is therefore confident that sufficient financial funds will remain available for a value-creating corporate development in the future as well.

At the end of 2011, HHLA decided to launch an additional employee stock purchase plan to honour the commitment of staff and enable them to share in the company's long-term performance. The shares to be issued in the course of the second quarter of 2012 will be created by making partial use of the company's Authorised Capital. Even if the purchase plan proves popular, the increase in listed Class A shares is likely to be considerably less than 1 %.

Dividend

HHLA's objective remains unchanged: to continue pursuing its yield-oriented dividend distribution policy. As far as financing needs allow and as long as there are no fundamental changes in the situation, the intention is to continue distributing at least 50 % of the net income for the year as dividends.

Change in Business Activity and Organisation

There are no plans to make any fundamental changes to the Group's strategic alignment and objectives. ► See also Corporate Strategy, page 63. As regards the primary goods flows in international sea freight shipping – and therefore the relevant sales markets for HHLA's range of services – market research institutes such as Drewry do not anticipate any significant shifts. However, new alliances and partnerships in the shipping industry may result in changes to the structure of liner services, which cannot yet be predicted with sufficient certainty. With its broad customer base and attractive main site, HHLA believes that it is well equipped for any such changes. As the lead times for constructing and commissioning capital-intensive handling facilities span several years, the Group does not expect additional competitors to enter the market in Hamburg or Odessa during the forecast period. HHLA will continue to further develop its existing service portfolio and work intensively on restructuring individual rail operators in the Intermodal segment. This may have a substantial impact on the ownership structure of the subsidiaries affected and the way in which specific markets are covered. As the Executive Board member previously responsible for this segment stepped down at the end of 2011, a decision shall be made on succession arrangements respectively the future division of responsibilities at Executive Board level. Pursuant to the Hamburg Senate's resolution and subsequent national legislation, the free zone boundary in the Port of Hamburg will cease to exist as of 1 January 2013. This will eliminate the need for time-consuming checks of empty vehicles and transit traffic as well as special surveillance procedures in the port area. As customs clearance will then be integrated into the container terminals' processes, HHLA will continue to make preparations and investments in connection with the new customs requirements in 2012.

If an attractive acquisition opportunity should occur which meets HHLA's strategic and financial requirements, this may allow HHLA to expand its core business within existing segments. Apart from that, no changes in the organisation of business are currently planned.

Further Development

It is of crucial importance for HHLA's prospects in 2013 and beyond, that the Elbe waterway is dredged promptly. Assuming this enables the company to tap growth opportunities in full, HHLA is confident that it will be able to further expand its market position and benefit disproportionately from increases in European cargo volumes. If a fast, effective solution to the sovereign debt crisis is found and container shipping is placed on a solid financial footing again, it should be possible to generate revenue of well over € 1.3 billion in 2013 based on current reporting standards (IFRS). Although pressure on yields is expected to persist in the foreseeable future, HHLA will strive to generate further earnings improvements even in this environment. As various expansion projects have now been completed, total capital expenditure for operations in 2013 is likely to fall short of the previous year's figure.

Growth Expectations

	2013	2012
Global economy	4 %	3 %
Germany	2 %	0 %
Asia	8 %	7 %
Central and Eastern Europe	2 %	1 %
World trade	5 %	4 %

Source: IMF (rounded off to full percentage numbers)

Against the backdrop of its broad strategic alignment, the increasing concentration of freight volumes on large international hubs and the continuing integration of emerging economies into the international division of labour, HHLA anticipates positive medium-term business prospects. Should economic growth continue to stabilise as predicted by the IMF, HHLA will strive to further increase its revenue and earnings in subsequent years. It therefore intends to continue its investment programme in line with the development of demand. In order to maintain stable balance sheet relationships, HHLA intends to maintain its conservative financing policy.

Statement of the Executive Board

Under the circumstances known to the Executive Board at the time the transactions listed in the related parties report in accordance with Section 312 of the German Stock Corporation Act (AktG) were carried out or actions were committed or omitted, the company received adequate consideration for the transaction and was not disadvantaged by committing or instigating the said actions.

In accordance with Section 4 of the articles of association, the Executive Board, with analogous application of the provisions of Section 312 of the German Stock Corporation Act (AktG), must prepare a report on the relationships between the A division and the S division. Under the circumstances that were known to the Executive Board at the time when the legal transactions specified in the report on the relationships between the A division and the S division were completed, both divisions received an appropriate consideration. Any expenses and returns which could not be attributed directly to one division were divided among the divisions in line with the articles of association. No steps were taken or omitted at the behest or in the interests of the other division in each case.

Hamburg, 6 March 2012

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Klaus-Dieter Peters — Dr. Stefan Behn

Heinz Brandt — Dr. Roland Lappin

Some of the disclosures in the Group Management Report – including statements on revenue and earnings developments and on possible changes in the sector or the financial position – contain forward-looking statements. These statements are based on the current best estimates and assumptions by the company. Depending on whether uncertain events materialise, HHLA's actual results, including its earnings and financial position, may differ materially from those explicitly or implicitly assumed or described in these statements.

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Income Statement HHLA Group

in € thousand	Note	2011	2010
Revenue[1]	8.	1,217,272	1,067,816
Changes in inventories	9.	602	- 1,149
Own work capitalised	10.	7,175	7,359
Other operating income[1]	11.	43,728	43,058
Cost of materials	12.	- 432,934	- 372,367
Personnel expenses	13.	- 359,527	- 316,783
Other operating expenses	14.	- 142,874	- 121,046
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		333,442	306,888
Depreciation and amortisation	15.	- 126,427	- 113,980
Earnings before interest and taxes (EBIT)		207,015	192,908
Earnings from associates accounted for using the equity method	16.	335	208
Interest income	16.	9,598	5,015
Interest expenses	16.	- 42,324	- 39,949
Other financial result	16.	217	336
Financial result	16.	- 32,174	- 34,390
Earnings before tax (EBT)		174,841	158,518
Income tax	18.	- 56,053	- 44,588
Profit after tax		118,788	113,930
of which attributable to non-controlling interests	19.	29,506	37,703
of which attributable to shareholders of the parent company		89,282	76,227

[1] For the purposes of comparison the previous year's figures have been restated due to the reclassification of the incidental rental expenses.

Statement of Comprehensive Income HHLA Group

in € thousand	Note	2011	2010
Profit after tax		118,788	113,930
Actuarial gains/losses	35.	18,128	- 6,493
Cash flow hedges	46.	- 418	- 220
Foreign currency translation differences		1,435	3,838
Deferred taxes on changes recognised directly in equity	18.	- 5,745	2,140
Other		- 101	18
Income and expense recognised directly in equity		13,299	- 717
Total comprehensive income		132,087	113,213
of which attributable to non-controlling interests		29,448	37,898
of which attributable to shareholders of the parent company		102,639	75,315

Income Statement HHLA Subgroups 2011

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes	2011 Group	2011 Port Logistics	2011 Real Estate	2011 Consolidation
Revenue	1,217,272	1,190,639	31,677	- 5,044
Changes in inventories	602	600	2	0
Own work capitalised	7,175	7,097	0	78
Other operating income	43,728	38,724	5,920	- 916
Cost of materials	- 432,934	- 426,336	- 6,704	106
Personnel expenses	- 359,527	- 357,381	- 2,146	0
Other operating expenses	- 142,874	- 136,085	- 12,565	5,776
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	333,442	317,258	16,184	0
Depreciation and amortisation	- 126,427	- 122,472	- 4,262	307
Earnings before interest and taxes (EBIT)	207,015	194,786	11,922	307
Earnings from associates accounted for using the equity method	335	335	0	0
Interest income	9,598	9,390	331	- 123
Interest expenses	- 42,324	- 37,597	- 4,850	123
Other financial result	217	217	0	0
Financial result	- 32,174	- 27,655	- 4,519	0
Earnings before tax (EBT)	174,841	167,131	7,403	307
Income tax	- 56,053	- 53,608	- 2,370	- 75
Profit after tax	118,788	113,523	5,033	232
of which attributable to non-controlling interests	29,506	29,506	0	0
of which attributable to shareholders of the parent company	89,282	84,017	5,033	232

Statement of Comprehensive Income HHLA Subgroups 2011

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes	2011 Group	2011 Port Logistics	2011 Real Estate	2011 Consolidation
Profit after tax	118,788	113,523	5,033	232
Actuarial gains/losses	18,128	17,900	228	
Cash flow hedges	- 418	- 418	0	
Foreign currency translation differences	1,435	1,435	0	
Deferred taxes on changes recognised directly in equity	- 5,745	- 5,672	- 73	
Other	- 101	- 101	0	
Income and expense recognised directly in equity	13,299	13,144	155	0
Total comprehensive income	132,087	126,667	5,188	232
of which attributable to non-controlling interests	29,448	29,448		
of which attributable to shareholders of the parent company	102,639	97,219	5,420	

Income Statement HHLA Subgroups 2010

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes	2010 Group	2010 Port Logistics	2010 Real Estate	2010 Consolidation
Revenue[1]	1,067,816	1,042,838	29,755	- 4,777
Changes in inventories	- 1,149	- 1,124	- 25	0
Own work capitalised	7,359	7,350	0	9
Other operating income[1]	43,058	38,913	5,089	- 944
Cost of materials	- 372,367	- 366,647	- 5,826	106
Personnel expenses	- 316,783	- 314,740	- 2,043	0
Other operating expenses	- 121,046	- 116,509	- 10,143	5,606
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	306,888	290,081	16,807	0
Depreciation and amortisation	- 113,980	- 110,170	- 4,117	307
Earnings before interest and taxes (EBIT)	192,908	179,911	12,690	307
Earnings from associates accounted for using the equity method	208	208	0	0
Interest income	5,015	4,919	230	- 134
Interest expenses	- 39,949	- 35,013	- 5,070	134
Other financial result	336	336	0	0
Financial result	- 34,390	- 29,550	- 4,840	0
Earnings before tax (EBT)	158,518	150,361	7,850	307
Income tax	- 44,588	- 42,768	- 3,028	1,208
Profit after tax	113,930	107,593	4,822	1,515
of which attributable to non-controlling interests	37,703	37,703	0	0
of which attributable to shareholders of the parent company	76,227	69,890	4,822	1,515

[1] For the purposes of comparison the previous year's figures have been restated due to the reclassification of the incidental rental expenses.

Statement of Comprehensive Income HHLA Subgroups 2010

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes	2010 Group	2010 Port Logistics	2010 Real Estate	2010 Consolidation
Profit after tax	113,930	107,593	4,822	1,515
Actuarial gains/losses	- 6,493	- 6,358	- 135	
Cash flow hedges	- 220	- 220	0	
Foreign currency translation differences	3,838	3,838	0	
Deferred taxes on changes recognised directly in equity	2,140	2,096	44	
Other	18	18	0	
Income and expense recognised directly in equity	- 717	- 626	- 91	0
Total comprehensive income	113,213	106,967	4,731	1,515
of which attributable to non-controlling interests	37,898	37,898	0	
of which attributable to shareholders of the parent company	75,315	69,069	6,246	

Balance Sheet HHLA Group

in € thousand

Assets	Note	31.12.2011	31.12.2010
Non-current assets			
Intangible assets	22.	81,490	83,850
Property, plant and equipment	23.	985,340	978,583
Investment property	24.	180,062	185,568
Associates accounted for using the equity method	25.	1,830	1,620
Financial assets	26.	9,086	8,284
Deferred taxes	18.	22,243	32,766
		1,280,051	1,290,671
Current assets			
Inventories	27.	23,162	20,965
Trade receivables	28.	151,771	126,516
Receivables from related parties	29.	3,756	2,704
Other financial receivables	30.	2,429	2,607
Other assets	31.	16,776	15,209
Income tax receivables	32.	3,591	20,972
Cash, cash equivalents and short-term deposits	33.	329,996	235,493
		531,481	424,466
		1,811,532	1,715,137

Equity and liabilities			
Equity			
Subscribed capital		72,680	72,680
Subgroup Port Logistics		69,975	69,975
Subgroup Real Estate		2,705	2,705
Capital reserve		139,728	139,728
Subgroup Port Logistics		139,222	139,222
Subgroup Real Estate		506	506
Retained earnings		385,124	337,337
Subgroup Port Logistics		367,967	322,200
Subgroup Real Estate		17,157	15,137
Other comprehensive income		42,872	29,514
Subgroup Port Logistics		41,615	28,412
Subgroup Real Estate		1,257	1,102
Non-controlling interests		4,258	- 12,257
Subgroup Port Logistics		4,258	- 12,257
Subgroup Real Estate		0	0
	34.	644,662	567,002
Non-current liabilities			
Pension provisions	35.	313,729	331,134
Other non-current provisions	36.	53,526	52,565
Non-current liabilities to related parties	39.	93,587	65,747
Non-current financial liabilities	37.	403,184	387,612
Deferred taxes	18.	13,557	12,897
		877,583	849,955
Current liabilities			
Other current provisions	36.	28,759	21,896
Trade liabilities	38.	72,003	77,026
Current liabilities to related parties	39.	72,119	67,986
Current financial liabilities	37.	88,332	91,136
Other liabilities	40.	25,563	34,577
Income tax liabilities	41.	2,511	5,559
		289,287	298,180
		1,811,532	1,715,137

Balance Sheet HHLA Subgroups 31.12.2011

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes

Assets	31.12.2011 Group	31.12.2011 Port Logistics	31.12.2011 Real Estate	31.12.2011 Consolidation
Non-current assets				
Intangible assets	81,490	81,481	9	0
Property, plant and equipment	985,340	963,148	5,285	16,907
Investment property	180,062	60,890	149,848	- 30,676
Associates accounted for using the equity method	1,830	1,830	0	0
Financial assets	9,086	7,517	1,569	0
Deferred taxes	22,243	30,362	0	- 8,119
	1,280,051	1,145,228	156,711	- 21,888
Current assets				
Inventories	23,162	23,091	71	0
Trade receivables	151,771	151,023	748	0
Receivables from related parties	3,756	16,713	1,108	- 14,065
Other financial receivables	2,429	2,404	25	0
Other assets	16,776	16,626	150	0
Income tax receivables	3,591	3,465	283	- 157
Cash, cash equivalents and short-term deposits	329,996	329,868	128	0
	531,481	543,190	2,513	- 14,222
	1,811,532	1,688,418	159,224	- 36,110

Equity and liabilities				
Equity				
Subscribed capital	72,680	69,975	2,705	0
Capital reserve	139,728	139,222	506	0
Retained earnings	385,124	367,967	27,515	- 10,358
Other comprehensive income	42,872	41,615	1,257	0
Non-controlling interests	4,258	4,258	0	0
	644,662	623,037	31,983	- 10,358
Non-current liabilities				
Pension provisions	313,729	308,243	5,486	0
Other non-current provisions	53,526	52,108	1,418	0
Non-current liabilities to related parties	93,587	93,587	0	0
Non-current financial liabilities	403,184	380,690	22,494	0
Deferred taxes	13,557	16,814	8,273	- 11,530
	877,583	851,442	37,671	- 11,530
Current liabilities				
Other current provisions	28,759	25,719	3,040	0
Trade liabilities	72,003	69,755	2,248	0
Current liabilities to related parties	72,119	6,714	79,470	- 14,065
Current financial liabilities	88,332	83,828	4,504	0
Other liabilities	25,563	25,255	308	0
Income tax liabilities	2,511	2,668	0	- 157
	289,287	213,939	89,570	- 14,222
	1,811,532	1,688,418	159,224	- 36,110

Balance Sheet HHLA Subgroups 31.12.2010

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes

Assets	31.12.2010 Group	31.12.2010 Port Logistics	31.12.2010 Real Estate	31.12.2010 Consolidation
Non-current assets				
Intangible assets	83,850	83,831	19	0
Property, plant and equipment	978,583	955,772	5,464	17,347
Investment property	185,568	66,715	150,276	- 31,423
Associates accounted for using the equity method	1,620	1,620	0	0
Financial assets	8,284	7,082	1,202	0
Deferred taxes	32,766	36,439	25	- 3,698
	1,290,671	1,151,459	156,986	- 17,774
Current assets				
Inventories	20,965	20,906	59	0
Trade receivables	126,516	125,831	685	0
Receivables from related parties	2,704	11,951	39	- 9,286
Other financial receivables	2,607	2,535	72	0
Other assets	15,209	15,062	147	0
Income tax receivables	20,972	24,053	240	- 3,321
Cash, cash equivalents and short-term deposits	235,493	235,220	273	0
	424,466	435,558	1,515	- 12,607
	1,715,137	1,587,017	158,501	- 30,381

Equity and liabilities				
Equity				
Subscribed capital	72,680	69,975	2,705	0
Capital reserve	139,728	139,222	506	0
Retained earnings	337,337	322,200	25,728	- 10,591
Other comprehensive income	29,514	28,412	1,102	0
Non-controlling interests	- 12,257	- 12,257	0	0
	567,002	547,552	30,041	- 10,591
Non-current liabilities				
Pension provisions	331,134	325,386	5,748	0
Other non-current provisions	52,565	51,143	1,422	0
Non-current liabilities to related parties	65,747	65,747	0	0
Non-current financial liabilities	387,612	362,657	24,955	0
Deferred taxes	12,897	13,431	6,649	- 7,183
	849,955	818,364	38,774	- 7,183
Current liabilities				
Other current provisions	21,896	19,984	1,912	0
Trade liabilities	77,026	73,748	3,278	0
Current liabilities to related parties	67,986	2,001	75,271	- 9,286
Current financial liabilities	91,136	86,979	4,157	0
Other liabilities	34,577	34,252	325	0
Income tax liabilities	5,559	4,137	4,743	- 3,321
	298,180	221,101	89,686	- 12,607
	1,715,137	1,587,017	158,501	- 30,381

Cash Flow Statement HHLA Group

in € thousand	Note	2011	2010
1. Cash flow from operating activities			
Earnings before interest and taxes (EBIT)		207,015	192,908
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	15.	126,427	110,961
Decrease in provisions		- 12,368	- 28,538
Gains/losses arising from the disposal of non-current assets		- 1,349	- 82
Increase in inventories, trade receivables and other assets not attributable to investing or financing activities		- 31,378	- 7,572
Change in trade payables and other liabilities not attributable to investing or financing activities		25,695	- 4,718
Interest received		8,284	5,147
Interest paid		- 20,637	- 20,904
Income tax paid		- 36,378	- 40,950
Exchange rate and other effects		758	697
Cash flow from operating activities		266,069	206,949
2. Cash flow from investing activities			
Proceeds from disposal of intangible assets and property, plant and equipment		5,188	2,855
Proceeds from disposal of non-current assets held for sale		0	7,200
Payments for investments in property, plant and equipment and investment property		- 124,748	- 56,823
Payments for investments in intangible assets	22.	- 7,403	- 7,625
Proceeds from disposal of non-current financial assets		8	1,995
Payments for investments in non-current financial assets		- 1,016	- 1,890
Payments for acquiring interests in consolidated companies and other business units		0	- 1,973
Proceeds from and payments for short-term deposits		- 10,000	20,000
Cash flow from investing activities		- 137,971	- 36,261
3. Cash flow from financing activities			
Dividends paid to shareholders of the parent company	21.	- 41,732	- 30,695
Dividends/settlement obligation paid to non-controlling interests		- 36,423	- 30,569
Redemption of lease liabilities	44.	- 6,273	- 2,590
Proceeds from the issuance of (financial) loans		65,733	0
Payments for the redemption of (financial) loans		- 27,175	- 31,314
Cash flow from financing activities		- 45,870	- 95,168
4. Financial funds at the end of the period			
Change in financial funds (subtotals 1.-3.)		82,228	75,520
Change in financial funds due to exchange rates		- 1,107	- 994
Financial funds at the beginning of the period		213,682	139,156
Financial funds at the end of the period	42.	294,803	213,682

Cash Flow Statement HHLA Subgroups 2011

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes	2011 Group	2011 Port Logistics	2011 Real Estate	2011 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	207,015	194,786	11,922	307
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	126,427	122,472	4,262	- 307
Change in provisions	- 12,368	- 13,165	797	
Gains/losses arising from the disposal of non-current assets	- 1,349	- 2,139	790	
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	- 31,378	- 30,266	- 1,491	379
Change in trade payables and other liabilities not attributable to investing or financing activities	25,695	26,845	- 771	- 379
Interest received	8,284	8,076	331	- 123
Interest paid	- 20,637	- 16,177	- 4,583	123
Income tax paid	- 36,378	- 30,798	- 5,580	
Exchange rate and other effects	758	758	0	
Cash flow from operating activities	266,069	260,392	5,677	0
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets and property, plant and equipment	5,188	5,181	7	
Payments for investments in property, plant and equipment and investment property	- 124,748	- 120,307	- 4,441	
Payments for investments in intangible assets	- 7,403	- 7,402	- 1	
Proceeds from disposal of non-current financial assets	8	8	0	
Payments for investments in non-current financial assets	- 1,016	- 1,016	0	
Payments for short-term deposits	- 10,000	-10,000	0	
Cash flow from investing activities	- 137,971	- 133,536	- 4,435	0
3. Cash flow from financing activities				
Dividends paid to shareholders of the parent company	- 41,732	- 38,487	- 3,245	
Dividends/settlement obligation paid to non-controlling interests	- 36,423	- 36,423	0	
Redemption of lease liabilities	- 6,273	- 6,273	0	
Proceeds from the issuance of (financial) loans	65,733	65,733	0	
Payments for the redemption of (financial) loans	- 27,175	- 24,733	- 2,442	
Cash flow from financing activities	- 45,870	- 40,183	- 5,687	0
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.-3.)	82,228	86,673	- 4,445	0
Change in financial funds due to exchange rates	- 1,107	- 1,107	0	
Financial funds at the beginning of the period	213,682	218,009	- 4,327	
Financial funds at the end of the period	294,803	303,575	- 8,772	0

Cash Flow Statement HHLA Subgroups 2010

in € thousand; subgroup Port Logistics and subgroup Real Estate; annex to the notes	2010 Group	2010 Port Logistics	2010 Real Estate	2010 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	192,908	179,911	12,690	307
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	110,961	107,151	4,117	- 307
Change in provisions	- 28,538	- 29,021	483	
Gains/losses arising from the disposal of non-current assets	- 82	- 82	0	
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	- 7,572	- 7,397	1,048	- 1,223
Change in trade payables and other liabilities not attributable to investing or financing activities	- 4,718	- 6,266	325	1,223
Interest received	5,147	5,196	85	- 134
Interest paid	- 20,904	- 16,240	- 4,798	134
Income tax paid	- 40,950	- 39,156	- 1,794	
Exchange rate and other effects	697	697	0	
Cash flow from operating activities	206,949	194,793	12,156	0
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets and property, plant and equipment	2,855	2,855	0	
Proceeds from disposal of non-current assets held for sale	7,200	7,200	0	
Payments for investments in property, plant and equipment and investment property	- 56,823	- 49,870	- 6,953	
Payments for investments in intangible assets	- 7,625	- 7,624	- 1	
Proceeds from disposal of non-current financial assets	1,995	1,995	0	
Payments for investments in non-current financial assets	- 1,890	- 1,890	0	
Payments for acquiring interests in consolidated companies and other business units	- 1,973	- 1,973	0	
Proceeds from short-term deposits	20,000	20,000	0	
Cash flow from investing activities	- 36,261	- 29,307	- 6,954	0
3. Cash flow from financing activities				
Dividends paid to shareholders of the parent company	- 30,695	- 27,990	- 2,705	
Dividends paid to non-controlling interests	- 30,569	- 30,569	0	
Redemption of lease liabilities	- 2,590	- 2,590	0	
Payments for the redemption of (financial) loans	- 31,314	- 28,872	- 2,442	
Cash flow from financing activities	- 95,168	- 90,021	- 5,147	0
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.-3.)	75,520	75,465	55	0
Change in financial funds due to exchange rates	- 994	- 994	0	
Financial funds at the beginning of the period	139,156	143,538	- 4,382	
Financial funds at the end of the period	213,682	218,009	- 4,327	0

Segment Report HHLA Group

in € thousand; business segments; annex to the notes

	Subgroup Port Logistics		
2011	Container	Intermodal	Logistics
Segment revenue			
Segment revenue from non-affiliated third parties	707,643	355,827	108,541
Inter-segment revenue	5,234	1,799	18,119
Total segment revenue	712,877	357,626	126,660
Earnings			
EBITDA	282,713	43,109	11,989
EBITDA margin	39.7 %	12.1 %	9.5 %
EBIT	195,515	24,600	- 1,026
EBIT margin	27.4 %	6.9 %	- 0.8 %
Segment assets	904,297	266,621	92,290
Other segment information			
Investments			
Property, plant and equipment and investment property	81,578	31,530	3,606
Intangible assets	6,213	709	250
Depreciation of property, plant and equipment and investment property	80,586	15,276	12,784
of which impairment			5,758
Amortisation of intangible assets	6,612	3,233	231
of which impairment		2,870	5
Non-cash items	14,799	1,304	2,662
Container throughput in thousand TEU	7,087		
Container transport[1] in thousand TEU		1,887	
2010			
Segment revenue[2]			
Segment revenue from non-affiliated third parties	594,266	315,561	115,280
Inter-segment revenue	10,262	1,690	4,928
Total segment revenue	604,528	317,251	120,208
Earnings			
EBITDA	236,272	42,478	13,199
EBITDA margin	39.1 %	13.4 %	11.0 %
EBIT	155,726	24,760	6,174
EBIT margin	25.8 %	7.8 %	5.1 %
EBIT from continuing activities[3]	155,726	22,585	6,174
Segment assets	901,375	245,460	110,632
Other segment information			
Investments			
Property, plant and equipment and investment property	131,863	20,135	3,625
Intangible assets	6,036	844	84
Depreciation of property, plant and equipment and investment property	77,143	14,394	6,797
of which impairment	2,160		
Amortisation of intangible assets	3,402	3,324	228
of which impairment		3,000	
Non-cash items[4]	8,406	1,375	2,892
Container throughput in thousand TEU	5,844		
Container transport[1] in thousand TEU		1,696	

[1] The transport volume was fully consolidated. [2] For the purposes of comparison the revenue figures have been presented without income from incidental rental expenses. [3] EBIT from continuing activities does not contain the result from CTL. In the figures for the current financial year an individual disclosure was dispensed with for reasons of materiality. [4] The figures of the previous year were adopted.

	Subgroup Real Estate	Total	Consolidation and reconciliation with Group	Group
Holding/Other	Real Estate			
16,110	29,151	1,217,272	0	1,217,272
109,398	2,526	137,076	- 137,076	0
125,508	31,677	1,354,348		
- 19,089	16,184	334,906	- 1,464	333,442
- 15.2%	51.1%			
- 26,486	11,922	204,525	2,490	207,015
- 21.1%	37.6%			
239,682	158,813	1,661,703	149,829	1,811,532
1,435	4,441	122,590	- 1,244	121,346
859	1	8,032	- 629	7,403
6,814	4,251	119,711	- 3,070	116,641
		5,758	- 1,980	3,778
583	11	10,670	- 884	9,786
		2,875	0	2,875
15,763	1,907	36,435	102	36,537
15.410	27,299	1,067,816	0	1,067,816
132,581	2,456	151,917	- 151,917	0
147,991	29,755	1,219,733		
- 2,346	16,807	306,410	478	306,888
- 1.6%	56.5%			
- 9,071	12,690	190,279	2,629	192,908
- 6.1%	42.6%			
- 9,071	12,690	188,104	2,588	190,692
220,158	157,940	1,635,565	79,572	1,715,137
3,323	6,952	165,898	0	165,898
891	1	7,856	85	7,941
6,154	4,105	108,593	- 1,016	107,577
		2,160	0	2,160
571	12	7,537	- 1,133	6,404
		3,000	0	3,000
15,642	1,154	29,469	206	29,675

Statement of Changes in Equity HHLA Group

in € thousand

	Parent company					
	Subscribed capital		Capital reserve		Retained consolidated earnings	Reserve for foreign currency translation
	A division	S division	A division	S division		
Balance as of 31.12.2009	69,975	2,705	139,222	506	291,805	- 18,624
Dividends					- 30,695	
Settlement to non-controlling interests[1]						
Total comprehensive income					76,227	3,578
Acquisition/disposal of non-controlling interests in consolidated entities						
Other changes						
Balance as of 31.12.2010	69,975	2,705	139,222	506	337,337	- 15,046
Balance as of 31.12.2010	69,975	2,705	139,222	506	337,337	- 15,046
Dividends					- 41,732	
Total comprehensive income					89,282	1,499
Acquisition/disposal of non-controlling interests in consolidated entities						
Other changes					237	
Balance as of 31.12.2011	69,975	2,705	139,222	506	385,124	- 13,547

[1] For details please refer to note 34 of the notes.

Other comprehensive income				Parent company interests	Non-controlling interests	Total consolidated equity
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Other			
- 869	56,161	- 17,808	11,687	534,760	102,225	636,985
				- 30,695	- 30,569	- 61,265
				0	- 121,543	- 121,543
- 157	- 6,461	2,110	18	75,315	37,898	113,213
				0	- 268	- 268
			- 120	- 120	0	- 120
- 1,026	49,700	- 15,698	11,585	579,260	- 12,257	567,002
- 1,026	49,700	- 15,698	11,585	579,260	- 12,257	567,002
				- 41,732	- 12,454	- 54,186
- 292	17,982	- 5,745	- 88	102,639	29,448	132,087
				0	- 243	- 243
			1	237	- 236	1
- 1,318	67,682	- 21,443	11,498	640,404	4,258	644,662

Statement of Changes in Equity HHLA Subgroup Port Logistics (A division)

in € thousand; annex to the notes

	Parent company			
	Subscribed capital	Capital reserve	Retained consolidated earnings	Reserve for foreign currency translation
Balance as of 31.12.2009	69,975	139,222	280,300	- 18,624
Dividends			- 27,990	
Settlement to non-controlling interests[1]				
Total comprehensive income subgroup			69,890	3,578
Acquisition/disposal of non-controlling interests in consolidated entities				
Other changes				
Balance as of 31.12.2010	69,975	139,222	322,200	- 15,046
Balance as of 31.12.2010	69,975	139,222	322,200	- 15,046
Dividends			- 38,487	
Total comprehensive income subgroup			84,017	1,499
Acquisition/disposal of non-controlling interests in consolidated entities				
Other changes			237	
Balance as of 31.12.2011	69,975	139,222	367,967	- 13,547

[1] For details please refer to note 34 of the notes.

Statement of Changes in Equity HHLA Subgroup Real Estate (S division)

in € thousand; annex to the notes

Balance as of 31.12.2009
Dividends
Total comprehensive income subgroup
Balance as of 31.12.2010
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31.12.2010
Balance as of 31.12.2010
Dividends
Total comprehensive income subgroup
Balance as of 31.12.2011
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31.12.2011

Other comprehensive income						
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Other	Parent company interests	Non-controlling interests	Total subgroup consolidated equity
- 869	54,400	- 17,240	11,687	518,851	102,225	621,076
				- 27,990	- 30,569	- 58,560
				0	- 121,543	- 121,543
- 157	- 6,326	2,066	18	69,069	37,898	106,967
				0	- 268	- 268
			- 120	- 120	0	- 120
- 1,026	48,074	- 15,174	11,585	559,810	- 12,257	547,552
- 1,026	48,074	- 15,174	11,585	559,810	- 12,257	547,552
				- 38,487	- 12,454	- 50,941
- 292	17,753	- 5,671	- 88	97,219	29,448	126,667
				0	- 243	- 243
			1	237	- 236	1
- 1,318	65,827	- 20,845	11,498	618,779	4,258	623,037

			Other comprehensive income		Total subgroup consolidated equity
Subscribed capital	Capital reserve	Retained consolidated earnings	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	
2,705	506	23,610	1,761	- 568	28,013
		- 2,705			- 2,705
		4,822	- 135	44	4,731
2,705	506	25,728	1,626	- 524	30,041
		1,515			1,515
		- 12,105			- 12,105
		- 10,591			- 10,591
2,705	506	15,138	1,626	- 524	19,450
2,705	506	25,728	1,626	- 524	30,041
		- 3,245			- 3,245
		5,033	228	- 73	5,188
2,705	506	27,515	1,854	- 597	31,983
		232			232
		- 10,590			- 10,590
		- 10,358			- 10,358
2,705	506	17,157	1,854	- 597	21,625

Notes to the Consolidated Financial Statements

General Notes

1. Basic Information on the Group

The Group's parent company is Hamburger Hafen und Logistik Aktiengesellschaft, Bei St. Annen 1, 20457 Hamburg (in the following, HHLA), registered in the Hamburg Commercial Register under HRB 1902. The holding company above the HHLA Group is HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

Since the resolution of the Annual General Meeting on 28 June 2007, the HHLA Group has consisted of the subgroup Port Logistics (A division) and the subgroup Real Estate (S division) with effect from 1 January 2007. The part of the Group which deals with the property in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH is allocated to the subgroup Real Estate (S division). All other parts of the company are allocated together to the subgroup Port Logistics (A division). Individual financial statements are prepared for each division to determine the shareholders' dividend entitlements; these, in line with the company's articles of association, form part of the Notes to the financial statements of the parent company.

When the shareholders' dividend entitlements are being determined, the expenses and income of HHLA which cannot be attributed directly to one subgroup are divided between the two subgroups according to their shares of revenue. All transfer pricing for services between the two subgroups takes place on an arm's length basis. Interest must be paid at market rates on liquid funds exchanged between the two subgroups. A notional taxable profit or loss is calculated for each subgroup to allocate the taxes paid. The resulting notional tax payment represents the amount of tax which would have been paid had each of the subgroups been separately liable for tax.

To illustrate the net assets, financial and earnings position of the subgroups, the annex to these Notes contains the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for each subgroup.

HHLA's Consolidated Financial Statements for the 2011 financial year were again prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The provisions of Directive (EC) No. 1606/2002 from the European Parliament and the European Council dating from 19 July 2002 on the application of international accounting standards, together with Section 315a (1) of the German Commercial Code (HGB) and additional commercial law regulations, have been taken into account. The IFRS requirements which apply in the European Union have been met in full and result in a true and fair view of the financial and earnings position of the HHLA Group.

With regard to the effects of applying IFRS for the first time as of the transitional date of 1 January 2005, please refer to our annual report 2006.

For the most part, the accounting and valuation policies, notes and disclosures about the Consolidated Financial Statements for the 2011 financial year are based on the same accounting and valuation principles used for the 2010 Consolidated Financial Statements. Exceptions are the effects of new IFRS accounting standards stated in ► Note 5, which became mandatory for the Group on 1 January 2011, and the reclassifications listed under ► Note 6. The previous year's figures have been restated accordingly. The accounting and valuation principles applied are explained in ► Note 6.

The financial year as reported by HHLA and its consolidated subsidiaries is the calendar year. The balance sheet date used by the parent company is the reporting date for the Consolidated Financial Statements. The type-of-expenditure format has been used for the income statement. The Consolidated Financial Statements and the disclosures in the Notes have been prepared in euros. Unless otherwise stated, all amounts are in thousands of euros (€ thousand). Due to the use of rounding procedures it is possible that some figures do not add up to the stated sums.

These HHLA Consolidated Financial Statements for the financial year ending 31 December 2011 were approved by the Executive Board on 6 March 2012 for presentation to the Supervisory Board.

It is the Supervisory Board's responsibility to examine the Consolidated Financial Statements and to state whether or not it approves them. The Consolidated Financial Statements are due to be published on 30 March 2012.

HHLA Segments

HHLA operates in the following four segments:

Container

The Container segment pools the Group's container handling operations. The Group's activities in this segment consist primarily of handling container ships and transferring containers to other carriers (e.g. rail, truck or feeder ship). HHLA operates three container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort). Handling services are also provided at an additional container terminal in Odessa, Ukraine. The portfolio is rounded off by supplementary container services, such as maintenance and repairs provided by its subsidiary HCCR.

Intermodal

As a core element of HHLA's business model, which is vertically integrated along the transportation chain, the Intermodal segment provides a comprehensive seaport–hinterland rail and truck network. The rail companies METRANS, Transfracht and POLZUG complete HHLA's range of services in this field.

Logistics

The Logistics segment encompasses a wide range of contract and warehousing logistics as well as specialist handling services. Its service portfolio comprises standalone logistics services, entire process chains for the international procurement and distribution of merchandise, and the processing of cruise ships. The segment also provides consulting and management services for clients in the port and transport sectors.

Real Estate

This segment is equivalent to the Real Estate subgroup. Its business activities encompass the development, letting and management of properties in the Port of Hamburg. These include properties in the Speicherstadt historical warehouse district and the fish market area on the northern banks of the river Elbe.

2. Consolidation Principles

The Consolidated Financial Statements include the financial statements of HHLA and its subsidiaries as of 31 December of each financial year. The assets and liabilities of the domestic and foreign companies consolidated in full, pro rata or using the equity method are recognised in accordance with the uniform accounting principles applied in the HHLA Group.

Capital is consolidated at the time of acquisition by setting off the acquisition costs of the investment against the pro rata fair values of the assets acquired and the liabilities and contingent liabilities assumed. Previously unreported intangible assets which can be included in the accounts under IFRS 3 (revised) in conjunction with IAS 38, and contingent liabilities are recognised at fair value. In the course of subsequent consolidations, the previously unrecognised hidden reserves and losses realised by this procedure are retained at the same carrying amount, amortised or reversed, depending on the treatment of the equivalent assets and liabilities.

Any positive difference arising in the course of this initial consolidation is capitalised as goodwill and subjected to an annual impairment test. Following a critical assessment, any negative difference from setting off the acquisition costs against the pro rata fair value of assets, liabilities and contingent liabilities at the time of acquisition is posted to profit and loss. For a detailed explanation of the impairment testing procedure used, please refer to ► Notes 6 and 7.

Equity interests held by third parties outside the Group are shown in the balance sheet under the item non-controlling interests within equity capital.

The acquisition of additional non-controlling interests and/or minority interests in consolidated companies is treated as an equity transaction in line with the entity concept and therefore set off directly against equity.

Gains or losses from the disposal of non-controlling interests and/or minority interests in consolidated companies are likewise recognised directly in equity without effect on profit and loss insofar as the transaction does not lead to a loss of control. In the case of a loss of control, the remaining interests are measured at fair value.

The effects of intra-Group transactions are eliminated. Receivables and liabilities between consolidated companies are netted out (consolidation of liabilities). The values of goods and services sold within the Group are adjusted for unrealised inter-company profits (elimination of inter-company profits); these assets are therefore recognised at their historical cost to the Group. Intra-Group income is set off against the equivalent expenses (consolidation of income and expenses). Deferred taxes are recognised on temporary differences from consolidation in line with IAS 12.

3. Group of Consolidated Companies

All significant companies which HHLA can control directly or indirectly are included in the Consolidated Financial Statements. Control as defined by IAS 27 is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The company is consolidated from the time when control can be exercised. It is no longer consolidated when control is no longer exercised by the parent company.

The group of consolidated companies at HHLA is made up as follows:

	Domestic	Foreign	Total
HHLA AG and fully consolidated companies			
1 January 2011	32	6	38
Disposals	1	0	1
Mergers	4	0	4
31 December 2011	27	6	33
Companies consolidated pro rata			
1 January 2011	6	1	7
31 December 2011	6	1	7
Companies reported using the equity method			
1 January 2011	1	0	1
31 December 2011	1	0	1
Total	34	7	41

A complete list of the Group's equity investments in accordance with Section 313 (4) of the German Commercial Code (HGB) can be found in ► Note 47.

Interests in Joint Ventures

The Group has interests in joint ventures in the form of jointly managed companies. A joint venture is defined as a contractual agreement between two or more parties to carry on an economic activity which is subject to joint control. The partnership or consortium agreements governing joint ventures contain provisions which ensure joint control.

HHLA recognises its interests in joint ventures using the proportionate consolidation method. The Group combines its share of the joint ventures' assets, liabilities, income and expenses with the equivalent items in its Consolidated Financial Statements. The financial statements of the joint ventures are prepared using uniform accounting and valuation principles and for the same reporting year as the Consolidated Financial Statements.

If capital contributions are made to the joint venture or assets are sold to it, the economic substance of the transaction is taken into account when determining the reported share of the gains or losses arising from the transaction. If the Group buys assets from a joint venture, the Group recognises its share of the joint venture's profit on the transaction only when it sells the assets on to an independent third party.

The joint venture is included in the Group's Consolidated Financial Statements using the proportionate consolidation method until such time as joint control of the entity by the Group ends.

The share of assets, liabilities, income and expenses attributable to the Group from joint ventures is as follows:

Balance sheet information

in € thousand	31.12.2011	31.12.2010
Non-current assets	17,742	17,582
Current assets	25,094	19,051
Total assets	42,836	36,633
Non-current liabilities	10,261	4,627
Current liabilities	31,727	23,922
Total liabilities	41,988	28,549

Income statement information

in € thousand	2011	2010
Income	158,182	145,381
Expenses	- 157,536	- 140,895
Total	646	4,486

Interests in Associated Companies

Companies designated as associated companies are those where the shareholder has a material influence. At the same time, it is neither a subsidiary nor an interest in a joint venture. A material influence is assumed when it is possible to be involved in the associated company's financial and commercial decisions without exercising a controlling influence. This is generally the case when 20 to 50 % of the voting rights are held, either directly or indirectly. Shares in associated companies are reported in these financial statements using the equity method. With the equity method, the shares in associated companies are first stated at acquisition cost. The shares' carrying amount then increases or decreases in line with the shareholder's interest in the associated company's results. The shareholder's interest in the associated company's results is reported in its earnings figures. Instead of being subjected to scheduled amortisation, any goodwill recognised within the carrying amount of the investment when it is reported in the balance sheet for the first time undergoes an impairment test for the entire carrying amount of the investment if there are any indications of possible impairment.

As from the acquisition date, HHLA's interest in the associated company's results is recorded in the income statement, while its interest in changes in equity is recorded directly in equity. These cumulative changes affect the carrying amount of the interest in the associated company. As soon as HHLA's share in the company's losses exceeds the carrying amount of the investment, however, HHLA records no further shares in the losses unless HHLA has entered into obligations to that effect or has made payments for the associated company.

Significant results from transactions between HHLA and the associated company are eliminated in proportion to the interest in the associated company.

The following overview shows key items from the balance sheet and income statement of the company accounted for using the equity method in relation to the interest held:

Balance sheet information

in € thousand	31.12.2011	31.12.2010
Assets	4,166	3,892
Liabilities	2,448	2,384

Income statement information

in € thousand	2011	2010
Revenue	4,241	4,091
Earnings from associates for using the equity method	335	208

Company Acquisitions, Disposals and Other Changes to the Group of Consolidated Companies

In the reporting year, the firm GHL Erste Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg, was merged with GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg.

Furthermore, the company GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block T mbH, Hamburg, was merged with GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Bei St. Annen mbH, Hamburg, in the 2011 financial year.

CTL Container Terminal Lübeck GmbH, Lübeck, was merged with HHLA Intermodal GmbH, Hamburg, in the financial year just ended. All the assets were transferred and the company was dissolved.

In fiscal 2011, the firm HHLA Energiehandelsgesellschaft mbH, Hamburg, was also merged with HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg.

In addition to this, the equity stake held by METRANS a.s., Prague, Czech Republic, in AREHOR s.r.o., Šenov, Czech Republic, was merged with METRANS a.s. As AREHOR is of minor importance for HHLA's Consolidated Financial Statements, this investment was previously included under non-current financial assets. Due to the merger, non-current financial assets fell accordingly as of the balance sheet date.

30 June 2011 marked the end of the lease for port areas between HPA – a related party – and UNIKAI Hafenbetrieb GmbH, Hamburg (UNIKAI). The sublease between UNIKAI and LZU Leercontainer Zentrum Unikai GmbH, Hamburg (LZU), for the relevant port areas ended on the same day. As a result of this, active business operations at LZU were discontinued effective 30 June 2011.

There were no other changes in the group of consolidated companies in the year under review. The above-mentioned changes did not have a material effect on the Group's assets and liabilities.

4. Foreign Currency Translation

Monetary assets and liabilities in separate financial statements for the consolidated companies which are prepared in a foreign currency are converted to local currency at the rate applicable on the balance sheet date. The resulting currency differences are recognised in the result for the period. Exceptions are currency differences from loans in foreign currencies used to secure a net investment in a foreign business. These are recognised directly in equity until the net investment is sold and only affect the result for the period on disposal of the net investment.

Non-monetary items held at historical cost in a foreign currency are translated at the applicable rate on the transaction date. Non-monetary items held at historical cost in a foreign currency are translated at the rate applicable on the date fair value was measured.

Exchange rate gains and losses recognised in the income statement on foreign currency items resulted in a loss of € 1,288 thousand in the financial year (previous year: € 897 thousand).

The concept of functional currency according to IAS 21 is applied when translating all annual financial statements of foreign affiliates prepared in a foreign currency. As the subsidiaries in question are generally independent in terms of their financial, economic and organisational activities, the functional currency is the respective national currency. As of the balance sheet date, the assets and liabilities of these subsidiaries are converted to euros at the rate prevailing on the reporting date. Income and expenses are translated at the weighted average rate for the financial year. Equity components are converted at their respective historical rates. Any translation differences are recognised as a separate component of equity without effect on profit and loss. If Group companies leave the group of consolidated companies, the associated translation difference is reversed through profit and loss.

HHLA did not apply the regulations of IAS 29 because no transactions were conducted in high-inflation economies.

The main exchange rates used for currency translation are shown in the following table:

		Spot rate on = 1 euro		Average annual rate = 1 euro	
Currency	ISO-Code	31.12.2011	31.12.2010	2011	2010
Czech crown	CZK	25.787	25.061	24.637	25.342
Polish zloty	PLN	4.458	3.975	4.124	4.012
Ukrainian hryvnia	UAH	10.298	10.573	11.088	10.550

5. Effects of New Accounting Standards

The following revised and new IASB/IFRIC standards and interpretations were mandatory for the first time in the financial year under review:

IAS 24 (revised)	Related Party Disclosures
Amendments to IAS 32	Financial Instruments: Presentation
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Various	Improvements to IFRS (May 2011)

Application of the following amendments to a standard is voluntary for the financial year:

Amendments to IFRS 7	Financial Instruments: Disclosures

The following IASB standards and interpretations have not yet been adopted by the EU and have not been applied:

IAS 1	Presentation of Financial Statements
Amendments to IAS 12	Disclosure of Interests in Other Entities
Amendments to IAS 19	Post-Employment Benefits
IAS 27 (revised 2011)	Separate Financial Statements
IAS 28 (revised 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 32 Amendments to IFRS 7	Financial Instruments: Presentation Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

The amendments had the following specific effects:

Mandatory Standards and Interpretations

IAS 24 (revised) Related Party Disclosures

The amendments published in November 2009 affect clarifications for companies controlled by governments (government-related entities). The previous obligations to make extensive disclosures regarding transactions with companies controlled by the same government or by public authorities have been simplified. Now, only transactions that are significant for the financial recipients must be disclosed. The following details must be published:

- the name of the government and the way in which it can exert influence (control, joint management or significant influence) and
- the type and financial volume of significant individual transactions or – in the case of transactions which are material when considered together – quality and quantity-related details which enable the scope of the transaction to be assessed.

The amendment to IAS 24 also clarifies the definition of a related party. This amendment did not lead to any changes in the Notes to the Consolidated Financial Statements of HHLA.

Amendments to IAS 32 Financial Instruments: Presentation

The amendments published in October 2009 clarify how to account for certain rights issues, options and option warrants if the issued instruments are not in the functional currency of the issuer. If such instruments are offered to the current owners proportionately at a fixed amount, they should be classified as equity instruments if the currency of their rights issue is different from the functional currency of the issuer. The current practice of accounting for such cases as derivative liabilities will be abolished in the future. These amendments had no material consequences for the HHLA Group.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendments concern occasions where companies make voluntary prepaid contributions in order to comply with minimum funding requirements. The amendments allow affected companies to recognise the benefits resulting from these payments as assets. The amendments to IFRIC 14 had no impact on HHLA's Consolidated Financial Statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 addresses what is required if a company and a creditor renegotiate the conditions of a financial liability and the creditor accepts shares or other equity instruments belonging to the company to extinguish all or part of a financial liability. IFRIC 19 states the following:

- The company's equity instruments are to be considered part of the "consideration paid" to extinguish the financial liability.
- The equity instruments issued to the creditor should be measured at fair value. If fair value cannot be reliably determined, the equity instruments issued are measured at the fair value of the liability extinguished.
- The difference between the carrying amount of the financial liability extinguished and the measurement of the equity instruments issued is recognised in the current income statement of the company.

The amendments to IFRIC 19 had no impact on HHLA's Consolidated Financial Statements.

Various improvements to IFRS (May 2011)

This combined standard contains amendments and clarifications which apply to various existing IFRS. These include in particular IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements, IAS 27 Consolidated and Separate Financial Statements, IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. The amendment of various IFRS had no material impact on HHLA's Consolidated Financial Statements.

Voluntary Standards and Interpretations

Amendments to IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures was published in October 2010. It contains amendments to the way in which transfers of financial assets are disclosed. These alterations offer those who read financial reports greater insight into transactions for the purpose of transferring assets (such as securitisation). The amendment to IFRS 7 applies to financial periods beginning on or after 1 July 2011 and is not expected to have any effect on HHLA's future Consolidated Financial Statements.

Standards and Interpretations which Have Not Yet Been Adopted by the EU

IAS 1 Presentation of Financial Statements

The alterations published in June 2011 propose that the IFRS income statement should formally consist solely of a statement of profit or loss and other comprehensive income. However, the income statement must be split into two sections: profit or loss and other comprehensive income (OCI). In addition to this, it will be mandatory to disclose whether the income and expenditure listed under OCI is subsequently reclassifiable to profit and loss. Companies will still have the option of listing items within OCI before or after tax. If figures are shown before tax, a distinction must be made between reclassifiable and non-reclassifiable items. The amendments are mandatory for financial years which begin on or after 1 July 2012. Early adoption is permitted. Applying the amendment will not have a material impact on HHLA's Consolidated Financial Statements in the future.

Amendments to IAS 12 Deferred Tax on Investment Property

IAS 12 Deferred Tax on Investment Property was published in September 2010. The amendment makes it clear that existing temporary tax differences on investment property are recovered or settled by means of disposal and no longer through use. As a result of the amendment, SIC 21 Income Taxes – Recovery of Revalued Non-depreciable Assets no longer applies to investment property carried at fair value. The other guidelines were integrated into IAS 12, and SIC 21 was subsequently withdrawn. The amendment to IAS 12 applies to financial periods beginning on or after 1 January 2012 and is not expected to have any material effect on HHLA's future Consolidated Financial Statements.

Amendments to IAS 19 Post-Employment Benefits

In June 2011, the IASB published amendments to IAS 19. These require unexpected fluctuations in pension obligations and any plan assets – known as actuarial gains and losses – to be recorded directly in other comprehensive income (OCI) in the future. The alternative method previously permitted, i.e. deferral using the corridor approach, is to be eliminated. In future, companies will also only be allowed to recognise income resulting from the interest they expect to receive on plan assets up to the discount rate following the changes. Other amendments affect the presentation and allocation of changes in net liabilities/assets arising from defined benefit plans and additional disclosure requirements concerning the characteristics and risks of such defined benefit plans. The new IAS 19 is mandatory for financial years which begin on or after 1 January 2013. Early adoption is permitted. The Notes to HHLA's Consolidated Financial Statements will include additional information as a result of this amendment.

IAS 27 (amended 2011) Separate Financial Statements

IAS 27 (amended in 2008) was revised in the course of publishing the IFRS 10, 11 and 12 standards. IFRS 10 replaces the portion of the previous IAS 27 (amended in 2008) which deals with consolidation. IAS 27 (amended in 2011) now deals solely with separate financial statements. The amended standard applies to accounting for investments in subsidiaries, joint ventures or associates in separate financial statements produced voluntarily or required under IFRS. Shares are either valued at acquisition cost or in conjunction with IFRS 9. The amended IAS 27 is mandatory for financial years which begin on or after 1 January 2013. This amendment has no effect on HHLA's Consolidated Financial Statements.

IAS 28 (amended 2011) Investments in Associates and Joint Ventures

When IFRS 11 Joint Arrangements was altered in May 2011, IAS 28 was amended at the same time. IAS 28 (amended in 2011) explicitly includes joint ventures in its requirement to use the equity method exclusively in the future. The regulations on material influence remained unchanged. Now, if an associate becomes a joint venture or vice versa, it is still reported using the equity method and no revaluation is conducted. IAS 28 is mandatory for financial years which begin on or after 1 January 2013. This will have a significant impact on the companies previously included pro rata in the HHLA Consolidated Financial Statements.

Amendments to IAS 32 Financial Instruments: Presentation and Amendments to IFRS 7 Financial Instruments: Disclosures

The IASB ratified the amendments in December 2011. The IASB clarifies the offsetting regulations for financial instruments with these changes. Overall, these adjustments are designed to eliminate inconsistencies. In addition, supplementary information is to be provided in the notes about the use of offsetting and existing offsetting rights. The clarifications are mandatory for financial years which begin on or after 1 January 2014 with retroactive effect. However, the additional information must be provided retroactively for financial periods as of 1 January 2013. The Notes to HHLA's Consolidated Financial Statements will include additional information as a result of these amendments.

IFRS 9 Financial Instruments

IFRS 9 was published in November 2009 as the first part of the project to replace the existing IAS 39 Financial Instruments: Recognition and Measurement. The amendments issued in 2009 introduced new requirements for classifying and measuring financial assets. IFRS 9 divides all financial assets into two classifications (those measured at amortised cost and those measured at fair value). It also includes simplified regulations for options regarding the measurement of financial assets. The reclassification options were altered as well. In October 2010, IFRS 9 Financial Instruments was republished containing new rules for reporting financial liabilities. There are still two measurement categories (amortised cost and fair value). In addition to this, the rules from the existing IAS 39 for derecognising financial assets and liabilities were incorporated. The IASB is currently discussing the next phases of the project in depth (phase 2: amortised cost and impairment and phase 3: hedge accounting). The current proposal for phase 2 features a "three bucket" impairment approach, which classifies loans according to risk of default in line with credit risk management methods. This is designed to provide greater coverage of the anticipated risk of default for high risk credit. Based on progress with phase 3 to date, the way in which hedging relationships are reported on the balance sheet will be geared more strongly towards risk management approaches. At the same time, there are plans to broaden the definitions of permissible hedged items and hedges. This standard must be applied for financial years that begin on or after 1 January 2015. IFRS 9 may be adopted early. The amendments to IFRS 9 are not expected to have any material effect on HHLA's future Consolidated Financial Statements.

IFRS 10 Consolidated Financial Statements

The IFRS 10 standard Consolidated Financial Statements was published in May 2011. It supersedes the guidelines on control and consolidation in IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Due to the new definition of control in IFRS 10, all companies will be subject to the same criteria when identifying control relationships in the future. This new definition of control is supported by extensive application guidelines which highlight different ways in which a reporting company (investor) can control another firm (shareholdings). The key principle that consolidated financial statements present the parent company and its subsidiaries as a single entity remains unchanged, as do the consolidation procedures. As it stands, IFRS 10 is mandatory for financial years which begin on or after 1 January 2013. This amendment is not expected to have a major impact on HHLA's future Consolidated Financial Statements.

IFRS 11 Joint Arrangements

This standard was published by the IASB in May 2011. IFRS 11 replaces the previous regulations on accounting for joint ventures (IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities). The new standard provides accounting guidance for companies which exercise joint control over joint ventures or joint operations. The previous option of pro rata consolidation for joint ventures has been eliminated. In the future, partners in a joint venture must use the equity method. As it stands, IFRS 11 is mandatory for financial years which begin on or after 1 January 2013. The changes to the consolidation method will result in significant changes to HHLA's Consolidated Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities

According to the IFRS 12 standard published in May 2011, companies must disclose details which enable users of financial statements to assess the type of risks and financial consequences entailed in the company's interests in subsidiaries, associates, joint arrangements and non-consolidated structured companies (special-purpose entities). IFRS 12 applies to companies who produce balance sheets as per IFRS 10 and IFRS 11. The standard comprises the disclosure obligations currently contained in IAS 28 Investments in Associates, IAS 27 Consolidated and Separate Financial Statements and IAS 31 Interests in Joint Ventures. As it stands, IFRS 12 is mandatory for financial years which begin on or after 1 January 2013. Applying the standard is expected to lead to more detailed Notes in HHLA's Consolidated Financial Statements.

IFRS 13 Fair Value Measurement

The IASB published the IFRS 13 standard Fair Value Measurement in May 2011. This standard defines a uniform framework for the measurement of fair value. The new guideline also contains disclosure requirements in connection with measurements at fair value. In the new standard, fair value is defined as the exit price and is therefore market based. Values on the market with the greatest market volume or the most market activity for the asset or liability to be measured at the time of valuation must be taken into account. The new standard still allows fair value to be measured using approaches based on the market, cost or present value. These valuation methods require valuation parameters to be considered hierarchically. They rest primarily on quoted prices in active markets (level 1). If no such data exists, they must be calculated based on observable market data (level 2). If this data is also unavailable, the valuation must be made using unobservable data, such as an entity's own details. This data must be adjusted in line with representative market conditions. IFRS 13 is mandatory for financial years which begin on or after 1 January 2013. HHLA does not currently expect IFRS 13 to have a significant impact on its Consolidated Financial Statements. However, more detailed information will probably have to be provided in the Notes as a result of applying these standards.

6. Accounting and Valuation Principles

The annual financial statements of the companies included in the Consolidated Financial Statements are based on uniform accounting and valuation principles. The following specific accounting and valuation principles were applied.

Intangible Assets

Intangible assets are capitalised if the assets are identifiable, a future inflow of benefits can be expected and the acquisition and production costs can be ascertained reliably. Intangible assets acquired in return for payment are recognised at historical cost. Intangible assets with a finite useful life are amortised over their useful life on a straight-line basis. The Group examines its intangible assets with a finite useful life as of each balance sheet date for signs of impairment.

Intangible assets with an indefinite useful life are subjected to an impairment test at least once a year, and if necessary, adjusted to future expectations. In the reporting period there were no intangible assets with an indefinite useful life apart from derivative goodwill.

Internally generated intangible assets are recognised at the costs incurred in their development phase between the time when technological and economic feasibility is determined and production.

Costs include all directly attributable costs incurred during the development phase.

The capitalised amount of development costs is subject to an impairment test at least once per year if the asset is not yet in use or if there is evidence of impairment during the course of the year.

The following useful lives have been assumed for intangible assets:

	2011	2010
Software	3–7 years	3–7 years

Property, Plant and Equipment

Property, plant and equipment is reported at the acquisition or production cost less accumulated depreciation, amortisation and impairment. The costs of ongoing maintenance are recognised immediately in profit and loss. The production costs include specific expenses and appropriate portions of attributable production overheads. Demolition obligations are included in the acquisition or production costs at the present value of the obligation as of the time when it arises and an equivalent provision is recognised at the same time. The HHLA Group does not use the revaluation method of accounting.

Depreciation is carried out on a straight-line basis over an asset's useful life. The following table shows the principal useful lives which are assumed:

	2011	2010
Buildings	10–70 years	10–70 years
Technical equipment and machinery	5–25 years	5–25 years
Other plant, operating and office equipment	3–15 years	3–15 years

The carrying amounts for property, plant and equipment are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

Borrowing Costs

According to IAS 23, borrowing costs which can be directly attributed to the acquisition or production of a qualifying asset are capitalised as a component of the acquisition or production cost of the asset in question. Borrowing costs which cannot be directly attributed to a qualifying asset are recognised as an expense at the time they are incurred.

Investment Property

Investment property consists of buildings held for the purpose of generating rental income or for capital gain, and not for supplying goods or services, for administrative purposes or for sale as part of normal business operations.

IAS 40 stipulates that investment property be held at acquisition or production cost less straight-line depreciation and accumulated impairment losses. Subsequent expenses are capitalised if they result in an increase in investment property's value in use. The useful lives applied are the same as those for property used by the Group.

The fair values of these investment properties are disclosed separately in ▸ Note 24.

The carrying amounts for investment property are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

Impairment of Assets

As of each balance sheet date the Group determines whether there are any indications that an asset may be impaired. If there are such indications, or if an annual impairment test is required, as in the case of goodwill, the Group estimates the recoverable amount. The recoverable amount of an asset is the higher of the fair value of the asset or the cash-generating unit, less selling costs and its value in use. The recoverable amount must be determined for each asset individually unless the asset does not generate cash inflows which are largely independent of those generated by other assets or groups of assets. In this case the recoverable amount of the smallest cash-generating unit must be determined. If the carrying amount of an asset exceeds its recoverable amount, the asset is deemed to be impaired and is written down to its recoverable amount. The fair value less selling costs and value in use of the cash-generating unit or asset is calculated using the discounted cash flow method. This involves discounting estimated future cash flows to their present value using a discount rate after tax which reflects current market expectations of the interest curve and the specific risks of the asset. As of the balance sheet date, the interest rate for discounting was between 6.4 and 7.7 % p. a. (previous year: 7.4 to 9.1 % p. a.). The cash flow forecasts in the Group's current plans for the next five years were extrapolated to determine future cash flows. If new information is available when the financial statements are produced, it is taken into account. Growth factors of 0.0 to 1.0 % were applied. When forecasting cash flows the Group takes future market and sector expectations as well as past experience into account in its planning.

On each reporting date an assessment is made as to whether an impairment loss recognised in prior periods no longer exists or has decreased. If there are such indications, the recoverable amount is estimated. Previously recognised impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is raised to its recoverable amount. This higher carrying amount may not exceed the amount which would have been determined, less scheduled depreciation or amortisation, if no impairment losses had been recognised in prior years. Any such reversals must be recognised immediately in profit and loss for the period. Following a reversal, the amount of depreciation or amortisation must be adjusted in subsequent periods in order to write down the adjusted carrying amount of the asset, less any residual value, systematically over its remaining useful life.

Impairment losses on goodwill are not reversed.

Financial Assets

Financial assets as defined by IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, investments held to maturity or available-for-sale financial assets.

Financial assets are initially recognised at fair value. In the case of financial investments for which no fair value through profit and loss is determined, directly attributable transaction costs are also included. The Group defines the classification of its financial assets on initial recognition and reviews this classification every year insofar as this is permitted and appropriate.

Financial assets are recognised as of their settlement date, i. e. upon delivery and transfer of risk. The only exception is the recognition of derivatives, which are recognised as of the trading day.

Financial assets at fair value through profit and loss

Derivative financial instruments are classified as held for trading unless they are derivatives designated and effective as hedging instruments. Gains or losses from financial assets held for trading are recognised in profit and loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. These assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the result for the period when the loans and receivables are derecognised or impaired and within the scope of repayment.

Trade receivables and other assets

Trade receivables and other assets are recognised at amortised cost less allowances for doubtful receivables. Write-downs are made if there is substantial objective evidence that the Group will not be able to collect the receivables. Receivables are derecognised as soon as they are deemed to be irrecoverable. Examples of objective evidence are manifest shortages of liquid funds or the institution of insolvency proceedings against a customer. When assessing such situations, HHLA draws on its own data about the specific customer, external information and figures derived from experience.

Cash, cash equivalents and short-term deposits

Cash, cash equivalents and short-term deposits are cash in hand, cheques, bank balances on deposit and short-term bank deposits which have a maturity of up to six months and which are recognised at their face value.

Cash used as a pledge or collateral is disclosed separately.

Available-for-sale financial assets

Following their initial recognition, available-for-sale financial assets are measured at fair value on each balance sheet date. The gains or losses arising as a result are taken directly to equity, where they are recorded in a separate reserve. The reserve is reversed through profit and loss on disposal of the financial asset. If impairment losses are recorded based on objective evidence of impairment as per IAS 39.59 rather than valuation-based considerations alone, the impairment must be recognised in the income statement.

The fair values of financial instruments traded on organised markets are determined by reference to the prices quoted on the stock exchange on the balance sheet date. The fair values of financial instruments for which there is no active market are estimated using valuation methods. If the fair values cannot be determined reliably because they are not traded on an active market, they are valued at cost. This applies in particular to non-consolidated interests in affiliated companies and other equity investments.

Impairment of Financial Assets

On each balance sheet date the Group determines whether a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is an objective indication of impairment to loans and receivables carried at amortised cost, the loss is calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows (excepting future credit defaults), discounted by the original effective interest rate of the financial asset (i.e. the interest rate determined on initial recognition). The amount of the loss must be recognised immediately in profit and loss. If the amount of the write-down decreases in one of the following reporting periods and this decrease can be ascribed objectively to circumstances occurring after the impairment was recognised, then the earlier impairment is reversed. A subsequent write-up is recognised in profit and loss if the carrying amount of the asset at the time of the write-up does not exceed the amortised cost.

Assets recognised at cost

If there is an objective indication of impairment to a non-listed equity instrument that is not recognised at fair value because its fair value cannot be determined reliably, the amount of the write-down is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, discounted at the current market rate of return for a comparable financial asset.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, the difference recognised in equity between the acquisition cost (less any repayments and amortisation) and the current fair value, less any impairment allowances for the financial asset, is recognised in profit and loss. Write-ups on equity instruments classified as available for sale are recognised directly in equity. Write-ups on debt instruments are recognised in profit and loss if the increase in the instrument's fair value can objectively be ascribed to an event which occurred after the impairment was recognised through profit and loss.

Inventories

Inventories include raw materials, consumables and supplies, work in progress, finished products and merchandise. They are initially recognised at acquisition or production cost. Measurement at the balance sheet date is made at the lower of cost and net realisable value. Standard sequence of consumption procedures are not used for valuation. Service work in progress is valued using the percentage of completion method if the result of the service transaction can be estimated reliably. Net realisable value corresponds to the estimated sales proceeds in the course of normal operations, less costs until completion and sale.

Liabilities

At initial recognition, financial liabilities are measured at the fair value of the equivalent goods or services received less transaction costs related to borrowing, including discounts and premiums.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

This does not apply to derivatives recorded as liabilities, which are carried at fair value.

Provisions

A provision is formed if the Group has a present (legal or factual) obligation arising from past events, the settlement of which is likely to result in an outflow of resources embodying economic benefits, and if the amount required to settle the obligation can be estimated reliably. The provision is formed for the amount expected to be necessary to settle the obligation, including future increases in prices and costs. If the Group anticipates a partial reimbursement of an amount made as a provision (e.g. in the case of insurance), the reimbursement is recognised as a separate asset only if it is virtually certain. The expenses arising from making the provision are disclosed in the income statement after the reimbursement has been deducted. If the interest effect is substantial, non-current provisions are discounted before tax at an interest rate which reflects the specific risks associated with the liability. In the event of discounting, the increase in the amount of the provision over time is recognised under interest expenses.

Pensions and Other Retirement Benefits

Pension obligations

Pensions and similar obligations include the Group's benefit obligations under defined benefit obligations. Provisions for pension obligations are calculated in accordance with IAS 19 using the projected unit credit method. Actuarial gains and losses are recognised in equity without effect on profit and loss, after accounting for deferred taxes. The option of using the corridor method has not been exercised. Service expense affecting net income is recognised in personnel expenses and the interest proportion of the addition to provisions is recognised in the financial result.

Actuarial opinions are commissioned annually to determine pension obligation costs.

Phased early retirement obligations

The compensation to be paid in the release phase of the so-called block model is recognised as provisions for phased early retirement. It is recognised pro rata over the working period over which the entitlements accrue. The supplementary contributions to be paid over the entire phased early retirement period are recognised as provisions for phased early retirement.

Actuarial opinions are commissioned annually to measure compensation obligations in the release phase of the block model and supplementary amounts.

If payment obligations do not become payable until after twelve months' time because of entitlements in the block model or supplementary amounts, they are recognised at their present value.

Leases in which the Group is Lessee

The question of whether an agreement is, or contains, a lease depends on the commercial content of the agreement and requires an assessment as to whether fulfilling the agreement depends on the use of a certain asset or assets and whether the agreement grants a right to use that asset.

Finance leases

Finance leases – in which virtually all of the risks and potential rewards associated with ownership of an asset are transferred to the Group – are capitalised at the start of the lease at the lower of the leased asset's fair value or the present value of the minimum lease payments. A lease liability is recognised for the same amount. Lease payments are divided into financing expenses and repayment of the lease liability, so that interest is paid on the residual carrying amount of the lease liability at a constant rate. Financing expenses are recognised in profit and loss in the period in which they arise.

If the transfer of title to the Group at the end of the lease term is not sufficiently certain, capitalised leased assets are fully depreciated over the shorter of the lease term and the asset's useful life. Otherwise, the period of depreciation is the leased asset's useful life.

Operating leases

Lease instalments for operating leases are recognised as expenses in profit and loss on a straight-line basis over the duration of the lease.

Leases in which the Group is Lessor

The HHLA Group lets properties in and around the Port of Hamburg as well as office properties, warehouses and other commercial space. The rental contracts are classified as operating leases, as the main risks and potential rewards of the properties remain with the Group. The properties are therefore held as investment properties at amortised cost.

Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

Recognition of Income and Expenses

Income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be determined reliably. The following criteria must also be met for income to be recognised:

Sale of goods and merchandise

Income is recognised when the principal risks and potential rewards incidental to ownership of the goods and merchandise sold have been transferred to the buyer.

Provision of services

Income from services is recognised in proportion to the progress of the project in question. The extent to which the service has been provided is determined by the number of hours worked as of the balance sheet date as a percentage of the total number of hours estimated for the project. If the result of a service transaction cannot be estimated reliably, income is recognised only to the extent that the expenses incurred are eligible for reimbursement.

Income from incidental rental expenses

Income from incidental rental expenses, which was previously recognised in revenue, has been accounted for differently since the first quarter of 2011. It is now included in other operating income. This income relates primarily to the Real Estate subgroup. The item includes income for operating costs that can be charged to tenants. This income does not constitute revenue due to its transitory nature. The corresponding figures in the income statement for last year have been adjusted accordingly.

The following overview can be used for comparison purposes:

in € thousand	Revenue		Other operating income	
	2011	2010	2011	2010
Before reclassification	1,222,330	1,073,122	38,670	37,752
Reclassification	- 5,058	- 5,306	5,058	5,306
After reclassification	1,217,272	1,067,816	43,728	43,058

Interest
Interest income and interest expenses are recognised when they are accrued or incurred.

Dividends
Income from dividends is recognised in profit and loss when the Group has a legal right to payment. This does not apply to dividends distributed by companies accounted for using the equity method.

Income and expenses
Operating expenses are recognised when the service is rendered or when the expense is incurred. Income and expenses resulting from identical transactions or events are recognised in the same period. Rental expenses are recognised on a straight-line basis over the lease term.

Government Grants
Government grants are recognised when there is reasonable certainty that they will be granted and the company fulfils the necessary conditions. Grants paid as reimbursement for expenses are recognised as income over the period necessary to offset them against the expenses for which they are intended to compensate. If grants relate to an asset they are deducted from the asset's cost of purchase and recognised in profit and loss on a straight-line basis by reducing the depreciation for the asset over its useful life.

Taxes
Current claims for tax rebates and tax liabilities
Current claims for tax rebates and tax liabilities for the financial year and prior periods are measured at the amount for which a rebate is expected from, or payment must be made to, the tax authorities. The tax rates and tax legislation in force as of the balance sheet date are used to determine the amount.

Deferred taxes
Deferred taxes are recognised by using the balance sheet liabilities method on all temporary differences between the carrying amount of an asset or liability in the balance sheet and the amount for tax purposes, as well as on tax loss carry-forwards.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry-forwards proportionate to the probability that taxable income will be available to offset against the deductible temporary differences and the unused tax loss carry-forwards.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable profits will be available to use against the deferred tax asset. Unrecognised deferred tax assets are reviewed on each balance sheet date and recognised proportionate to the likelihood that future taxable profits will make it possible to use deferred tax assets.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset is realised or the liability is met. Tax rates (and tax regulations) are applied if they have already been enacted as of the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity, likewise not affecting net income.

Deferred tax assets and liabilities are netted only if the deferred taxes relate to income taxes for the same tax authority and the current taxes may also be set off against one another.

Fair Value of Financial Instruments
The fair value of financial instruments is determined on the basis of market values or valuation methods. For cash and other current primary financial instruments, fair value is equivalent to the carrying amounts on the respective balance sheet dates.

For non-current receivables and other financial assets, as well as non-current provisions and liabilities, fair value is measured based on expected cash flows using reference rates of interest at the balance sheet date. The fair value of derivative financial instruments is determined on the basis of reference interest rates and futures prices at the balance sheet date.

Derivative Financial Instruments and Hedging Transactions

The Group uses derivative financial instruments such as interest rate swaps, interest rate caps and currency futures to hedge against interest and currency risks. These derivative financial instruments are initially recognised at fair value at the time the contracts are concluded and subsequently revalued at fair value.

Gains and losses from changes in the fair value of derivative financial instruments which do not meet the criteria for qualification as hedging transactions are recognised immediately through profit and loss.

For hedge accounting purposes, hedging instruments are classified as cash flow hedges if they serve as a hedge against the risk of fluctuations in cash flows which can be attributed to a recognised asset or liability, or a forecast transaction.

A hedge for the currency risk of a fixed obligation is treated as a cash flow hedge.

At the beginning of a hedging relationship, the Group formally designates the hedging relationship to be recognised as a hedging transaction, as well as the risk management aims and strategies relating to the hedge, and documents them. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and a description of how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. These hedging relationships are considered to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk. The hedges are assessed on an ongoing basis to determine whether they were actually highly effective throughout the financial reporting period for which the hedge was designated.

There were no hedging transactions to hedge fair value or net investments in a foreign operation during the reporting period. Cash flow hedges which meet the strict criteria for recognition as hedging relationships are recognised as follows:

Cash flow hedges

The effective portion of gains or losses from changes in the fair value of a hedging instrument is recognised directly in equity, taking account of the deferred taxes, while the ineffective portion is recognised in profit and loss.

The amounts recognised in equity are recorded in the income statement in the period affected by the hedged transaction, e.g. when the hedged financial income or expense affects profit and loss or when a forecast sale or purchase occurs. If the hedged transaction is the acquisition cost of a non-financial asset or a non-financial liability, the amounts recognised in equity are added to the originally recognised carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are recognised in profit and loss for the period. If the hedging instrument expires, or is sold, terminated or exercised, or rolled over into another hedging instrument, or if the Group withdraws the designation as a hedging instrument, the amounts previously recognised in equity remain separately recognised in equity until the forecast transaction occurs.

7. Significant Assumptions and Estimates

Preparing the Consolidated Financial Statements in accordance with IFRS requires management to make estimates and assess individual facts and circumstances. The estimates made are based on past experience and other relevant factors and on a going concern basis.

The amounts which actually arise may differ from those resulting from estimates and assumptions.

The accounting and valuation principles applied are explained in ► Note 6. Material assumptions and estimates affect the following issues:

Business combinations

The fair value of the assets acquired and liabilities and contingent liabilities assumed as a result of business combinations must be estimated. For this purpose HHLA either makes use of opinions from independent external experts or calculates the fair value internally using suitable calculation models. These are normally based on discounted cash flows. Depending on the nature of the assets or the availability of information, market price, capital value and cost-oriented valuation methods are applied.

Goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimate of the fair value less selling costs or the value in use of the cash-generating units to which the goodwill has been allocated. To estimate the fair value or value in use, the Group must forecast the likely future cash flows from the cash-generating unit and also choose an appropriate discount rate with which to calculate the present value of these cash flows. Unforeseeable changes may mean that the assumptions used during planning are no longer appropriate, making it necessary to adjust plans. An impairment loss may be incurred as a result. As of 31 December 2011, the carrying value of the goodwill reported was € 38,691 thousand (previous year: € 41,561 thousand). For more information, please refer to ▸ Note 22.

Internal development activities

These activities relate to the development of software within the Group, which are capitalised as soon as the recognition requirements pursuant to IAS 38.57 are fulfilled. HHLA amortises the software over the expected useful life of three to seven years from the point that the software comes into use. As of 31 December 2011, the carrying amount of intangible assets resulting from internal development activities came to €25,859 thousand (previous year: €26,459 thousand). For more information, please refer to ▸ Note 22.

Investment property

HHLA carries out its own calculations to determine the fair value of this property. Industry-standard discounted cash flow methods are applied. The calculations are based on assumptions about applicable interest rates and the amount and time-frame of expected future cash flows which these assets can generate. As of 31 December 2011, the carrying amount came to €180,062 thousand (previous year: €185,568 thousand). Detailed information is available in ▸ Note 24.

Pension provisions

Actuarial opinions are commissioned annually to determine pension obligation costs. These calculations include assumptions about demographic changes, salary and pension increases, and interest, inflation and fluctuation rates. Because these assumptions are long-term in nature, the observations are assumed to be characterised by material uncertainties. As of 31 December 2011, the present value of the company's pension obligations was €313,729 thousand (previous year: €329,221 thousand). More detailed information is available in ▸ Note 35.

Provisions for phased early retirement

All employees who have signed, or are expected to sign, an agreement are taken into consideration when recognising and measuring provisions for phased early retirement. The number of employees expected to sign is an estimate. The appraisal reports are also based on actuarial assumptions. As of 31 December 2011, the present value of these obligations was €9,683 thousand (previous year: €11,669 thousand). For more information, please refer to ▸ Note 36.

Demolition obligations

Provisions for demolition obligations result from obligations to be met at the end of the lease term under long-term lease agreements with the Free and Hanseatic City of Hamburg. All HHLA Group companies in the Port of Hamburg are obliged to return leased land free of all buildings owned by them at the end of the lease term. The calculations are based on assumptions concerning the amount of demolition work necessary, interest rates and inflation. As of 31 December 2011, the present value of these obligations was €40,758 thousand (previous year: €39,107 thousand). For more information, please refer to ▸ Note 36.

Non-current and current financial liabilities

This item includes, amongst other things, financial settlement obligations to shareholders with non-controlling interests in consolidated subsidiaries. These liabilities arise in cases where HHLA has concluded a profit and loss transfer agreement with a subsidiary which entitles shareholders with non-controlling interests to receive financial settlements. Liabilities from financial settlement obligations are entered in the balance sheet at their discounted amount on the reporting date. The parameters used to calculate this amount are subject to significant uncertainties which can cause figures to fluctuate accordingly. As of 31 December 2011, the present value of this obligation was €96,006 thousand (previous year: €121,543 thousand). For a more detailed explanation, please refer to ▸ Notes 34, 37 and 46.

Other assumptions and estimates

Assumptions and estimates are also made for value adjustments on doubtful receivables, for determining the duration of amortisation or depreciation for intangible assets and property, plant and equipment, respectively, for determining other provisions and for the application of deferred taxes to tax loss carry-forwards.

Notes to the Income Statement

The income statement has been prepared using the total expenditure format.

8. Revenue

Revenue can be broken down into the following segments:

in € thousand	2011	2010
Container	707,643	594,266
Intermodal	355,827	315,561
Logistics	108,541	115,280
Holding/Other	16,110	15,410
Real Estate	29,151	27,299
	1,217,272	1,067,816

Revenue was generated by the various regions as follows:

in € thousand	2011	2010
Germany	969,422	841,398
EU	200,050	175,296
Outside EU	47,800	51,122
	1,217,272	1,067,816

Please refer to ▸ Note 43 for further information.

9. Changes in Inventories

Inventories changed as follows:

in € thousand	2011	2010
Changes in inventories of finished and unfinished products and service work in progress	602	- 1,149

10. Own Work Capitalised

Own work capitalised can be broken down into:

in € thousand	2011	2010
Container	6,553	7,007
Intermodal	66	26
Logistics	119	49
Holding/Other	437	277
	7,175	7,359

Own work capitalised results mainly from technical work capitalised in the course of construction work and development activities.

11. Other Operating Income

Other operating income was made up as shown below:

in € thousand	2011	2010
Compensation	17,509	4,463
Reimbursements	7,422	7,732
Income from other accounting periods	3,424	6,314
Proceeds on disposal of property, plant and equipment	2,591	895
Income from exchange rate differences	1,760	1,844
Income from reversal of provisions	1,558	12,050
Income from reversal of impairment loss	0	3,020
Other operating income	9,464	6,740
	43,728	43,058

€ 15,000 thousand of the income from compensation was paid to UNIKAI Hafenbetrieb and LZU Leercontainer Zentrum Unikai by HPA for their loss of usage of leased port areas. Reimbursements related primarily to costs which were passed on in connection with leases.

In the year under review, income from other accounting periods did not consist of any significant single items. By contrast, unclaimed reimbursements for customers and uninvoiced construction services totalling € 4,340 thousand were included in the previous year.

In the previous year, income from the reversal of provisions was largely affected by changes in estimates concerning the amount of future payment obligations arising from phased early retirement agreements (€ 6,241 thousand) and demolition obligations which no longer exist (€ 4,233 thousand).

Income from write-backs in 2010 included write-ups to fair value amounting to € 2,000 thousand on non-current assets held for sale which were sold during that year.

12. Cost of Materials

The cost of materials can be broken down as follows:

in € thousand	2011	2010
Raw materials, consumables and supplies	82,862	63,335
External staff	261	193
Purchased services	349,811	308,839
	432,934	372,367

The expenses for purchased services mainly consist of rail services purchased by the Intermodal segment.

13. Personnel expenses

Personnel expenses were as follows:

in € thousand	2011	2010
Wages and salaries	253,968	228,805
Social security contributions and benefits	46,726	43,324
Staff deployment	52,930	40,046
Service expense	5,320	3,945
Other retirement benefit expenses	583	663
	359,527	316,783

The direct remuneration paid to members of the Executive Board totalled €4,053 thousand for the financial year 2011 (previous year: €2,554 thousand). Of this, €1,765 thousand related to the basic salary (previous year: €1,450 thousand), €279 thousand was other benefits (previous year: €53 thousand) and performance-related remuneration made up €2,009 thousand (previous year: €1,051 thousand). In addition, €791 thousand was added to pension commitments (previous year: €810 thousand). Former members of the Executive Board and their surviving dependants received total payments of €782 thousand (previous year: €821 thousand). Total provisions of €10,340 thousand (previous year: €11,692 thousand) were formed for pension obligations to former members of the Executive Board and their surviving dependants. For more details on the remuneration paid to the Executive Board and the Supervisory Board, please refer to the ▸ Remuneration Report page 47.

Expenses for wages and salaries from the termination of employment totalled €2,175 thousand in the year under review (previous year: €108 thousand). These included payments made to former Executive Board members, among other things.

Service expense includes payments from defined benefit pension commitments and similar obligations.

Social security contributions include payments towards the public pension scheme amounting to €23,018 thousand (previous year: €19,814 thousand) and payments to the German pension insurance scheme.

The average number of employees changed as follows:

	2011	2010
Fully consolidated companies		
Employees receiving wages	2,551	2,396
Salaried staff	1,868	1,983
Trainees	114	120
	4,533	4,499
Proportionately consolidated companies		
Employees receiving wages	63	55
Salaried staff	160	144
Trainees	0	0
	223	199
	4,756	4,698

Employee Stock Purchase Plan

During the year under review, HHLA decided to roll out an employee stock purchase plan in 2012. Each eligible member of staff will be given the opportunity to purchase Class A shares worth €180 to €910 at a reduced price. Shares will be offered with a total reduction of 50 to 100% of the stock market price. The plan will be open to all Group employees with a permanent, unterminated contract of employment or training contract on 31 December 2011 and on the day the share price is determined. A final decision has yet to be made on the specific regulations which will apply to the employee stock purchase plan. Provisions of €1,612 thousand were formed for this obligation based on the anticipated uptake in line with the advertised conditions. They were recorded in personnel expenses.

14. Other Operating Expenses

Other operating expenses were made up as shown:

in € thousand	2011	2010
Leasing	42,554	41,342
External maintenance services	39,767	28,405
Consultancy, services, insurance and auditing expenses	31,389	24,783
Expenses from exchange rate differences	2,949	1,956
Travel expenses, advertising and promotional costs	2,918	2,768
Venture expenses	2,748	1,968
External and internal cleaning costs	2,590	2,630
Other personnel expenses	2,076	2,175
Other taxes	1,950	2,099
Postage and telecommunications costs	1,892	1,757
Expenses from other accounting periods	1,621	1,273
Losses on the disposal of property, plant and equipment	1,242	813
Other	9,178	9,077
	142,874	121,046

See ▸ Note 44 for further details of leasing expenses.

15. Depreciation and Amortisation

Depreciation and amortisation in the financial year was as follows:

in € thousand	2011	2010
Intangible assets	9,786	6,404
Property, plant and equipment	102,294	92,709
Assets classified as finance leases	5,533	3,823
Investment property	8,814	11,044
	126,427	113,980

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule. Impairment losses totalling €6,653 thousand (previous year: €5,160 thousand) were recognised in the reporting year (see ▶ Notes 22 and 23).

16. Financial Result

The financial result was as follows:

in € thousand	2011	2010
Earnings from associates accounted for using the equity method	335	208
Interest income from bank balances	2,893	1,173
Income from exchange rate effects	1,938	1,396
Interest income from non-affiliated companies	1,634	1,539
Income from the adjustment of settlement obligations to non-controlling interests	1,568	0
Interest income from non-consolidated affiliated companies	623	264
Income from interest rate hedges	612	395
Interest income from plan assets for working lifetime accounts	328	246
Income from lending of financial assets	2	2
Interest income	9,598	5,015
Interest portion of pension provisions	15,185	15,652
Interest expenses on bank borrowing	10,775	11,146
Interest included in lease payments	4,475	1,479
Interest expenses to non-consolidated affiliated companies	3,034	2,983
Interest portion of other provisions	2,667	3,052
Interest expenses to non-affiliated companies	2,625	1,965
Expenses from exchange rate differences	2,036	2,181
Expenses from interest rate hedges	1,527	1,491
Interest and similar expenses	42,324	39,949
Net interest	- 32,726	- 34,934
Income from other equity investments	368	336
Depreciations of financial assets and non-current financial receivables	151	0
Other financial result	217	336
Financial result	- 32,174	- 34,390

Earnings from associates accounted for using the equity method related to the pro rata annual earnings of CuxPort GmbH, Cuxhaven.

For details of interest income from the adjustment of settlement obligations to shareholders with non-controlling interests, please see ▶ Notes 37 and 46.

17. Research Costs

In the financial year, research costs of €1,356 thousand (previous year: €2,532 thousand) were recognised as an expense. These primarily related to research for software development.

18. Income Tax

Paid or outstanding taxes on income and deferred taxes are shown under the item income taxes. Income taxes are made up of corporation tax, solidarity surcharge and trade tax. Companies domiciled in Germany pay corporation tax of 15.0% and a solidarity surcharge of 5.5% of the corporation tax expense. These companies and German-based subsidiaries in the form of limited partnerships are also liable for trade tax, which is imposed at different local rates. Trade tax no longer reduces the amount of a company's profits on which corporation tax is payable.

Income tax expenses mainly consisted of the following:

in € thousand	2011	2010
Deferred and current income taxes		
Deferred taxes on temporary differences		
Domestic	3,466	- 2,285
Foreign	1,598	124
	5,064	- 2,161
Deferred taxes on losses carried forward		
Domestic	306	970
Foreign	0	169
	306	1,139
	5,370	- 1,022
Current income tax expense		
Domestic	42,119	36,848
Foreign	8,564	8,762
	50,683	45,610
Income tax expense recognised in the income statement	56,053	44,588

Current income tax expenses include tax income from other accounting periods amounting to €1,342 thousand (previous year: €973 thousand).

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards as follows:

in € thousand	Deferred tax assets		Deferred tax liabilities	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Intangible assets	0	1,004	56	1,293
Property, plant and equipment and finance leases	0	5,602	14,199	15,812
Investment property	0	0	13,020	13,144
Financial assets	0	699	101	368
Inventories	23	0	99	82
Receivables and other assets	2,479	763	668	737
Pension and other provisions	32,528	41,372	2,996	797
Liabilities	5,542	872	2,330	99
Tax losses carried forward	1,582	1,889	0	0
	42,154	52,201	33,468	32,332
Netted amounts	- 19,911	- 19,435	- 19,911	- 19,435
Balance sheet items	22,243	32,766	13,557	12,897

The offsetting and reconciliation between the income tax expenses and hypothetical tax expenses based on the IFRS result and the Group's applicable tax rate are as follows:

in € thousand	2011	2010
Profit before tax	174,841	158,518
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	56,439	51,170
Adjustment in current income taxes for prior years	- 1,342	- 973
Effect of tax rate changes	- 102	- 1,552
Tax-free income	- 151	- 78
Non-deductible expenses	101	312
Trade tax additions and reductions	1,758	973
Differences in tax rates	- 4,617	- 4,737
Impairment losses on deferred tax assets	2,954	0
Other tax effects	1,014	- 527
	56,053	44,588

Deferred taxes are calculated on the basis of the tax rates currently in force in Germany or those expected to apply at the time of realisation. A tax rate of 32.28 % was used for the calculations in both 2010 and 2011. This is made up of corporation tax at 15.0 %, solidarity surcharge of 5.5 % and the trade tax payable in Hamburg of 16.45 %. Limited partnerships are also liable for trade tax. Due to special rules, property management companies generally do not pay trade tax. Trade tax no longer reduces the amount of a company's profits on which trade tax is payable; neither does it lessen the amount on which corporation tax is paid. Due to rules on minimum taxation, tax loss carry-forwards are only partially usable in Germany. Tax losses of up to €1 million can be set off against taxable profits without restriction, and higher tax losses up to a maximum of 60 %.

The effects of tax rates for domestic and foreign taxes that diverge from the Group parent company's tax rate are reported in the offsetting and reconciliation under differences in tax rates.

Deferred tax assets are recognised on tax loss carry-forwards and temporary differences if it is sufficiently certain that they can be realised in the near future. The Group has corporation tax loss carry-forwards of €6,557 thousand (previous year: €5,765 thousand) and trade tax loss carry-forwards of €3,137 thousand (previous year: €5,866 thousand) which it can use without restriction. Corresponding deferred tax assets are carried as a result. No deferred tax assets were recognised for corporation tax loss carry-forwards of €1,610 thousand (previous year: €647 thousand) and trade tax loss carry-forwards of €2,851 thousand (previous year: €852 thousand). Under current legislation, the tax losses and interest can be carried forward in Germany without restriction.

Deferred tax assets of €425 thousand (previous year: €512 thousand) and deferred tax liabilities of €21,868 thousand (previous year: €16,138 thousand) recognised directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions, cash flow hedges and unrealised gains/losses arising from available-for-sale financial assets.

The income tax recognised in the statement of comprehensive income is made up as follows:

in € thousand		2011			2010	
	Gross	Taxes	Net	Gross	Taxes	Net
Actuarial gains/losses	18,128	- 5,892	12,236	- 6,493	2,087	- 4,406
Cash flow hedges	- 418	114	- 304	- 220	56	- 164
Unrealised gains/losses on available-for-sale financial assets	- 101	33	- 68	18	- 3	15
	17,609	- 5,745	11,864	- 6,695	2,140	- 4,555

19. Share of Results Attributable to Non-Controlling Interests

Profits attributable to other shareholders amounting to €29,506 thousand (previous year: €37,703 thousand) mainly relate to shareholders with non-controlling interests in HHLA Container-Terminal Altenwerder GmbH, Hamburg, and METRANS a.s., Prague, Czech Republic.

As one co-shareholder was not entitled to a share in profits via the capital share scheme in the year under review, the profits attributable to non-controlling interests went down.

20. Earnings per Share

Basic earnings per share are calculated in accordance with IAS 33 by dividing the net profit for the Group attributable to the shareholders of the parent company by the average number of shares.

The following table illustrates the calculation for basic earnings per share:

	2011	2010
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	89,282	76,227
Number of common shares in circulation (weighted average)	72,679,826	72,679,826
Basic earnings per share in €	1.23	1.05

The basic earnings per share were calculated for the subgroup Port Logistics as follows:

	2011	2010
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	84,017	69,890
Number of common shares in circulation (weighted average)	69,975,326	69,975,326
Basic earnings per share in €	1.20	1.00

The basic earnings per share were calculated for the subgroup Real Estate as follows:

	2011	2010
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	5,265	6,337
Number of common shares in circulation (weighted average)	2,704,500	2,704,500
Basic earnings per share in €	1.95	2.34

The diluted earnings per share are identical to the basic EPS as there were no conversion or option rights in circulation during the reporting year. It is intended to issue new shares from the Authorised Capital for the agreed employee stock purchase plan for 2011. Based on the expected participation among employees the number of listed Class A shares outstanding may increase by clearly less than one percent.

21. Dividend per Share

The dividend entitlement for the share classes is based on the portion of the distributable profit attributable to the relevant division. This is calculated in accordance with the German Commercial Code (HGB).

A resolution was passed at the Annual General Meeting held on 16 June 2011 to distribute a dividend of €41,732 thousand to holders of common shares in the reporting year for the 2010 financial year. At the time of the distribution, the number of shares entitled to dividends amounted to 72,679,826, of which 69,975,326 are to be attributed to the subgroup Port Logistics (A division) and 2,704,500 to the subgroup Real Estate (S division). This resulted in dividends of €0.55 per Class A share and €1.20 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2012, dividends per share of €0.65 for the subgroup Port Logistics and € 1.00 for the subgroup Real Estate are due to be paid. Based on the number of shares outstanding as at 31 December 2011, this is equivalent to dividends of €45,484 thousand for the subgroup Port Logistics and of €2,705 thousand for the subgroup Real Estate. By issuing new shares from the Authorised Capital as intended for the agreed employee stock purchase plan for 2011, the sum for the Port Logistics subgroup may rise marginally by clearly less than one percent until submission to the Annual General Meeting.

Notes to the Balance Sheet

22. Intangible Assets

The following table shows the changes in intangible assets:

in €thousand	Goodwill	Software	Internally developed software	Other intangible assets	Payments on account	Total
Carrying amount 1 January 2010	44,245	3,923	24,023	0	10,143	82,334
Cost						
1 January 2010	46,557	37,159	25,179	1,399	10,143	120,437
Additions	316	1,785	4,149		1,692	7,942
Disposals		- 1,430	- 48			- 1,478
Reclassifications		795			- 795	0
Exchange rate effects		119				119
31 December 2010	46,873	38,428	29,280	1,399	11,040	127,020
Accumulated amortisation and impairment losses						
1 January 2010	2,312	33,236	1,156	1,399	0	38,103
Additions	3,000	1,739	1,665			6,404
Disposals		- 1,409				- 1,409
Exchange rate effects		72				72
31 December 2010	5,312	33,638	2,821	1,399	0	43,170
Carrying amount 31 December 2010	41,561	4,790	26,459	0	11,040	83,850
Carrying amount 1 January 2011	41,561	4,790	26,459	0	11,040	83,850
Cost						
1 January 2011	46,873	38,428	29,280	1,399	11,040	127,020
Additions		3,219	3,590		595	7,404
Disposals		- 262				- 262
Reclassifications		10,285			- 10,285	0
Changes in group of consolidated companies		- 38				- 38
Exchange rate effects		49				49
31 December 2011	46,873	51,681	32,870	1,399	1,350	134,173
Accumulated amortisation and impairment losses						
1 January 2011	5,312	33,638	2,821	1,399	0	43,170
Additions	2,870	2,726	4,190			9,786
Disposals		- 258				- 258
Changes in group of consolidated companies		- 38				- 38
Exchange rate effects		23				23
31 December 2011	8,182	36,091	7,011	1,399	0	52,683
Carrying amount 31 December 2011	38,691	15,590	25,859	0	1,350	81,490

The carrying amounts for goodwill relate to the following HHLA segments:

in € thousand	31.12.2011	31.12.2010
Container (Rosshafen)	30,929	30,929
Container (HHCT)	6,493	6,493
Intermodal	1,267	4,137
Other	2	2
	38,691	41,561

The goodwill of € 30,929 thousand disclosed as of the balance sheet date relates to the 100 % stake in HHLA Rosshafen Terminal GmbH, Hamburg, acquired by HHLA in 2006. This goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites let by the company.

In the Intermodal segment, the annual impairment test on goodwill for the cash-generating unit consisting of TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main, led to impairment charges amounting to € 2,870 thousand. The goodwill attributed to this company was written down by this amount and the impairment loss was recognised through profit and loss. The resulting expense item is shown under depreciation and amortisation. With this impairment the affected goodwill has been fully adjusted.

The impairment was necessary due to a persistent downturn in the firm's forecast earnings. The value in use was calculated as the recoverable amount using a discount rate of 6.44 % (previous year: 7.40 %). The earnings forecast used for these calculations is based on the outlook for 2012 to 2016. However, the forecast result was reduced due to the current uncertainties. As of 2016, a continuation value with no growth factor will be used.

Of the internally developed software shown, € 612 thousand was not yet completed as of the balance sheet date (previous year: € 17,763 thousand).

23. Property, Plant and Equipment

The following tables show the changes in property, plant and equipment:

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Payments on account and plant under construction	Total
Carrying amount 1 January 2010	356,738	283,540	162,886	113,608	916,772
Cost					
1 January 2010	611,174	620,967	339,477	113,608	1,685,226
Additions	86,738	55,907	5,766	10,526	158,937
Disposals	- 6,811	- 3,797	- 9,021	- 116	- 19,745
Reclassifications	11,139	43,602	- 193	- 61,883	- 7,335
Changes in group of consolidated companies		3	1,266		1,269
Exchange rate effects	1,273	2,336	79	64	3,752
31 December 2010	703,513	719,018	337,374	62,199	1,822,104
Accumulated amortisation and impairment losses					
1 January 2010	254,436	337,427	176,591	0	768,454
Additions	23,380	43,163	29,989		96,532
Disposals	- 4,685	- 3,686	- 8,670		- 17,041
Reclassifications	- 5,165	1,331	- 1,339		- 5,173
Changes in group of consolidated companies		3	197		200
Exchange rate effects	82	417	50		549
31 December 2010	268,048	378,655	196,818	0	843,521
Carrying amount 31 December 2010	435,465	340,363	140,556	62,199	978,583
Carrying amount 1 January 2011	435,465	340,363	140,556	62,199	978,583
Cost					
1 January 2011	703,513	719,018	337,374	62,199	1,822,104
Additions	42,053	15,983	44,963	14,213	117,212
Disposals	- 22,653	- 16,374	- 18,050	- 227	- 57,304
Reclassifications	6,869	27,347	6,201	- 40,417	0
Changes in group of consolidated companies			- 33		- 33
Exchange rate effects	- 52	472	- 18	119	521
31 December 2011	729,730	746,446	370,437	35,887	1,882,500
Accumulated amortisation and impairment losses					
1 January 2011	268,048	378,655	196,818	0	843,521
Additions	29,993	47,531	30,303		107,827
Disposals	- 20,629	- 16,361	- 17,305		- 54,295
Reclassifications					0
Changes in group of consolidated companies			- 24		- 24
Exchange rate effects	- 20	150	1		131
31 December 2011	277,392	409,975	209,793	0	897,160
Carrying amount 31 December 2011	452,338	336,471	160,644	35,887	985,340

Within land and buildings, the additions to assets related mainly to a newly completed megaship berth at the Burchardkai container terminal in Hamburg. The investments in technical equipment and machinery concerned the construction and completion of block storage facilities, also at the container terminal in Burchardkai. Additions to other assets, operating and office equipment related primarily to investments in new and replacement straddle carriers and a storage block crane system.

The disposal of assets resulted from the termination of the lease for port areas and the need to clear these sites as a consequence. Some straddle carriers and other ground-handling vehicles were also disposed of.

The plant under construction portfolio recognised in the reporting year primarily relates to terminal expansions in the form of berth and storage area expansions.

In the Logistics segment, there were indications on the balance sheet date that the assets belonging to the cash-generating unit HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg, were impaired. This resulted in impairment losses of € 3,778 thousand. Of this, € 2,655 thousand related mainly to land and buildings, while € 1,005 thousand was attributable to technical equipment and machinery. The impairment volume was allocated using both recoverability criteria and by taking a proportionate approach to the carrying amount of the assets in question. Cash was excluded. The expense item resulting from this impairment is shown under depreciation and amortisation. Impairment became necessary due to a sustained structural shift in fruit logistics. Fruit is increasingly being transported in reefer containers rather than in conventional reefer ships. It currently looks unlikely that this trend will be reversed in the future. The value in use was calculated as the recoverable amount using a discount rate of 6.44 %. The earnings forecast used for the calculations is based on the outlook for 2012 to 2016.

Buildings, surfacing and movable non-current assets with a carrying amount of € 44,036 thousand (previous year: € 46,841 thousand) were assigned by way of collateral in connection with loans taken up by the Group.

In addition to this, property, plant and equipment was encumbered with land charges totalling € 8,224 thousand in the previous year. Following adjustments to the relevant loan agreements, these land charges were no longer payable as of 31 December 2011.

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties by the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in ▸ Note 44.

As of the balance sheet date, the Group had obligations of € 81,393 thousand (previous year: € 44,220 thousand) from purchase commitments which were attributable to capitalisation of property, plant and equipment.

In the year under review, HHLA did not receive any public subsidies in connection with the promotion of intermodal transport (previous year: € 951 thousand). As yet unused subsidies from previous years were offset against the ongoing cost of acquiring the relevant assets in the amount of € 8,373 thousand (previous year: € 1,436 thousand) in the reporting year.

Property, plant and equipment includes the following assets which are classified as finance leases as per IAS 17:

in €thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Total
Carrying amount 1 January 2010	43	3,004	19,347	22,394
Cost				
1 January 2010	245	6,539	27,896	34,680
Additions	66,062	14	1,008	67,084
Disposals		- 11	- 1,105	- 1,116
Reclassifications			- 1,967	- 1,967
Changes in group of consolidated companies			1,219	1,219
Exchange rate effects		62		62
31 December 2010	66,307	6,604	27,051	99,962
Accumulated amortisation and impairment losses				
1 January 2010	202	3,535	8,549	12,286
Additions	446	556	2,821	3,823
Disposals		- 9	- 1,029	- 1,038
Reclassifications			- 1,426	- 1,426
Changes in group of consolidated companies			180	180
Exchange rate effects		36		36
31 December 2010	648	4,118	9,095	13,861
Carrying amount 31 December 2010	65,659	2,486	17,956	86,101
Carrying amount 1 January 2011	65,659	2,486	17,956	86,101
Cost				
1 January 2011	66,307	6,604	27,051	99,962
Additions	28,051	368	4,414	32,833
Disposals	- 245	- 26	- 1,483	- 1,754
Reclassifications		- 4,613		- 4,613
Changes in group of consolidated companies				0
Exchange rate effects		- 241	- 38	- 279
31 December 2011	94,113	2,092	29,944	126,149
Accumulated amortisation and impairment losses				
1 January 2011	648	4,118	9,095	13,861
Additions	1,772	505	3,255	5,532
Disposals	- 245	- 10	- 1,275	- 1,530
Reclassifications		- 3,085		- 3,085
Changes in group of consolidated companies				0
Exchange rate effects		- 157	- 10	- 167
31 December 2011	2,175	1,371	11,065	14,611
Carrying amount 31 December 2011	91,938	721	18,879	111,538

The additions to land and buildings in the reporting year relate entirely to a newly completed mega-ship berth at the Burchardkai container terminal in Hamburg, which HHLA has leased from a related party, Hamburg Port Authority AöR, Hamburg (HPA). For details, see ▶ Note 44.

24. Investment Property

The following table shows the changes in investment property:

in € thousand	Investment property	Payments on account and plant under construction	Total
Carrying amount 1 January 2010	185,697	774	186,471
Cost			
1 January 2010	259,420	774	260,194
Additions	722	6,237	6,959
Disposals			0
Reclassifications	7,335		7,335
31 December 2010	267,477	7,011	274,488
Accumulated amortisation and impairment losses			
1 January 2010	73,723	0	73,723
Additions	11,044		11,044
Disposals			0
Reversal of impairment loss	- 1,020		- 1,020
Reclassifications	5,173		5,173
31 December 2010	88,920	0	88,920
Carrying amount 31 December 2010	178,557	7,011	185,568
Carrying amount 1 January 2011	178,557	7,011	185,568
Cost			
1 January 2011	267,477	7,011	274,488
Additions	1,636	2,497	4,133
Disposals	- 1,210		- 1,210
Reclassifications	6,739	- 6,739	0
31 December 2011	274,642	2,769	277,411
Accumulated amortisation and impairment losses			
1 January 2011	88,920	0	88,920
Additions	8,814		8,814
Disposals	- 385		- 385
Reversal of impairment loss			0
Reclassifications			0
31 December 2011	97,349	0	97,349
Carrying amount 31 December 2011	177,293	2,769	180,062

The properties held as investment property are mainly warehouses converted to office space in Hamburg's Speicherstadt historical warehouse district as well as logistics warehouses and surfaced areas.

Rental income from investment property at the end of the financial year was €44,189 thousand (previous year: €46,459 thousand). The direct operating expenses for investment property amounted to €22,268 thousand (previous year: €21,868 thousand) in the reporting year.

The fair value of the investment property totalled €444,775 thousand (previous year: €429,995 thousand). The fair values were determined by HHLA's Real Estate segment.

Fair values are measured by applying the discounted cash flow method (DCF method) to the forecast net cash flows from managing the properties. The DCF calculation includes detailed forecasts of ten years or up to the end of the useful lives of properties with a remaining useful life of less than ten years.

During the detailed forecast period, the contractually agreed rental income from each property and other specific valuation parameters are used to derive the future operating costs, management expenses and maintenance costs. The parameters used are derived from the leases and/or company forecasts.

The cash flows are discounted consistently using standard market interest rates of 5.53 to 8.61 % p. a. Property-specific fair value is determined on the basis of property-specific measurement criteria.

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties by the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in ► Note 44.

Investment properties with a residual carrying amount of €95,995 thousand (previous year: €94,454 thousand) relate to buildings in the Speicherstadt historical warehouse district. Payments made on account and plant under construction account for €2,744 thousand of this (previous year: €7,011 thousand). As these buildings are designated as historical landmarks, extensive refurbishment work must comply with the relevant statutory restrictions.

25. Associates Accounted for Using the Equity Method

CuxPort GmbH, Cuxhaven, is recognised under shares in associated companies.

in € thousand	31.12.2011	31.12.2010
Shares in associated companies	1,830	1,620

26. Financial Assets

The following table shows the changes in financial assets:

in € thousand	31.12.2011	31.12.2010
Securities	3,323	2,707
Shares in affiliated companies	1,519	2,264
Other equity investments	399	341
Other financial assets	3,845	2,972
	9,086	8,284

In the reporting year – as in 2010 – the securities relating to insolvency insurance for phased early retirement entitlements were netted out against the corresponding phased early retirement obligations because they fulfil the conditions for plan assets as per IAS 19. The securities portfolio recognised as plan assets in the financial year amounted to €5,639 thousand (previous year: €3,983 thousand), see ► Note 36. Before balancing, this results in a securities portfolio of €8,962 thousand (previous year: €6,690 thousand).

The shares in affiliated companies include shares in Group companies which are of minor importance for giving a true and fair view of the Group's net assets, financial and earnings position and are therefore not consolidated.

Shares in affiliated companies and other equity investments are carried at amortised cost.

Other financial assets essentially comprise receivables from a graduated rent amounting to €1,375 thousand (previous year: €734 thousand), receivables from HPA amounting to €405 thousand (previous year: €414 thousand) and receivables from METRANS (Danubia) Kft., Győr, Hungary, worth €500 thousand (previous year: €300 thousand).

27. Inventories

Inventories are made up as follows:

in €thousand	31.12.2011	31.12.2010
Raw materials, consumables and supplies	20,189	18,594
Work in progress	1,998	2,186
Finished products and merchandise	975	185
	23,162	20,965

Impairment losses on inventories recognised as an expense amount to €668 thousand (previous year: €837 thousand). This expense is recorded under the cost of materials. See ▸ Note 12.

28. Trade Receivables

Trade receivables came to:

in €thousand	31.12.2011	31.12.2010
Trade receivables	151,771	126,516

The trade receivables are owed by third parties, do not bear interest and all have a remaining term of less than one year. No receivables were assigned as collateral for financial liabilities, either in 2010 or in the year under review. Collateral for trade receivables is only held to a minor extent (e.g. rental guarantees).

Details of impairment allowances for trade receivables can be found in ▸ Note 46.

29. Receivables from Related Parties

Receivables from related parties are made up as follows:

in €thousand	31.12.2011	31.12.2010
Receivables from the Free and Hanseatic City of Hamburg (FHH)	684	128
Other receivables from related parties and joint ventures	3,072	2,576
	3,756	2,704

30. Other Financial Receivables

Other financial receivables consist of the following:

in €thousand	31.12.2011	31.12.2010
Current receivables from employees	1,387	281
Current reimbursement claims against insurers	426	98
Positive fair values of interest rate caps	1	12
Other current financial receivables	615	2,216
	2,429	2,607

In the reporting year, current receivables from employees consisted mainly of prepayments for company pensions.

31. Other Assets

Other assets can be broken down as shown below:

in €thousand	31.12.2011	31.12.2010
Current tax credits	8,188	8,976
Payments on account	1,295	579
Other	7,293	5,654
	16,776	15,209

In addition to income tax receivables, current tax credits include transaction tax claims amounting to €7,085 thousand (previous year: transaction tax claims of €3,137 thousand relating to a foreign joint venture).

The other assets shown are not subject to any significant restrictions on title or use.

32. Income Tax Receivables

in €thousand	31.12.2011	31.12.2010
Income tax receivables	3,591	20,972

Income tax receivables result from offsettable taxes paid on investment income and advance tax payments.

33. Cash, cash equivalents and short-term deposits

Cash, cash equivalents and short-term deposits consist of the following:

in € thousand	31.12.2011	31.12.2010
Cash and cash equivalents with a maturity of up to 3 months	221,044	79,114
Short-term deposits with a maturity of 4–6 months	30,000	20,000
Bank balances and cash in hand	78,952	136,379
	329,996	235,493

Cash, cash equivalents and short-term deposits are made up of cash in hand and various bank balances in different currencies.

Cash of € 30,258 thousand (previous year: € 21,537 thousand) is subject to foreign exchange outflow restrictions.

Bank balances bear interest at variable rates applicable to demand accounts. Short-term deposits are made for varying periods of time ranging from one day to six months, depending on the Group's cash requirements. They attract interest at rates payable for short-term deposits. In the financial year, the interest rates were between 0.0 and 2.1 % (previous year: 0.0 and 1.6 %). The fair value of cash and cash equivalents is largely equivalent to their carrying value.

As of the balance sheet date, the Group had unused lines of credit amounting to € 26,989 thousand (previous year: € 26,718 thousand) and had met all the conditions for their use.

34. Equity

Changes in the individual components of equity for the 2011 and 2010 financial years are shown in the statement of changes in equity.

Subscribed Capital

As of the balance sheet date HHLA's nominal capital consists of two different classes of share: Class A shares and Class S shares. Subscribed capital is € 72,680 thousand, divided into 69,975,326 Class A shares and 2,704,500 Class S shares; each no-par-value share represents € 1.00 of nominal capital on paper.

The nominal capital has been fully paid in.

In the course of the stock flotation on 2 November 2007, 22,000,000 Class A shares were sold on the market. This corresponds to a free float of approx. 30 % of HHLA's nominal capital.

As of the balance sheet date, the Free and Hanseatic City of Hamburg, through the company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg, holds 69.65 % of the shares, including the 18.87 % of voting rights attributable directly to HHLA-Beteiligungsgesellschaft mbH, Hamburg.

Authorised Capital I

According to the resolution passed at the General Meeting on 24 September 2007 and Section 3 (4) of the articles of association, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's nominal capital by 1 September 2012 by issuing new Class A shares for subscription in cash and/or in kind in one or more steps by up to €33,797,750 (authorised capital I). The holders of Class A shares are to be given subscription rights; the subscription rights of holders of Class S shares are excluded. The remaining authorised capital I was reduced to € 33,742,924 as a result of the employee stock purchase plan implemented in 2008.

The Executive Board is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class A shares,

(a) in the case of a capital increase for cash in which the amount of capital consisting of Class A shares does not exceed 10 % of the nominal capital (either at the point in time when this authorisation comes into effect or is exercised) and the issue price of the new shares is not substantially lower than the stock exchange price of those shares of the same class and rights which are already listed at the time of the final determination of the issue price by the Executive Board; when calculating the 10 % limit, the proportionate amount of nominal capital allotted to new or reacquired Class A shares which were issued or sold subject to a simplified subscription right exclusion in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) must be deducted, as must the proportionate amount of nominal capital which is subject to option and/or conversion rights and obligations arising from debenture bonds which have been issued since the authorised capital I came into effect, applying Section 186 (3) sentence 4 of the AktG accordingly;

(b) if it increases the nominal capital by subscription in kind for the purpose of acquiring companies, equity stakes in companies, parts of companies, intellectual property rights such as patents, trademarks or licences to use the above, or other product rights;

(c) if it is necessary to do so in order to offset fractional amounts; or

(d) in order to offer the new shares for sale to employees of the company and its subsidiaries (employee participation).

The Executive Board shall be authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of the capital increases out of authorised capital I, in particular the additional rights embodied in share certificates and the other conditions of the share issue. After each share increase from authorised capital the Supervisory Board is authorised to adjust the articles of association accordingly, in particular with regard to the amount of nominal capital and the number of Class A shares in existence.

Authorised Capital II

In accordance with the resolution passed at the General Meeting on 24 September 2007 and Section 3 (5) of the articles of association, the Executive Board is also authorised, subject to the approval of the Supervisory Board, to increase the company's nominal capital until 1 September 2012 by issuing up to 1,352,250 new registered Class S shares (shares with no par value each representing € 1.00 of nominal capital) for contribution in cash and/or in kind in one or more steps by up to € 1,352,250 (authorised capital II). The holders of Class S shares are to be given subscription rights; the subscription rights of holders of Class A shares are excluded.

The Executive Board shall be authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of the capital increases out of authorised capital II, in particular the additional rights embodied in a share certificate and the other conditions of the share issue. Subject to the approval of the Supervisory Board the Executive Board is also authorised to exclude fractional amounts of shares from the Class S shareholders' subscription rights. After each share increase from authorised capital the Supervisory Board is authorised to adjust the articles of association accordingly, in particular with regard to the amount of nominal capital and the number of no-par-value S shares in existence.

Other Authorisations

The Annual General Meeting of HHLA held on 16 June 2010 resolved to authorise the Executive Board to issue on one or more occasions bearer or registered bonds with warrants or convertible bonds for a total nominal amount of up to € 400,000,000 in the period until 15 June 2013. Option and conversion rights may only be issued for Class A company shares accounting for up to € 6,900,000 of the company's total nominal capital accounted for by Class A shares. Contingent capital in the same amount was created for this purpose.

The Annual General Meeting of HHLA held on 16 June 2011 additionally authorised the company's Executive Board to purchase Class A treasury shares up to a maximum of 10 % of the portion of the company's nominal capital accounted for by Class A shares at that time. In addition to being sold on the stock exchange or offered with subscription rights to all shareholders, the shares acquired under this authorisation may – subject to the approval of the Supervisory Board – be used in the cases stipulated by the resolution excluding other shareholders' subscription rights or be cancelled either in whole or in part without the need for an additional resolution by the Annual General Meeting. This authorisation expires on 15 December 2016.

HHLA does not currently hold any treasury shares. There are no plans to buy back shares.

Capital Reserve

The Group's capital reserve includes premiums from share issues and the associated costs of issue, which are deducted from the capital reserve. It also comprises premiums from capital increases at subsidiaries with minorities and a reserve increase from an employee stock purchase plan. A capital increase conducted in prior years reduced the capital reserve.

As of the reporting date, the HHLA Group had a capital reserve of € 139,728 thousand, as in the previous year.

Retained Earnings

Retained earnings include net profits from prior years for companies included in the Consolidated Financial Statements, as far as these were not distributed as dividends. This item also encompasses differences between HGB and IFRS as of 1 January 2006 (the transitional date).

Other Comprehensive Income

In accordance with the currently applicable version of IAS 19, which offers a choice of how to treat actuarial gains and losses from defined benefit pension obligations, the HHLA Group equity also includes all actuarial gains and losses from defined benefit pension obligations. This item additionally comprises changes in the fair value of hedging instruments (cash flow hedges), changes in the fair value of working lifetime accounts and the corresponding tax effects.

The reserve for translation differences enables the recognition of differences arising on the translation of financial statements for foreign subsidiaries.

Non-Controlling Interests

Non-controlling interests comprise outside interests in the Group companies' consolidated equity and totalled € 4,258 thousand as of the end of financial year (previous year: € -12,257 thousand).

In 2010, profit and loss transfer agreements were signed between the subsidiaries HHLA Container-Terminal Altenwerder GmbH, Hamburg, and HHLA CTA Besitzgesellschaft mbH, Hamburg, on the one hand and HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg (HHCT), on the other. In the profit and loss transfer agreements, HHCT pledges to pay a financial settlement to the minority shareholder of the above-mentioned companies for the duration of the agreement. This settlement is primarily based on future earnings.

In accordance with IAS 32, the minority shareholder's future estimated entitlements to financial settlements are recognised as other financial liabilities for the remaining term of the profit and loss transfer agreement, although the agreement states that the variable entitlement to a settlement only arises once the annual financial statements are approved. This will contribute € 96,006 thousand towards other financial liabilities for the financial years 2011 to 2014. For more details, please refer to ► Note 46.

Notes on Capital Management

Capital management at HHLA aims to ensure the Group's long-term financial stability and flexibility in order to safeguard the Group's growth and enable its shareholders to participate in its success. Balance sheet equity is the key indicator in this regard.

The key value-oriented management factor at the HHLA Group is the return on capital employed (ROCE). The equity ratio is also monitored in order to maintain a stable capital structure. This should not fall below 30 %.

in € thousand	31.12.2011	31.12.2010
Equity	644,662	567,002
Total assets	1,811,532	1,715,137
Equity ratio	36 %	33 %

The year-on-year increase in the equity ratio was mainly due to consolidated net income of € 118.8 million included in retained earnings. A profit and loss transfer agreement signed in September 2010 has caused the equity ratio to fall sharply since the financial year 2010. For further details, please refer to the section on ▶ Non-controlling interests.

If the financial instruments classified in accordance with IAS 32 had not been entered as liability components, but rather – as prior to the profit and loss transfer agreement – as equity components, equity of € 740,668 thousand and an equity ratio of 41 % would have been reported for the same balance sheet total.

External minimum capital requirements were fulfilled at all agreed audit points throughout the reporting year. See ▶ Note 39 for more information.

35. Pension Provisions

Pension Obligations

Provisions for pensions and similar obligations are formed for commitments arising from both vested rights to future pension payments and current payments to active and former members of HHLA Group companies in Germany and any surviving dependants who are entitled to receive such benefits. A distinction is made between defined benefit and defined contribution company pension plans.

Defined Benefit Pension Plans

In the case of defined benefit plans, the Group is obliged to make the agreed payments to active and former employees. HHLA's pension scheme is financed by both provisions and funds.

Company retirement benefits are paid on the basis of various entitlements. As well as individual agreements these are primarily the collective company pension agreement (BRTV) and the so-called 'port pension', which is governed by a collective labour agreement for port workers in German seaports.

The BRTV is a total benefit plan. HHLA guarantees the participating employees a certain amount of benefits, which are made up of the statutory pension and the company pension. The amount of total benefits is determined by a variable percentage (according to years of service) of a fictitious net payment in the final wage or salary band based on social security data for the year 1999.

The amount of the port pension depends on the years in service and is determined by the collective labour agreement for German seaports.

Based on these pension plans, the Group forms provisions for pensions and similar obligations for the amount of expected future retirement and surviving dependants' pensions. External actuaries calculate the amount of the obligation using the projected unit credit method.

Shown below are the amounts recognised for benefit commitments in the reporting year and the previous four years:

in € thousand	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of pension commitments	312,119	329,221	323,824	299,862	311,873
Obligations from working lifetime accounts	1,610	1,913	1,317	802	482
	313,729	331,134	325,141	300,664	312,355

Pension Commitments

The following table reconciles the present value of the obligation arising from pension commitments at the beginning and end of the year:

in € thousand	2011	2010
Present value of pension obligations as of 01.01.	329,221	323,824
Current service expense	3,587	3,449
Past service expense	1,131	0
Interest expenses	14,813	15,383
Pension payments	- 19,452	- 19,850
Actuarial gains (-) and losses (+)	- 17,181	6,415
Present value of pension obligations as of 31.12.	312,119	329,221

The balance sheet shows the full present value of pension obligations including actuarial gains and losses. The reported pension obligation relates to an unfinanced plan.

The following figures were recognised in the income statement:

in € thousand	2011	2010
Current service expense	3,587	3,449
Past service expense	1,131	0
Interest expenses	14,813	15,383
	19,531	18,832

The gains and losses reported under other comprehensive income developed as follows:

in € thousand	2011	2010
Actuarial gains as of 01.01.	49,838	56,253
Changes in financial year	17,181	- 6,415
Actuarial gains as of 31.12.	67,019	49,838

The following actuarial assumptions are used to determine pension provisions:

in %	31.12.2011	31.12.2010
Discount rate	5.00	4.50
Projected salary increase	3.00	3.00
Projected increase in pensions (without BRTV)	2.00	2.00
Projected increase in pensions (monthly pensions under BRTV)	1.00	1.00
Fluctuation rate	2.10	2.10
Rate of inflation	2.00	2.00

The biometric data is drawn from the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck.

HHLA derives the interest rates used for discounting from corporate loans with a very good credit rating whose terms and payouts match HHLA's pension plans.

Pension Payments

In the 2011 financial year, HHLA made pension payments for plans totalling € 19,452 thousand. HHLA anticipates the following payments for pension plans over the next five years:

Years	in € thousand
2012	20,150
2013	20,140
2014	20,217
2015	20,336
2016	20,423
	101,266

Obligations from Working Lifetime Accounts

In 2006, the Group companies in Germany undertook to set up working lifetime accounts due to collective bargaining agreements. Employees have pay components invested in money market or investment funds by the Group and then use the value of the funds saved to finance their early retirement. The amount of pay to which employees are entitled during their early retirement depends on the amount of funds saved, which in turn depends on the performance of the fund assets, plus other contractually agreed social benefits during the early retirement phase.

The portion of the obligations covered by the funds saved is reported at the funds' fair value. The additional benefits arising from collective bargaining agreements which are not covered by the funds saved are reported at the full present value of the obligation including actuarial gains and losses.

The allocation of benefit commitments changed as follows during the reporting year and the previous four years:

in € thousand	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of obligations	9,780	8,325	5,029	2,635	1,894
Present value of plan assets (fund shares)	- 8,170	- 6,412	- 3,712	- 1,833	- 1,412
Uncovered allocations	1,610	1,913	1,317	802	482

The present value of the obligations developed as follows:

in € thousand	2011	2010
Present value of the obligations as of 01.01.	8,325	5,029
Current service expense	2,495	2,135
Service expense for prior years	0	672
Interest expenses (recognised in income statement)	372	269
Actuarial gains (-) and losses (+)	- 1,391	233
Capital payments	- 53	- 52
Other	32	39
Present value of the obligations as of 31.12.	9,780	8,325

The present value of the plan assets developed as follows:

in € thousand	2011	2010
Present value of the plan assets as of 01.01.	6,412	3,712
Expected income from the plan assets	328	246
Inpayment	1,893	1,639
Actuarial gains (-) and losses (+)	- 443	155
Capital payments	- 52	- 51
Retroactive allocations	0	672
Other	32	39
Present value of the plan assets as of 31.12.	8,170	6,412

The plan assets consist solely of shares in money market and investment funds. The expected return on the plan assets is 5.00 % (previous year: 4.50 %). Losses of € 429 thousand were recorded on the plan assets in the financial year (previous year: € 5 thousand).

The following actuarial assumptions are used to determine provisions for working lifetime accounts:

in %	31.12.2011	31.12.2010
Discount rate	5.00	4.50
Forecast increase in pay	3.00	3.00
Fluctuation rate	0.00	0.00

With the exception of the covered part of the service expenses for plan assets, the following amounts were recognised in the income statement:

in € thousand	2011	2010
Current service expense including salary conversion	2,495	2,135
thereof gathered at costs as uncovered part	602	496
thereof gathered at plan assets as covered part	1,893	1,639
Interest expenses	372	269
Expected income from the plan assets	- 328	- 246
Benefits paid	1	1
	2,540	2,159

The gains and losses offset in equity developed as follows:

in € thousand	2011	2010
Actuarial losses (-) as of 01.01.	- 116	- 38
Changes in the financial year	948	- 78
Actuarial gains (+) and losses (-) as of 31.12.	832	- 116

Shown below is the structure of the plan asset portfolio for obligations from working lifetime accounts:

	2011	2010
Money market funds	51 %	49 %
Mixed funds	31 %	31 %
Fund of funds	16 %	17 %
Annuity funds	2 %	3 %
	100 %	100 %

Payments for Obligations from Working Lifetime Accounts

In the financial year under review, HHLA made payments for plans totalling €53 thousand. In return, the company acquired corresponding securities holdings worth €52 thousand. The outflow of funds therefore amounted to €1 thousand in the year under review. In the next five years, HHLA expects the following payments from obligations arising from working lifetime accounts which are not hedged by securities:

Years	in € thousand
2012	19
2013	39
2014	41
2015	37
2016	69
	205

Defined Contribution Pension Plans

In the case of defined contribution plans, the relevant companies merely make payments to dedicated funds. There are no further obligations. HHLA does not incur any financial or actuarial risks arising from these commitments.

The costs incurred in connection with pension funds which are to be regarded as defined contribution pension plans amounted to €300 thousand in the reporting year (previous year: €238 thousand).

HHLA paid €23,018 thousand (previous year: €19,814 thousand) into the state pension system as its employer's contribution.

36. Other Non-current and Current Provisions

The following table shows significant other non-current and current provisions:

Demolition Obligations

Provisions for demolition obligations result from obligations to be met at the end of the lease term under long-term lease agreements with the Free and Hanseatic City of Hamburg. All HHLA Group companies in the Port of Hamburg are obliged to return leased land free of all buildings owned by them at the end of the respective lease term. To calculate the amount of the provision it was assumed that the obligation would be carried out in full for all leased property, with the exception of buildings designated as historical landmarks. The demolition obligations relate to HHLA's Container, Real Estate and Logistics segments and are discounted at a rate of 4.5 % p. a. as in the previous year. In the reporting year, an anticipated price increase of 2.0 % was used to calculate the provisions shown. This rate is derived from the German construction cost index.

The cash outflow of these provisions is expected in the period 2025–2037.

Expected Increases in Rents

Provisions for expected increases in rents relate to anticipated but as yet uninvoiced increases in rents for leased port areas, properties in the Speicherstadt historical warehouse district and quay walls, primarily in Hamburg. The provisions are formed based on the corresponding lease agreements.

In the 2011 financial year, the lease of a newly completed quay wall at the Container Terminal Burchardkai prompted an appropriation of €909 thousand.

The total amount transferred also includes €3,012 thousand for anticipated increases in rents for quay walls which are already leased. Provisions were upped by €1,121 thousand to compensate for expected increases in the rents charged for areas leased in the Speicherstadt historical warehouse district.

in € thousand	31.12.2011			31.12.2010		
	Total	Thereof current	Thereof non-current	Total	Thereof current	Thereof non-current
Demolition obligations	40,758	0	40,758	39,107	0	39,107
Expected increases in rents	13,253	13,253	0	6,634	6,634	0
Phased early retirement	9,683	2,733	6,950	11,669	3,950	7,719
Bonuses and single payments	8,136	8,136	0	6,709	6,709	0
Insurance excesses	3,978	3,978	0	2,594	2,594	0
Anniversaries	2,284	0	2,284	2,247	0	2,247
Legal fees and litigation expenses	952	0	952	1,070	0	1,070
Other	3,240	658	2,582	4,431	2,009	2,422
	82,285	28,759	53,526	74,461	21,896	52,565

Phased Early Retirement

Provisions for phased early retirement obligations consist of HHLA's obligations from the entitlements accrued during the beneficiaries' working period, plus the supplementary amounts.

The securities holdings acquired in connection with phased early retirement contracts are classified as plan assets under IAS 19. They were therefore offset against the phased early retirement obligations included in the provisions. As a result, the corresponding figure of €5,639 thousand reduces the provisions reported.

The amount of the provision was determined using an interest rate of 3.0 % p. a. (previous year: 4.5 % p. a.).

Bonuses and One-off Payments

During 2011, HHLA decided to roll out an employee stock purchase plan in 2012. € 1,612 thousand was added to the provision for bonuses and one-off payments in connection with this. For further information, please refer to ► Note 13. Aside from this, the figure largely consists of provisions for Executive Board members and other senior staff.

Insurance Excesses

This takes into account risks from potential cases of damage or loss which go beyond the existing insurance cover. As of 31 December 2011, the risks thus recognised amounted to €3,978 thousand.

Anniversaries

The provisions for anniversaries relate to Group employees' contractual entitlement to anniversary gratuities. The amount recognised is determined by an actuarial opinion. A discount rate of 5.0 % p. a. (previous year: 4.5 % p. a.) was used for the calculation.

The following provisions schedule shows changes in other non-current and current provisions:

in € thousand	01.01.2011	Additions	Accrued interest	Used	Reversed	31.12.2011
Demolition obligations	39,107	909	1,875	1,074	59	**40,758**
Expected increases in rents	6,634	6,981	0	362	0	**13,253**
Phased early retirement	11,669	5,965	695	8,002	644	**9,683**
Bonuses and single payments	6,709	7,937	0	6,141	369	**8,136**
Insurance excesses	2,594	3,042	0	1,490	168	**3,978**
Anniversaries	2,247	25	97	84	1	**2,284**
Legal fees and litigation expenses	1,070	52	0	170	0	**952**
Other	4,431	1,233	0	2,107	317	**3,240**
	74,461	26,144	2,667	19,430	1,558	82,285

37. Non-current and Current Financial Liabilities

The following table gives the details of non-current and current financial liabilities:

in € thousand	31.12.2011			
	Total	Up to 1 year	1 to 5 years	Over 5 years
Liabilities from bank loans	331,564	29,471	175,541	126,552
Finance lease liabilities	13,698	4,318	9,126	254
Liabilities towards employees	14,984	14,984	0	0
Negative fair values of exchange and interest rate hedges	2,926	1,958	968	0
Other loans	10,549	4,695	4,216	1,638
Other financial liabilities	117,795	32,906	84,209	680
	491,516	88,332	274,060	129,124

in € thousand	31.12.2010			
	Total	Up to 1 year	1 to 5 years	Over 5 years
Liabilities from bank loans	298,903	30,641	173,885	94,377
Finance lease liabilities	15,280	3,859	10,981	440
Liabilities towards employees	11,893	11,893	0	0
Negative fair values of exchange and interest rate hedges	2,743	1,668	0	1,075
Other loans	1,915	811	1,104	0
Other financial liabilities	148,014	42,264	104,943	807
	478,748	91,136	290,913	96,699

Liabilities from bank loans include interest of € 3,391 thousand accrued up to the balance sheet date (previous year: € 3,343 thousand). In 2010, this figure also included bank overdraft facilities amounting to € 401 thousand and other fees of € 10 thousand.

Buildings, surfacing and movable non-current assets carried at € 44,036 thousand (previous year: € 46,841 thousand) have been pledged as collateral for interest-bearing loans. The collateral agreements provide that the assets are transferred to the banks until the loans and interest have been repaid in full and that they have a right to dispose of the assets if the borrower is in arrears with payments of interest and principal. The year-on-year change is the result of different loan conditions and impairment losses.

The liabilities from finance leases amounting to € 13,698 thousand (previous year: € 15,280 thousand) represent the discounted value of future payments for movable non-current assets.

The liabilities towards employees consist primarily of wages, salaries and holiday entitlement.

Other financial liabilities mainly comprise liabilities to shareholders outside the Group and reimbursements for customers. In the 2010 financial year, profit and loss transfer agreements were signed between the subsidiaries CTA and CTA Besitz on the one hand and HHCT on the other. In the profit and loss transfer agreements, HHCT pledges to pay a financial settlement to the above-mentioned companies' minority shareholder for the duration of the agreement. Amounting to € 96,006 thousand, this settlement for minority shareholders is reported under other financial liabilities. Please also refer to the section on ▸ Non-controlling Interests in Note 34.

The following table shows the terms of the liabilities from bank loans:

Carrying amount as of 31.12.2011 in € thousand	Nominal value	Currency	Remaining fixed interest period	Interest rate	Interest condition
26,035	34,257	€	2021	2.83 %	fixed
18,191	24,542	€	2020	2.76–2.88 %	fixed
20,000	20,000	€	2019	3.66 %	fixed
2,987	7,811	€	2018	3.79–3.84 %	fixed
1,074	3,579	€	2017	5.67 %	fixed
75,000	90,000	€	2016	2.37–5.61 %	fixed
25,000	25,000	€	2015	4.23 %	fixed
42,013	78,000	€	2012	5.15–5.47 %	fixed
114,844	139,644	€	2012	floating + margin	floating
3,029	113,900	CZK	2012	floating + margin	floating
328,173					

The floating interest rates are EURIBOR or PRIBOR rates with maturities of one to six months.

The financial liabilities for which fair value is not equivalent to the carrying amount are as follows:

in € thousand	31.12.2011		31.12.2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed interest-bearing loans	210,300	206,244	162,619	163,738

Interest rates of 2.6 to 3.9 % p. a. (previous year: 2.4 to 4.0 % p. a.) were used to measure the fair value of fixed interest-bearing loans. The interest rates are derived from the risk-free rate depending on maturity plus a premium according to the credit rating. They therefore constitute market rates. The average interest rate for the reported liabilities from bank loans was 3.0 % in the reporting year.

The variable interest rates are partly hedged by interest rate hedges. Please refer to the comments on derivative financial instruments.

As a result of borrowing, individual affiliates have covenants linked to key balance sheet figures. Violating these covenants would authorise the lender to demand additional collateral, a change to the conditions or the repayment of the loan. In order to prevent such steps, HHLA constantly monitors compliance with the covenants and, where required, implements measures to ensure that all conditions of the loan are met. As of the balance sheet date, the corresponding borrowings totalled € 67,496 thousand (previous year: € 81,076 thousand). The covenants were met at all agreed audit points throughout the reporting year.

The bank loans become due throughout the next 5 years and beyond as follows:

Maturity	in € thousand
Up to 1 year	26,080
1 year to 2 years	71,971
2 years to 3 years	27,971
3 years to 4 years	53,068
4 years to 5 years	22,531
Over 5 years	126,552
	328,173

38. Trade Liabilities

Trade liabilities amount to:

in € thousand	31.12.2011	31.12.2010
Trade liabilities	72,003	77,026

Trade liabilities from the financial year are only owed to third parties. As in the previous year the total amount is due within one year.

39. Non-current and Current Liabilities to Related Parties

Liabilities to related parties are made up as follows:

in € thousand	31.12.2011			
	Total	Up to 1 year	1 to 5 years	Over 5 years
Liabilities to HGV	65,759	65,759	0	0
Liabilities to HPA (finance leases)	93,675	88	722	92,865
Other liabilities to related parties	6,272	6,272	0	0
	165,706	72,119	722	92,865

in € thousand	31.12.2010			
	Total	Up to 1 year	1 to 5 years	Over 5 years
Liabilities to HGV	65,855	65,855	0	0
Liabilities to HPA (finance leases)	65,799	52	353	65,394
Other liabilities to related parties	2,079	2,079	0	0
	133,733	67,986	353	65,394

Liabilities to HGV of € 65,759 thousand (previous year: € 65,855 thousand) relate to a loan pertaining to the Real Estate subgroup which attracts standard market interest along with the corresponding interest portion.

The liabilities to HPA involve leased mega-ship berths at both Container Terminal Burchardkai and Container Terminal Tollerort in Hamburg. The amount recognised in the balance sheet is equivalent to the present value of the liabilities and is based on a lease term up to and including 2059 and 2061. See ▸ Note 44.

40. Other Liabilities

Other liabilities are made up as follows:

in € thousand	31.12.2011	31.12.2010
Tax liabilities	8,454	8,209
Employer’s accident liability insurance	4,748	3,689
Custom duties	3,680	3,553
Government grants	2,079	10,588
Port funds	1,354	1,857
Payments received on account	1,282	1,321
Social security liabilities	425	1,458
Other debts	3,541	3,902
	25,563	34,577

All other liabilities have a remaining term of up to one year.

The public subsidies related to preliminary funding in connection with the promotion of intermodal transport. This will be deducted from the acquisition cost capitalised for the subsidised investments following an audit to confirm that all the requirements have been met.

There is sufficient certainty that all the conditions have been or will be fulfilled for the public subsidies to promote intermodal transport totalling €35,691 thousand which were paid to HHLA in the period between 2001 and 2011. These subsidies have therefore already been deducted from the cost of purchasing the subsidised investments. The conditions for the subsidies include obligations to operate the subsidised equipment for a retention period of 5 to 20 years, observe certain operating criteria and provide the subsidising body with evidence for the use of the funds.

The HHLA Group did not receive any funds from public subsidies in the year under review. Funding of €1,051 thousand was received in the previous year.

41. Income Tax Liabilities

Income tax liabilities, to the extent that they exist, result from expected additional payments for corporation tax, solidarity surcharge and trade tax.

When preparing the financial statements provisions are made for the corresponding amounts of corporation tax, solidarity surcharge and trade tax on the basis of the tax and legal situation known at the time of preparation.

in €thousand	31.12.2011	31.12.2010
Income tax liabilities	2,511	5,559

Notes to the Cash Flow Statement

42. Notes to the Cash Flow Statement

The cash flow statement is produced in line with IAS 7 Statement of Cash Flows. It shows changes in cash resources at the HHLA Group during the financial year. The statement distinguishes between cash flows from operating, investing and financing activities. Financial funds include cash in hand, cheques and bank balances with a remaining term of up to three months, receivables and/or liabilities relating to HGV and receivables and/or liabilities from cash pooling. They are recognised at nominal value. Currency translation effects and changes in the group of consolidated companies are taken into account when calculating the figures.

Cash Flow from Operating Activities

The cash flow from operating activities is calculated using the indirect method. This involves adjusting the earnings before interest and taxes (EBIT) for changes to provisions, changes in current assets and liabilities, and changes in non-cash items. Cash items such as interest and income taxes are also taken into account. At €266,069 thousand, the cash inflow from operating activities was higher than the previous year's €206,949 thousand. This was mainly due to an increase in EBIT to €207,015 thousand (previous year: €192,908 thousand). Changes in equity and liability items not attributable to investing and financing activities also played a role. Here, cash flow increased from €-4,718 thousand in 2010 to €25,695 in 2011. This change resulted from the time-related adjustment of the recognition of payments for investments and for settlement obligations to shareholders with non-controlling interests.

Cash Flow from Investing Activities

The cash outflow from investing activities is calculated on a cash basis and/or using the direct method. It largely consists of the cash outflow from investments in non-current assets and short-term deposits. Cash inflows from the disposal of non-current assets are also taken into account. In the reporting year, the cash outflow from investing activities amounted to € 137,971 thousand (previous year: € 36,261 thousand). The year-on-year increase in the cash outflow was largely ascribable to a payment for additions to assets which were not invoiced in the previous year and/or not recognised as a cash expense.

Free Cash Flow

The balance of the cash inflow from operating activities and the cash outflow from investing activities makes up the free cash flow. This indicates what cash resources are available for dividend payments or the redemption of existing loans. Free cash flow was down on the previous year because investment expenses were higher than the change in cash flow from operating activities. It dropped from € 170,688 thousand to € 128,098 thousand.

Cash Flow from Financing Activities

Like the cash outflow from investing activities, the cash outflow from financing activities is calculated on a cash basis. In the year under review, resources totalling € 78,155 thousand were used for dividend payments to shareholders and minority shareholders. This was € 16,891 thousand more than in the previous year. Funds were also used to repay (lease) liabilities. Unlike in the previous year, there was a cash inflow of € 65,733 thousand from the uptake of bank loans in the year under review. This resulted in a cash outflow from financing activities of € 45,870 thousand in the reporting year, while the cash outflow totalled € 95,168 thousand in the previous year.

Financial Funds

In addition to the cash and cash equivalents entered in the balance sheet, financial funds are made up as shown below as of the balance sheet date for the purposes of the cash flow statement:

in € thousand	31.12.2011	31.12.2010
Cash and cash equivalents	221,044	79,114
Short-term deposits with a maturity of 4 – 6 months	30,000	20,000
Cash in hand and bank balances	78,952	136,379
Cash, cash equivalents and short-term deposits	329,996	235,493
Liabilities HGV	- 500	- 600
Receivables cash pool	2	1
Liabilities cash pool	- 4,695	- 811
Bank overdraft facilities	0	- 401
Short-term deposits with a maturity of 4 – 6 months	- 30,000	- 20,000
Financial funds at the end of the period	294,803	213,682

Unlike in the previous year, short-term deposits with a maturity between four and six months are not recognised in financial funds. The figures for the previous year have been restated accordingly.

Liabilities to HGV are overnight deposits available on demand. Funds were extended by a co-shareholder to one of the HHLA Group's joint ventures in Germany, which drove liabilities from cash pooling up to € 4,695 thousand.

Notes to the Segment Report

43. Notes to the Segment Report

HHLA Group's segment report is prepared in accordance with the provisions of IFRS 8 Operating Segments and requires reporting on the basis of the internal reports to the Executive Board for the purpose of controlling the commercial activities. The segment performance indicator used is the internationally customary key figure EBIT (earnings before interest and taxes), which serves to measure the success in each segment and therefore aids the internal control function. In the 2010 financial year, internal reporting was extended to include EBIT from continuing activities. This excludes the result of non-current assets held for sale. For 2010, this was the result posted by CTL Container Terminal Lübeck GmbH, Lübeck (CTL). For reasons of immateriality, it was not listed separately for the 2011 financial year.

The accounting and valuation principles applied for internal reporting comply with the principles applied by the HHLA Group described in ▸ Note 6 “Accounting and Valuation Principles” in this annual report.

The segment information is reported on the basis of the internal control function, which is consistent with external reporting and continues to be classified in accordance with the distinct activities of the HHLA Group's business segments. These are organised and managed autonomously in accordance with the type of services being offered.

The HHLA Group operates in the following four segments:

Container
This segment pools the Group's container handling operations.

Intermodal
The Intermodal segment provides a comprehensive seaport-hinterland rail and truck network.

Logistics
The Logistics segment encompasses a wide range of contract and warehousing logistics, consulting and specialist handling services.

Real Estate
HHLA's Real Estate segment owns properties in and around the Port of Hamburg which are not used specifically for port handling. These include properties in the historical Speicherstadt warehouse district and the fish market area on the northern banks of the river Elbe.

The Holding/Other division used for segment reporting does not represent an independent business segment as defined by the IFRS standards. However, it has been allocated to the segments within the subgroup Port Logistics in order to provide a complete and clear picture.

Due to the structure of the HHLA Group, it is necessary to issue a large number of invoices for inter-segmental services. These predominantly relate to the use of real estate, IT services, administrative services and staff provided by the holding company. Wherever possible, these services are valued at market prices. If it is impossible to make a direct comparison with market prices, benchmarks are used to ensure market conformity. The charges for staff provided by the holding company are usually based on the actual cost.

The following table gives the details of the reconciliation of the segment variables with the corresponding Group variables:

Earnings
The reconciliation of the segment variable EBIT with consolidated earnings before taxes (EBT) incorporates transactions between the segments and the subgroups for which consolidation is mandatory, along with the proportion of companies accounted for using the equity method, net interest income and the other financial result.

Reconciliation of the segment variable EBIT with consolidated earnings before taxes (EBT)

in € thousand	2011	2010
Total segment earnings (EBIT)	204,525	190,279
Elimination of business relations between segments and subgroups	2,490	2,629
Group earnings (EBIT)	207,015	192,908
Earnings from associates accounted for using the equity method	335	208
Net interest	- 32,726	- 34,934
Other financial result	217	336
Earnings before tax (EBT)	174,841	158,518

Segment Assets
The reconciliation of segment assets with Group assets incorporates not only items and financial investments for which consolidation is mandatory, but also claims arising from current and deferred income taxes and financial funds which are not to be assigned to segment assets.

Reconciliation of segment assets with Group assets

in € thousand	31.12.2011	31.12.2010
Segment assets	1,661,703	1,635,565
Elimination of business relations between segments and subgroups	- 639,714	- 631,782
Current assets before consolidation	429,514	417,481
Financial assets	4,199	4,642
Deferred tax	22,243	32,766
Income tax receivables	3,591	20,972
Cash, cash equivalents and short-term deposits	329,996	235,493
Group assets	1,811,532	1,715,137

Other Segment Information

The reconciliation with Group investments totalling € -1,873 thousand (previous year: € 85 thousand) contains the elimination of internal invoices for services to generate intangible assets and the inter-segmental sale of property, plant and equipment.

In relation to the reconciliation of amortisation and depreciation amounting to € -3,954 thousand (previous year: € -2,149 thousand), the entire amount is attributable to the elimination of inter-company profits between the segments and the subgroups.

The reconciliation of non-cash items amounting to € 102 thousand (previous year: € 206 thousand) contains items for which consolidation is mandatory between the segments and the subgroups.

Information about Geographical Regions

	Germany		EU		Outside EU		**Total**		Consolidation		**Group**	
in € thousand	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment revenues	969,422	841,398	200,050	175,296	47,800	51,122	1,217,272	1,067,816	0	0	1,217,272	1,067,816
Non-current segment assets	1,026,770	1,039,859	196,897	182,615	30,742	31,089	1,254,409	1,253,563	557,123	461,574	1,811,532	1,715,137
Investment in non-current segment assets	95,150	152,017	31,315	20,116	2,285	1,706	128,750	173,839	0	0	128,750	173,839

For the information by region, the segment revenue and disclosures on non-current segment assets are detailed in accordance with the affiliates' respective locations insofar as they are not attributable to operations. Due to the disproportionately high costs involved, the required segmentation of revenue broken down by the place where clients have their registered office is not possible. In addition to items between the segments for which consolidation is mandatory, the reconciliation to Group assets primarily contains current assets, financial investments and claims arising from current and deferred income taxes.

Information about Key Clients

In the HHLA Group there is no customer with which more than 10 % of the entire consolidated revenue was generated.

Other Notes

44. Lease Liabilities

Obligations under Finance Leases

The Group has concluded various finance lease and hire-purchase agreements for a number of properties, technical equipment, and operating and office equipment. These agreements relate to, among other things, quay walls, lifting and ground-handling vehicles, container-carrying vehicles and chassis, a light warehouse and IT hardware. For the most part, the contracts include renewal options and in some cases a right to offer the item for sale. The renewal options are always for the lessee; the right to sell the item may, in some cases, be exercised by the respective lessor. A purchase option exists for the light warehouse. No provisions have been made for adjusting the lease payments.

In the financial years 2010 and 2011, HHLA signed leases for a total of three newly completed quay walls with a related party, HPA. Based on the current negotiations, HHLA assumes that these assets can be leased up until 2061. The negotiations have not yet been completed. Following completion of a present value test, the leases are classified as finance lease obligations according to IAS 17. As a result, minimum lease payments – including anticipated increases in rent payment rates – totalling €233,709 thousand must be taken into account.

The following table shows the reconciliation between future minimum lease payments from finance leases and hire-purchase agreements and their present value:

in €thousand	31.12.2011	31.12.2010
Within one year	8,801	7,523
Between one and five years	26,975	22,061
Over five years	212,441	155,600
Total minimum lease payments	248,217	185,184
Within one year	4,406	3,911
Between one and five years	9,848	11,334
Over five years	93,119	65,834
Present value of minimum lease payments	107,373	81,079
Interest expenses from discounting	140,844	104,105

Liabilities from Operating Leases where the Group is Lessee

Contracts exist between the Free and Hanseatic City of Hamburg and/or the HPA and the HHLA Group for the lease of land and quay walls in the Port of Hamburg and in the Speicherstadt historical warehouse district by companies in the HHLA Group. The main contracts expire between 2025 and 2037. Under the terms of the contracts the lease payments are generally reviewed every five years on the basis of price developments in relevant competing ports or based on appropriate rental indices. Provisions are made for the anticipated increases in lease payments. Leasing expenses for the space in the Speicherstadt historical warehouse district are partly linked to the development of Group income from subletting these buildings.

Without the prior approval of the lessor, the leased areas and the buildings on them belonging to HHLA may not be sold or let. Major changes to the terms of subletting agreements also require the approval of the lessor.

There are also leases relating to real estate and movable property at the container terminal in Odessa, Ukraine. On the whole, the rents payable for this are fixed and will only change during the course of the agreement as a result of future inflation. The company will not have purchase options at the end of the lease agreements. The respective lease agreements have terms of between 5 and 34 years.

The Group also has leasing agreements for various motor vehicles and items of technical equipment. These leases have an average duration of one to seven years and generally do not include renewal options. The lessee takes on no obligations when signing these leases.

At the balance sheet date the following minimum lease payment obligations exist under uncancellable operating leases:

in €thousand	31.12.2011	31.12.2010
Within one year	37,265	37,373
Between one and five years	138,161	127,883
Over five years	923,131	901,010
	1,098,558	1,066,266

In the financial year, expenses of €42,554 thousand (previous year: €41,342 thousand) were incurred for leases, of which €1,621 thousand (previous year: €1,622 thousand) relates to conditional rental payments.

Operating Leases where the Group is Lessor

The Group has signed leasing agreements for letting its investment properties on a commercial basis. The investment properties consist of office space and facilities not used by the Group. These leases have remaining uncancellable lease terms of between one and 16 years. After the end of the uncancellable lease period some contracts give tenants the option of extending the lease for a period of between two and up to a maximum of three times five years. Some leases contain a clause under which the rent can be increased in line with market conditions.

The following table shows the minimum lease payments anticipated for the years ahead on the basis of uncancellable operating leases for investment property at the balance sheet date:

in € thousand	31.12.2011	31.12.2010
Within one year	31,028	25,398
Between one and five years	71,603	67,045
Over five years	47,097	44,591
	149,728	137,034

In the financial year income of € 47,942 thousand (previous year: € 49,842 thousand) was earned from letting property, plant and equipment and investment property.

45. Contingent Liabilities and Other Financial Obligations

No provisions were formed for the following contingent liabilities because it was deemed highly unlikely that they would be utilised.

Contingent Liabilities

in € thousand	31.12.2011	31.12.2010
Guarantees	4,038	3,599
Comfort letters	1,850	1,850
	5,888	5,449

Of these guarantees, proportionately consolidated joint ventures account for € 553 thousand (previous year: € 365 thousand).

Other Financial Obligations

The nominal values of other financial obligations are made up as follows on the balance sheet date:

in € thousand	31.12.2011	31.12.2010
Outstanding purchase commitments	92,977	51,112
Obligations arising from bills of exchange	0	6,968
Miscellaneous other obligations	1,160,933	1,087,004
	1,253,910	1,145,084

Of the obligations from outstanding purchase commitments, € 81,393 thousand (previous year: € 44,220 thousand) is attributable to capitalisation of property, plant and equipment.

Miscellaneous other obligations contain commitments from operating leases amounting to € 1,098,558 thousand (previous year: € 1,066,266 thousand), see also ► Note 44. Of the total reported for miscellaneous other obligations, proportionately consolidated joint ventures account for € 64,063 thousand (previous year: € 65,854 thousand).

46. Management of Financial Risks

To finance its business activities, the Group uses short, medium and long-term bank loans, finance leases and hire-purchase agreements as well as cash and short-term deposits. The Group has access to various other financial assets and liabilities, such as trade payables and receivables which arise directly from its business.

The Group also enters into derivative transactions. The derivative financial instruments include interest rate hedging instruments such as interest rate swaps and interest rate caps and, to a minor extent, currency futures. The purpose of these derivative financial instruments is to manage interest rate, currency and commodity price risks which result from the Group's business activities and its sources of financing.

Derivative financial instruments are used to hedge existing transactions and planned transactions which are sufficiently likely to take place. Hedging transactions are only concluded with counterparties with very good credit ratings. HHLA also makes use of external ratings to assess its counterparties' creditworthiness. The Group does not hold derivative financial instruments for speculative purposes.

Interest Rate and Market Price Risk

As a result of its borrowing the Group is exposed to an interest rate risk, which principally stems from medium to long-term borrowing at floating rates of interest.

Managing the Group's interest expenses involves a combination of fixed and floating-rate debt, depending on the market. It is Group policy to arrange the majority of interest-bearing debt at fixed rates of interest, either by agreeing fixed rates with the lenders or by taking out interest rate swaps. The Group also partly limits its interest rate risk for the residual floating-rate debt by the use of interest rate caps.

At the balance sheet date, 75.0 % (previous year: 75.2 %) of the Group's borrowing was at fixed interest rates, including an amount of € 35,947 thousand (previous year: € 59,192 thousand) covered by interest rate swaps. Interest rate caps were also in place for a further € 3,824 thousand (previous year: € 8,236 thousand).

HHLA's interest-bearing receivables and liabilities are mainly at fixed interest rates. These financial instruments are not held at fair value and are therefore not subject to market price risks on the balance sheet.

Market price risks can, however, affect securities and equity investments in particular. Due to the minor scope of these instruments, the risk is deemed insignificant.

A change in the variable interest rate affects the interest expenses arising from floating-rate loans, the interest income from overnight deposits and time deposit investments, and the income from interest rate hedges and their fair value.

If the variable interest rate had been 0.5 percentage points higher as of the balance sheet date, interest expenses arising from floating-rate loans would have been €589 thousand p.a. higher, interest income from overnight deposits and time deposit investments would have been €1,647 thousand p.a. higher, and income from interest rate hedges would have been €180 thousand p.a. higher. The fair value of the interest rate hedges would have risen by €586 thousand. Of this, €417 thousand would be recorded directly in equity and €169 thousand would be recognised in the income statement, whose result would increase by a total of €1,407 thousand before tax.

Exchange Rate Risk

Due to its investments in countries outside the eurozone, changes in exchange rates can affect the balance sheet.

Foreign currency risks on individual transactions, such as the sale of a shareholding for example, are hedged by currency futures or currency options if a market analysis requires it. The hedging transactions are in the same currency as the hedged item. The Group only concludes currency futures contracts when specific claims or obligations exist.

On the balance sheet date, the Group held currency hedging instruments with a nominal volume of €67 thousand and a market value of €-5 thousand.

Revenue in the HHLA Group is predominantly invoiced in euros or in the national currencies of the European Group companies. Investments in these countries are largely transacted in euros. There is currently no significant foreign currency risk from the functional currency.

SC HPC Ukraina's revenue is denominated in Ukrainian hryvnia (UAH) and US dollars.

Commodity Price Risk

The Group is primarily exposed to a commodity price risk when purchasing fuel. Depending on the market situation the Group can arrange price hedges for part of its fuel requirements. This was not the case at the balance sheet date or on 31 December 2010.

In addition to the market risks mentioned, there are also financial risks in the form of credit and liquidity risks.

Credit Risk

The Group only maintains customer relationships on a credit basis with recognised, creditworthy third parties. Clients who wish to complete transactions with the Group on a credit basis are subject to a credit scoring procedure. Receivables are also monitored on an ongoing basis and impairment allowances are made if risks are identified, such that the Group is not exposed to any additional significant default risks on receivables. The maximum default risk for the trade receivables and other financial receivables is theoretically the carrying amount for the individual receivable. HHLA has also had loan loss insurance since 2011 to minimise default risks. This covers key outstanding receivables as of the balance sheet date.

The term structure of trade receivables is as follows:

in € thousand	31.12.2011	31.12.2010
Receivables not due for payment and not written down	114,959	90,617
Overdue receivables not written down	36,812	35,899
thereof up to 30 days	28,994	29,932
thereof 31 to 90 days	6,067	5,285
thereof 91 days to 1 year	1,406	566
thereof over 1 year	345	116
	151,771	126,516

Value adjustments on trade receivables developed as follows:

in € thousand	2011	2010
Impairment as of 01.01.	2,732	1,755
Additions (impairment expenses)	2,360	2,202
Used	- 2,166	- 984
Reversals	- 422	- 241
Impairment as of 31.12.	2,504	2,732

The default risk in the case of derivative financial instruments and cash, cash equivalents and short-term deposits is, in theory, that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments.

The risk of default can be considered to be very low, since the Group as a rule only conducts derivative financial transactions and liquid investments with counterparties with very good credit ratings.

In addition, credit risks may arise from an availment from the contingencies listed in ► Note 45.

Liquidity Risk

The Group guarantees sufficient liquidity at all times with the help of medium-term liquidity planning, by diversifying the maturities of loans and finance leases, and by means of existing lines of credit and funding commitments. If covenants have been agreed for individual loans, they are monitored on an ongoing basis to make sure they are being complied with. HHLA will introduce measures it deems necessary to ensure that the covenants are met.

For details on the repayment of the HHLA Group's loans, the liabilities towards employees, the finance lease liabilities and other financial liabilities, please refer to the table of residual maturities for financial liabilities in ► Note 37.

The following outflows of liquidity are expected for future interest payments:

		31.12.2011		
in € thousand	Total	Up to 1 year	1 to 5 years	Over 5 years
Outflow of liquidity for future interest payments on fixed-interest loans	45,520	6,598	19,161	19,761
Outflow of liquidity for future interest payments on floating-rate loans	7,506	2,892	4,135	479
	53,026	9,490	23,296	20,240

		31.12.2010		
in € thousand	Total	Up to 1 year	1 to 5 years	Over 5 years
Outflow of liquidity for future interest payments on fixed-interest loans	46,977	7,140	21,943	17,894
Outflow of liquidity for future interest payments on floating-rate loans	8,296	2,519	5,136	641
	55,273	9,659	27,079	18,535

It is anticipated that the interest rate swaps in place on the balance sheet date will result in the following interest outflows in the future. In this context, an interest outflow is considered to be the difference between the amount to be paid and the amount to be received. The interest rate caps do not result in interest outflows.

in € thousand	31.12.2011	31.12.2010
Within one year	781	1,149
Between one and five years	1,902	2,841
Over five years	123	450
	2,806	4,440

Financial Instruments

Fair Value

With the exception of the non-current financial liabilities described in ► Note 37, there are no significant differences between the carrying amounts and fair values of financial instruments.

The following tables show the carrying amounts for the financial assets and liabilities according to the categories defined by IAS 39 and other standards:

Financial assets as of 31.12.2011

in €thousand	Valuation using IAS 39				Balance sheet
	Loans and receivables	Held for trading	Available-for-sale financial assets		
	Amortised cost	Fair value		Amortised cost	
Financial assets	3,845		3,323	1,918	9,086
Trade receivables	151,771				151,771
Receivables from related parties	3,756				3,756
Other financial receivables	2,428	1			2,429
Cash, cash equivalents and short-term deposits	329,996				329,996
	491,796	1	3,323	1,918	

Financial liabilities as of 31.12.2011

in €thousand	Valuation using IAS 39			Valuation using other IAS	Valuation using IAS 32	Balance sheet
	Held for trading	Held as effective hedging instruments	Other financial liabilities			
	Fair value	Fair value	Amortised cost	Amortised cost	Present value	
Non-current and current financial liabilities	1,002	1,924	378,886	13,698	96,006	491,516
Accounts payable			72,003			72,003
Liabilities towards related parties				165,706		165,706
	1,002	1,924	450,889	179,404	96,006	

Financial assets as of 31.12.2010

in €thousand	Valuation using IAS 39				Balance sheet
	Loans and receivables	Held for trading	Available-for-sale financial assets		
	Amortised cost	Fair value		Amortised cost	
Financial assets	2,972		2,707	2,605	**8,284**
Trade receivables	126,516				**126,516**
Receivables from related parties	2,704				**2,704**
Other financial receivables	2,595	12			**2,607**
Cash, cash equivalents and short-term deposits	235,493				**235,493**
	370,280	12	2,707	2,605	

Financial liabilities as of 31.12.2010

in €thousand	Valuation using IAS 39			Valuation using other IAS	Valuation using IAS 32	Balance sheet
	Held for trading	Held as effective hedging instruments	Other financial liabilities			
	Fair value	Fair value	Amortised cost	Amortised cost		
Non-current and current financial liabilities	1,237	1,506	339,182	15,280	121,543	**478,748**
Accounts payable			77,026			**77,026**
Liabilities towards related parties				133,733		**133,733**
	1,237	1,506	416,208	149,013	121,543	

The fair value of available-for-sale financial assets is determined on the basis of market prices. These assets are therefore assigned to level 1 according to IFRS 7.27(a). Write-ups of €9 thousand (previous year: write-downs of €1 thousand) were recorded in the reporting year.

Financial assets at fair value held for trading, financial liabilities held for trading and financial liabilities held as effective hedging instruments are derivative financial instruments, for which no market price is available. These are measured using standard market methods (valuation methods) on the basis of instrument-specific market parameters. They are therefore assigned to level 2 in accordance with IFRS 7.27(a). The market values are calculated with present value and option pricing models to determine the fair value. Whenever possible, these models use the relevant market prices and interest rates observed at the balance sheet date, obtained from recognised sources, as input parameters. These models use the relevant market prices and interest rates observed at the balance sheet date, obtained from recognised sources, as input parameters.

In the reporting year, gains of €228 thousand (previous year: €511 thousand) were recognised in the income statement on financial assets and/or liabilities held at fair value through profit and loss. These primarily relate to interest rate hedges with no effective hedging relationship as per IAS 39.

In the reporting year, changes of €-418 thousand (previous year: €-220 thousand) in the fair value of financial instruments designated as hedging instruments (interest rate swaps) were recognised directly in equity.

Please refer to the table on the financial result in ▸ Note 16 for interest income and interest expenses.

The financial liabilities held at fair value as per IAS 32 are liabilities to shareholders outside the Group ▸ Note 34. This financial instrument is allocated to level 3 according to IFRS 7.27(a). The liability entered is the present value of the Group's anticipated payment obligations for the period from 2011 to 2014. This is calculated based on the assumptions used for the Group's plans; estimates are adjusted annually. As a result of the adjustments, earnings rose by € 1,568 thousand. This is included in financial income, see ▸ Note 16.

Derivative Financial Instruments

Derivative financial instruments are used in the HHLA Group to reduce interest rate risks and, to a minor extent, to reduce currency and commodity price risks. The financial derivatives held in the Consolidated Financial Statements are carried at fair value. Resulting gains and losses are recognised through profit and loss in the financial result unless the derivative financial instrument is part of a designated cash flow hedging relationship. The effective portion of unrealised gains and losses on cash flow hedges is recognised in equity without effect on profit and loss.

The following table shows the terms and maturities of the interest rate derivatives held on the balance sheet date:

The remaining maturity of the interest rate derivatives is between twelve months and seven years.

The fair values of derivatives are determined by reference to the market prices posted by counterparties.

The expenses and income from the hedged items included in the financial result and the underlying derivatives are shown separately. Expenses and income are not set off against one another.

Of the interest rate swaps disclosed, as of the balance sheet date financial instruments covering an amount of € 22,036 thousand (previous year: € 24,940 thousand) with a market value of € -1,924 thousand (previous year: € -1,506 thousand) are held as part of cash flow hedging relationships to hedge future cash flows from interest-bearing liabilities. The hedged cash flows are expected to occur within the next seven years.

in € thousand	Fixed interest rate	Floating rate	Amount covered	Market values 31.12.2011		Market values 31.12.2010	
			31.12.2011	positive	negative	positive	negative
Interest rate swaps	2.44 % to 4.33 %	1m to 6m EURIBOR	35,947	0	- 2,921	0	- 2,743
Interest rate caps	3.50 %	6m EURIBOR	3,824	1	0	12	0
			39,771	**1**	**- 2,921**	**12**	**- 2,743**

The amount covered by interest rate swaps is adjusted in line with the anticipated repayment of the loan over the term of the derivative.

In the financial year under review, losses of € 418 thousand (previous year: € 220 thousand) on financial instruments used to hedge cash flows were recognised directly in equity.

47. Related Party Disclosures

IAS 24 defines related parties as companies and individuals which directly or indirectly control or exert significant influence over the HHLA Group or over which the HHLA Group has control, joint control or significant influence.

The shareholders HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV), and HHLA Beteiligungsgesellschaft mbH, Hamburg, as well as their shareholder, the Free and Hanseatic City of Hamburg (FHH), companies over which the Free and Hanseatic City of Hamburg has control or significant influence, the members of HHLA's Executive and Supervisory Boards, and the subsidiaries, associates and joint ventures in the HHLA Group are therefore defined as related parties. HGV is the final parent company of HHLA which publishes Consolidated Financial Statements. HHLA is the parent company of the HHLA Group.

In addition to the business relationships with subsidiaries fully consolidated in the Consolidated Financial Statements, the following transactions took place with related parties in the respective financial year:

	Income		Expenses		Receivables		Liabilities	
in € thousand	2011	2010	2011	2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Companies with control over the Group	909	7,645	4,519	4,413	0	0	65,759	65,855
Non-consolidated subsidiaries	341	19	2,760	0	903	259	4,085	660
Joint ventures	9,852	7,763	5,423	4,088	1,388	363	654	96
Associated companies	197	284	3	0	91	401	0	479
Other transactions with related parties	19,602	1,337	28,521	27,298	1,374	1,681	95,208	66,643
	30,901	17,048	41,226	35,799	3,756	2,704	165,706	133,733

Liabilities towards related parties with control over the Group include a loan of € 65,000 thousand (previous year: € 65,000 thousand) to the Real Estate subgroup, which is granted by HGV for an indefinite period and attracts interest at a rate of 4.50 % p.a. (previous year: 4.50 % p.a.) as of the balance sheet date. The loan can be cancelled with three months' notice. In addition, HHLA has liabilities from cash clearing with HGV totalling € 500 thousand (previous year: € 600 thousand). HHLA's receivables accrued interest at a rate of between 0.40 and 2.08 % p.a. (previous year: between 0.38 and 0.93 % p.a.) in the reporting year. The interest rates for HHLA's liabilities were between 0.50 and 2.18 % p.a. (previous year: between 0.48 and 1.03 % p.a.).

Obligations from finance leases amounting to € 93,676 thousand (previous year: € 65,799 thousand) for the lease of three mega-ship berths from HPA are included in other transactions with related parties.

Income from other transactions mainly include a compensation payment from HPA of € 15,000 thousand for the loss of leased areas in the Port of Hamburg. More details can be found in ▸ Note 3, "Company Acquisitions, Disposal and Other Changes to the Group of Consolidated Companies".

Expenses with related parties mostly include rent for land and quay walls in the port and the Speicherstadt historical warehouse district.

Furthermore, HGV and the Free and Hanseatic City of Hamburg as parties related to HHLA have provided comfort letters and guarantees for loans granted to companies in the HHLA Group to Kreditanstalt für Wiederaufbau, Frankfurt am Main, and the European Investment Bank, Luxembourg. The nominal amount of the bank loan is € 248,000 thousand (previous year: € 188,000 thousand), of which around € 201,763 thousand plus interest was still outstanding on the balance sheet date (previous year: € 150,026 thousand).

With effect from 18 October 2007, a partial loss compensation agreement was concluded between HHLA and HGV. HGV hereby undertakes to assume each annual deficit posted by the HHLA subgroup Real Estate as per commercial law during the term of the agreement. This applies insofar as the deficit is not compensated for by transferring amounts from retained earnings, other revenue reserves or the capital reserve which were carried forward as profit or transferred to these reserves during the term of the contract in accordance with Section 272 (2) (4) of the German Commercial Code (HGB).

Expenses and income from related parties are on standard market terms. The amounts outstanding at year-end are not secured and – with the exception of overnight funds in clearing and the loan liability to HGV – do not attract interest.

No loans or comparable benefits were granted to the members of the Executive and Supervisory Boards in the reporting year or in the previous year.

The following table lists subsidiaries, associated companies and joint ventures, plus HHLA's other participating interests:

Breakdown of HHLA's equity investments into segments as of 31 December 2011

Company name and headquarters	Share of capital		Equity	Annual profit	
	direct	indirect			
	%	%	€ thousand	year	€ thousand
Port Logistics					
Segment Container					
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg [1, 2, 3]	100.0		111,449	2011	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg [1, 2, 3]		100.0	1,942	2011	0
LZU Leercontainer Zentrum Unikai GmbH, Hamburg [1, 7]		65.0	695	2011	7,167
HHLA Container Terminal Tollerort GmbH, Hamburg [1, 2, 3]		100.0	34,741	2011	0
HHLA Rosshafen Terminal GmbH, Hamburg [1]		100.0	19,024	2011	1,596
UNIKAI Hafenbetrieb GmbH, Hamburg [1, 2, 3]		100.0	3,640	2011	0
HHLA Container-Terminal Altenwerder GmbH, Hamburg [1, 2, 3]		74.9	74,072	2011	0
SCA Service Center Altenwerder GmbH, Hamburg [1, 2, 3]		74.9	601	2011	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg [4]		37.5	180	2011	69
HHLA CTA Besitzgesellschaft mbH, Hamburg [1, 2, 3]		74.9	6,360	2011	0
CuxPort GmbH, Cuxhaven [6]		25.1	6,842	2011	1,335
FLZ Hamburger Feeder Logistik Zentrale GmbH, Hamburg [4]		66.0	25	2011	0
HHLA Container Terminal Burchardkai GmbH, Hamburg [1, 2, 3]	100.0		76,961	2011	0
Service Center Burchardkai GmbH, Hamburg [1, 2, 3]		100.0	26	2011	0
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven [5]	50.0		- 2	2011	7
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven [5]	50.0		16	2011	- 1
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg [5]	23.0	17.4	1,579	2011	812
SC HPC Ukraina, Odessa/Ukraine [1]		100.0	60,773	2011	9,840
Segment Intermodal					
HHLA Intermodal GmbH, Hamburg [1, 2, 3]	100.0		29,043	2011	0
CTD Container-Transport-Dienst GmbH, Hamburg [1, 2, 3]		100.0	1,256	2011	0
CIT Container Inland Trucking GmbH, Hamburg [5]		50.0	23	2010	- 2
HHLA Intermodal Polska Sp. z o.o., Warsaw/Poland [1]		100.0	5,876	2011	- 858
HHLA Intermodal Polska Terminals Sp. z o.o., Warsaw/Poland [1, 5]		100.0	6	2011	- 5
METRANS a.s., Prague/Czech Republic [1]		51.5	118,054	2011	21,297
METRANS (Deutschland) GmbH, Hamburg [1, 5]		51.5	147	2011	1
METRANS (Danubia) a.s., Dunajská Streda/Slovakia [1]		51.5	19,189	2011	3,238
METRANS (Danubia) Kft., Győr/Hungary [1, 5]		51.5	- 234	2011	- 243
METRANS Adria D.O.O., Koper/Slovenia [1, 5]		51.5	407	2011	16
METRANS D.O.O., Rijeka/Kroatia [1, 5]		51.5	- 8	2011	- 4
METRANS DYKO Rail Repair Shop s.r.o., Prague/Czech Republic (formerly: DYKO, spol. s r.o., Kolin/Czech Republic) [1]		51.5	3,008	2011	333
METRANS Rail s.r.o., Prague/Czech Republic (formerly: RAILTRANSPORT s.r.o., Prague/Czech Republic) [1]		41.2	674	2011	320
METRANS Rail (Deutschland) GmbH, Kirnitzschtal (formerly: Transport-Schienen-Dienst GmbH, Kirnitzschtal) [1, 5]		41.2	109	2011	78

Breakdown of HHLA's equity investments into segments as of 31 December 2011

Company name and headquarters	Share of capital		Equity	Annual profit	
	direct	indirect			
	%	%	€ thousand	year	€ thousand
IBZ Pankrác a.s., Nýřany/Czech Republic [1, 5]		48.1	209	2011	7
TFG Verwaltungs GmbH, Frankfurt am Main [5]		50.0	127	2011	0
TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main [4]		50.0	- 9,365	2011	- 8,623
POLZUG Intermodal GmbH, Hamburg [4]		33.3	5,137	2011	- 1,591
POLZUG Intermodal Polska sp. z o.o., Warsaw/Poland [4]		33.3	2,845	2011	-1,390
POLZUG INTERMODAL LLC, Poti/Georgia [5]		24.9	367	2010	253
IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg [5]		50.0	27	2011	4
IPN Inland Port Network GmbH & Co. KG, Hamburg [5]		50.0	40	2011	-196
Segment Logistics					
HPC Hamburg Port Consulting GmbH, Hamburg [1, 2, 3]	100.0		1,367	2011	0
HPTI Hamburg Port Training Institute GmbH, Hamburg [1, 2, 3]		100.0	102	2011	0
Uniconsult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg [1, 2, 3]		100.0	100	2011	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg [1]	51.0		3,893	2011	575
ARS-UNIKAI GmbH, Hamburg [4]		25.5	341	2011	35
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg [1]	51.0		10,295	2011	-3,188
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg [1]	51.0		532	2011	368
HHLA Logistics GmbH, Hamburg [1, 2, 3]	100.0		- 1,237	2011	0
HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg [1]	100.0		578	2011	- 649
HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg [1, 5]	100.0		47	2011	0
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg [3, 4]	49.0		n.a.	2011	n.a.
HCC Hanseatic Cruise Centers GmbH, Hamburg [1]		51.0	1,004	2011	333
Holding/Other					
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg [1, 2, 3]	100.0		3,609	2011	0
HHLA-Personal-Service-Gesellschaft mit beschränkter Haftung, Hamburg [1, 2, 3]	100.0		45	2011	0
HCCR Erste Beteiligungsgesellschaft mbH, Hamburg [1, 5]		100.0	33	2011	0
Real Estate					
Segment Real Estate					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg [1, 2, 3]	100.0		4,518	2011	0
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block D mbH, Hamburg [1, 2, 3]	100.0		8,184	2011	0
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Bei St. Annen mbH, Hamburg [1]	100.0		11,196	2011	734

[1] Controlled companies.
[2] Profit and loss transfer agreements were held with these companies in 2011.
[3] The disclosure simplification provided for in Section 264 (3) of the German Commercial Code was used for these companies.
[4] Proportionately consolidated companies.
[5] Due to the minor importance of these companies, they were not recognised using the equity method in the consolidated financial statements or as associated companies, but rather as equity investments.
[6] Companies recognised using the equity method.
[7] Reclassified from group of consolidated companies in 2011 to non-current financial assets.

Compensation for Key Management Personnel

The relevant group of people includes the current and former members of the Executive Board and their surviving dependants. Related parties also include other key management personnel, such as members of management and supervisory bodies at affiliates, and their immediate families. Apart from the details provided below on the Executive Board and Supervisory Board, there were no notifiable transactions with related parties or their close relatives in the 2011 financial year.

Changes in the Executive Board

On 8 December 2011, the Supervisory Board of HHLA and Dr. Sebastian Jürgens agreed to terminate their working relationship by mutual consent effective 31 December 2011. This decision was taken following a difference of opinion concerning the Group's strategic orientation, especially in the Intermodal segment. Mr. Klaus-Dieter Peters, Chairman of the Executive Board, will assume Dr. Jürgens' duties for the time being.

Executive Board Remuneration

In accordance with Section 11 (2) of HHLA's articles of association, the Supervisory Board is responsible for signing and terminating service contracts with members of the Executive Board. The Supervisory Board also establishes and regularly reviews the remuneration system for the Executive Board – including the core contractual components – based on recommendations by the Personnel Committee. When conducting such reviews, the Personnel Committee considers HHLA's size and area of operations, its commercial and financial position and the amount and structure of Executive Board remuneration in comparable companies. The responsibilities and services provided by each Executive Board member are also taken into account. Following the introduction of the German Act on the Appropriateness of Management Board Remuneration (VorstAG), the Supervisory Board approved a new remuneration system at its meeting in December 2010. This system has been in use since 1 January 2011.

The remuneration of Executive Board members is made up of a non-performance-related basic annual salary, a performance-related bonus and other benefits. The performance-related bonus is usually set using a three-year assessment period as a basis. For the 2011 financial year – the first year using the new remuneration system – the previous two financial years will be used instead. The calculation is based on the average earnings before interest and taxes (EBIT) for the last three years (before additions to pension provisions and less any extraordinary income from the disposal of real estate and companies), the average return on capital employed (ROCE) and the achievement of targets relating to environmental issues (reduction of the carbon footprint of each container handled and transported) and social issues (broken down into training and continuing professional development, health and employment) over the same period. Target ranges were set for each of the components used in the calculation for the period from 2011 to 2013. Achieving these targets triggers the payment of the relevant bonus. When making these calculations, roughly equal weight is given to EBIT on the one hand and the above-mentioned sustainability components on the other. The variable remuneration is capped at 150 % of the basic salary. It is paid out once the annual financial statements have been approved.

In addition to this, there is a pension commitment for each Executive Board member. Pensions are paid to former Executive Board members either after five or eight years' service on the Executive Board, if they leave the Board for reasons unrelated to the Board member, or as a result of incapacity or due to reaching retirement age. Pensions consist of a percentage of the entitlement salary, which is based on the annual basic salary. The percentage is between 35 and 50 %. Surviving spouses of Executive Board members receive a widow(er)'s pension of 55 to 60 % of the pension entitlement and children receive an orphan's allowance of 12 to 20 % of the pension.

Should the pension entitlement be suspended or no longer exist upon leaving the Executive Board, transitional pay will apply for a limited period based on the annual basic salary. This clause is not included in all Executive Board members' service contracts.

The service contracts valid during the year under review include a change of control clause. This stipulates that Executive Board members will receive their financial entitlement for the remaining duration of their contract, discounted by 2 % p.a. and discharged in a one-off payment. This does not affect their pension entitlements.

Please see the remuneration report for details of the remuneration paid to individual Board members.

The following remuneration was paid to the members of the Executive Board:

in € thousand	2011	2010
Non-performance-related remuneration		
Basic salary	1,765	1,450
Other benefits	279	53
Performance-related remuneration	2,009	1,051
	4,053	2,554

Benefits comprise non-monetary compensation – primarily the use of company cars – as well as pension contributions paid out to former Executive Board members in the reporting year.

After leaving the Executive Board on 31 December 2011, Dr. Jürgens will receive his contractually agreed basic salary until 31 December 2013 at the latest. The sum of € 325,000 has been stipulated as the basis for calculating his performance-related pay. If the employment relationship ends before 31 December 2013, Dr. Jürgens will receive compensation equivalent to 42 % of the remaining remuneration payable until 31 December 2013. Only half of this amount will be payable if Dr. Jürgens starts working for a direct competitor in Hamburg before 30 June 2012.

Benefits totalling €782 thousand (previous year: €821 thousand) were paid to former members of the Executive Board and their surviving dependants. Provisions of €4,278 thousand (previous year: €4,435 thousand) have been made for pension commitments to active Executive Board members and provisions of €10,340 thousand (previous year: €11,692 thousand) have been made for pension commitments to former Executive Board members and their surviving dependants.

Supervisory Board Remuneration

In accordance with Section 16 of HHLA's articles of association, Supervisory Board members are remunerated as resolved by the Annual General Meeting. This remuneration is based on the scope of the Supervisory Board members' activities and the company's financial position and its performance. This remuneration was revised with effect as of 2 November 2007.

The members of the Supervisory Board receive fixed remuneration of €10,000 per financial year. The Chairman receives three times this amount and the Vice Chairman is paid one and a half times the basic figure. This remuneration increases by 35 % if dividends are paid out to the holders of Class A shares for the financial year in question. Supervisory Board members who belong to a committee receive an additional €2,500 per committee per financial year, while the Chairman of the respective committee receives €5,000, but altogether no more than €10,000. Furthermore, Supervisory Board members receive a meeting attendance fee of €250 for each meeting of the Supervisory Board or one of its committees. Supervisory Board members who have belonged to the Supervisory Board or a committee for less than a whole financial year receive a corresponding pro rata payment.

The remuneration paid to the Supervisory Board in the financial year under review totalled €291 thousand (previous year: €291 thousand).

48. Members of Company Boards

The members of the company boards and their mandates are listed ▸ on page 50 et seq.

49. German Corporate Governance Code

HHLA has based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code (the Code) as published on 18 June 2009 and the subsequent version dated 26 May 2010 and published on 2 July 2010. It will continue to observe the Code in future as well. Information on corporate governance at HHLA and a detailed report on the amount and structure of the remuneration paid to the Supervisory Board and Executive Board can be found in the Group Management Report and ▸ Note 47 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2011 and on 8 December 2011 issued the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG), which is permanently available to shareholders on the company's website (www.hhla.de).

50. Auditing Fees

The following fees have been recognised as expenses for services provided by the auditors of the Consolidated Financial Statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (previous year: KPMG AG Wirtschaftsprüfungsgesellschaft):

in €thousand	2011	2010
Audit of financial statements	491	781
Other certification services	69	268
Tax advisory services	27	48
Other services	26	10
	613	1,107

Fees for auditing financial statements primarily consist of the fees for the audit of the Consolidated Financial Statements and for the audits of the financial statements of Hamburger Hafen und Logistik Aktiengesellschaft and its domestic subsidiaries. In the year under review and the previous year, fees for other certification services related predominantly to the qualified review of interim financial statements.

51. Events after the Balance Sheet Date

There were no transactions of special significance after the balance sheet date of 31 December 2011.

Hamburg, 6 March 2012

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

Klaus-Dieter Peters

Dr. Stefan Behn

Heinz Brandt

Dr. Roland Lappin

Annual Financial Statements of the Parent Company

Income statement

for the period 1 January to 31 December 2011

in €	2011	2011	2010	2010
1. Revenue		140,264,949.38		138,025,310.71
2. Decrease in work in progress		- 2,258,772.74		- 748,536.02
3. Own work capitalised		358,912.12		266,579.78
4. Other operating income of which income from translation differences 3,450.67 € (previous year: 2,918.63 €)		3,675,844.89		7,167,690.75
5. Cost of materials and services				
a) Expenses for raw materials, consumables, supplies and purchased merchandise	5,335,036.01		4,013,009.52	
b) Expenses for purchased services	1,432,764.69	6,767,800.70	1,523,871.38	5,536,880.90
6. Personnel expenses				
a) Wages and salaries	93,906,495.23		87,935,436.36	
b) Social security contributions and expenses for pension and similar benefits of which for pensions 4,533,008.15 € (previous year: 1,273,075.64 €)	20,118,406.21	114,024,901.44	17,618,134.94	105,553,571.30
7. Depreciation and amortisation on intangible fixed assets and property, plant and equipment		5,917,944.91		5,902,441.99
8. Other operating expenses of which expenses from translation differences 4,496.06 € (previous year: 4,116.86 €)		35,954,613.31		28,799,507.73
9. Income from profit transfer agreements		162,048,470.46		138,841,496.57
10. Income from equity participations of which from affiliated companies 862,637.44 € (previous year: 1,012,602.10 €)		4,164,070.44		4,673,925.10
11. Other interest and similar income of which from affiliated companies 5,616,776.87 € (previous year: 4,941,272.54 €) of which income from discounting 19,815.00 € (previous year: 0.00 €)		9,017,625.74		6,729,175.32
12. Amortisation and impairment losses in financial assets		0.00		1,100,000.00
13. Expenses from assumed losses		1,251,156.37		7,159,203.03
14. Interest and similar expenses of which to affiliated companies 4,593,036.70 € (previous year: 3,770,617.38 €) of which from accrued interest 16,206,571.62 € (previous year: 19,097,398.80 €)		21,011,799.69		23,275,607.77
15. Result from ordinary income		132,342,883.87		117,628,429.49
16. Extraordinary income		0.00		110,327.37
17. Extraordinary expenses		0.00		155,338.00
18. Net extraordinary loss		0.00		- 45,010.63
19. Taxes on income of which deferred 5,261,530.26 € (previous year: 1,542,944.00 €)		39,741,579.86		30,597,410.94
20. Other taxes		462,403.32		487,746.90
21. Net profit for the year		92,138,900.69		86,498,261.02
22. Profit carried forward from the previous year		165,703,545.72		109,899,915.10
23. Dividend distributed		41,731,829.30		30,694,630.40
24. Unappropriated profit		216,110,617.11		165,703,545.72

The annual financial statement and report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the 2011 financial year have been prepared according to the provisions of German commercial law and have been endorsed with an unrestricted auditor's certificate by the auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The statement of income for the period 1 January to 31 December 2011, and the balance sheet as of 31 December 2011, are presented on this and the following pages.

Balance sheet

as of 31 December 2011

in €		31.12.2011	31.12.2011	31.12.2010	31.12.2010
Assets					
A.	Non-current assets				
I.	Intangible assets				
1.	Software	1,589,944.00		1,262,295.53	
2.	Payments made on account	0.00	1,589,944.00	53,069.00	1,315,364.53
II.	Property, plant and equipment				
1.	Land, equivalent land rights and buildings, including buildings on leased land	75,135,654.95		70,925,412.79	
2.	Technical equipment and machinery	2,531,836.05		2,694,887.52	
3.	Other plant, operating and office equipment	2,904,498.46		3,547,102.56	
4.	Payments made on account and plant under construction	2,781,710.21	83,353,699.67	7,470,892.17	84,638,295.04
III.	Financial assets				
1.	Interests in affiliated companies	226,037,545.57		225,037,545.57	
2.	Equity investments	2,618,861.54		2,618,861.54	
3.	Non-current securities	706,402.85	229,362,809.96	564,561.61	228,220,968.72
			314,306,453.63		314,174,628.29
B.	Current assets				
I.	Inventories				
1.	Raw materials, consumables and supplies	181,769.66		203,796.04	
2.	Work in progress	1,755,449.55	1,937,219.21	4,014,222.29	4,218,018.33
II.	Receivables and other assets				
1.	Trade receivables	885,637.50		815,277.87	
2.	Receivables from the Free and Hanseatic City of Hamburg of which with a residual term of more than one year 404,883.82 € (previous year: 414,346.11 €)	1,043,219.43		423,711.83	
3.	Receivables from affiliated companies	427,695,614.83		412,623,758.30	
4.	Receivables from investee companies	10,063.97		11,809.91	
5.	Other assets of which with a residual term of more than one year 1,224,327.41 € (previous year: 1,303,477.82 €)	8,883,631.47	438,518,167.20	25,122,028.93	438,996,586.84
III.	Cash and cash equivalents		283,236,759.66		198,016,356.63
			723,692,146.07		641,230,961.80
C.	Accruals and deferrals		323,482.37		389,403.94
D.	Deferred tax assets		25,568,251.54		31,363,786.00
			1,063,890,333.61		987,158,780.03

Balance sheet

as of 31 December 2011

in €		31.12.2011	31.12.2011	31.12.2010	31.12.2010
Passiva					
A.	Equity				
I.	Subscribed capital				
1.	Port Logistics	69,975,326.00		69,975,326.00	
2.	Real Estate	2,704,500.00	72,679,826.00	2,704,500.00	72,679,826.00
II.	Capital reserve				
1.	Port Logistics	134,915,393.63		134,915,393.63	
2.	Real Estate	506,206.26	135,421,599.89	506,206.26	135,421,599.89
III.	Revenue reserves				
1.	Statutory reserve				
	a) Port Logistics	5,125,000.00		5,125,000.00	
	b) Real Estate	205,000.00	5,330,000.00	205,000.00	5,330,000.00
2.	Other earnings reserves				
	a) Port Logistics	56,105,325.36		56,105,325.36	
	b) Real Estate	1,322,353.86	57,427,679.22	1,322,353.86	57,427,679.22
			62,757,679.22		62,757,679.22
IV.	Unappropriated profit				
1.	Port Logistics	202,971,678.40		153,462,247.74	
2.	Real Estate	13,138,938.71	216,110,617.11	12,241,297.98	165,703,545.72
			486,969,722.22		436,562,650.83
B.	Provisions				
1.	Provisions for pensions and similar obligations		289,079,536.47		288,744,562.97
2.	Tax provisions		956,209.32		3,545,891.66
3.	Other provisions		32,337,595.42		32,729,640.67
			322,373,341.21		325,020,095.30
C.	Liabilities				
1.	Payments on account		1,974,495.89		4,183,081.69
2.	Accounts payable		1,746,064.73		1,799,849.61
3.	Liabilities towards the Free and Hanseatic City of Hamburg		10,743.00		5,221.97
4.	Liabilities towards HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH		65,758,851.79		65,855,243.21
5.	Liabilities towards affiliated companies		173,301,646.69		140,169,179.47
6.	Liabilities towards investee companies		1,147,273.96		938,624.98
7.	Other liabilities of which from taxes 2,777,702.19 € (previous year: 2,715,835.83 €) of which for social security 1,867,289.53 € (previous year: 3,113,242.55 €)		9,012,410.63		10,227,672.98
			252,951,486.69		223,178,873.91
D.	Accruals and deferrals		526,581.69		793,953.99
E.	Deferred tax liabilities		1,069,201.80		1,603,206.00
			1,063,890,333.61		987,158,780.03

Auditor's Report

"We have audited the consolidated financial statements prepared by the Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2011 to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] and articles of incorporation and bylaws are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, 6 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grummer	Röseler
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Assurance of the Legal Representatives

We hereby give our assurance that – to the best of our knowledge – the consolidated financial statements convey a true and fair view of the assets, financial position and profit situation of the Group in accordance with the applicable accounting principles. Furthermore, we hereby certify that the Group Management Report conveys a true and fair view of the course of business, including the business earnings and the Group's situation, and that the principal opportunities and risks entailed in the Group's probable development in the coming financial year are described.

Hamburg, 6 March 2012

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Klaus-Dieter Peters   Dr. Stefan Behn

Heinz Brandt   Dr. Roland Lappin

Specialist Terminology

Automated Guided Vehicle (AGV)
Fully automatic, driverless transport vehicle which carries containers back and forth between the container gantry cranes on the quayside and the block storage yard. HHLA uses AGVs at the Container Terminal Altenwerder.

Block Storage
Automated block storage facilities are used at the HHLA Container Terminal Altenwerder and Burchardkai as a compact means of stacking containers. ▸ Rail-Mounted Gantry Cranes are used to transport and stow the boxes.

Container Gantry Crane
A crane system used to load and discharge containerships. Container gantry cranes are classed as panamax, post-panamax or super post-panamax depending on the size of vessel they can handle.

Feeder, Feedership
Vessels which carry smaller numbers of containers to ports that are not served directly by container mega-ships. Feeders are used to transport boxes from Hamburg to the Baltic region, for instance.

Hinterland
Describes a port's catchment area.

Hub Terminal (Hinterland)
A ▸ Terminal which serves as a handling hub. Container trains loaded with mixed cargo arrive at the hub terminal from various points of departure. At the hub, the freight is pooled and transhipped onto connecting trains to a target region or forwarded to the recipient by truck. HHLA's rail subsidiaries currently operate such hub terminals in Prague and Poznán. A third hub will be built in Česká Třebová in 2012.

Intermodal, Intermodal Systems
Transportation via several modes of transport (rail, water, road) combining the specific advantages of the respective carriers.

North Range
North European international ports. In the broadest sense, the term refers to all large continental ports in Northern Europe from Le Havre to Hamburg and Gothenburg. The Hamburg-Antwerp Range is often used to denote a more specific geographic area consisting of Hamburg, the Bremen ports, Rotterdam and Antwerp.

Rail Gantry Crane
See ▸ RMG

RMG – Rail-Mounted Gantry Crane
Crane units spanning their working area like a gantry, often operating on rails, hence the abbreviation RMG. If used in ▸ Block Storage, they are also called storage cranes, and in rail cargo handling they are called rail gantry cranes.

RoRo
Short for "roll on, roll off", RoRo is a means of loading wheeled cargo, such as cars, which can simply be rolled or driven onto a ship.

Shuttle Train
A train which travels back and forth on one route with the same arrangement of wagons, eliminating the need for time-consuming shunting. HHLA's rail subsidiaries operate shuttle trains between the sea ports and the ▸ Hub Terminals (Hinterland).

Standard Container
See ▸ TEU

Storage Crane
See ▸ RMG

Straddle Carrier
A long-legged vehicle used to transport containers at the terminals. The driver manoeuvres his straddle carrier into position above a container and lifts it up. The vehicles can stack containers up to four layers.

Tandem Gantry Crane
A highly efficient container gantry crane capable of moving two 40-foot containers or four 20-foot containers in a single movement. Also known as a Twin-Forty container crane.

Terminal
In maritime logistics, a terminal is a facility where freight transported by various modes of transport is handled, such as a container terminal. Cargo can also be temporarily stored at a terminal prior to the next stage of its journey.

TEU (Twenty-Foot Equivalent Unit)
A TEU is a 20-foot standard container, used as a unit for measuring container volumes. A 20-foot standard container is 6.06 metres long, 2.44 metres wide and 2.59 metres high.

Financial Terms

Added Value
Added value is calculated on the basis of the value of production less input (costs of materials, depreciation, other costs). Added value is distributed to different interest groups in HHLA , such as employees, shareholders, partners or the state.

Average Operating Assets
Average net non-current assets (intangible assets, property, plant and equipment, investment properties, associates accounted for using the equity method and financial assets) + average net current assets (inventories + trade receivables less accounts payable) Assets held for sale are not part of the average operating assets.

Cost of Capital
Expenses that must be incurred to utilise financial resources as equity or borrowed capital.

DBO (Defined Benefit Obligation)
Performance-oriented pension obligations arising from the accrued and estimated pension rights of active and former members of staff as at settlement day, allowing for probable future changes in pensions and emoluments.

Derivative Financial Instruments
Financial instruments that are traditionally used to protect existing investments or obligations.

EBIT
Earnings before interest and taxes.

EBIT from Continuing Activities
EBIT without one-off restructuring expense and the operating result of affiliated companies, which have been classified as discontinued.

EBITDA
Earnings before interest, taxes, depreciation and Amortisation.

EBT
Earnings before tax.

Economies of Scale
Law of economics according to which increases in production are accompanied by reductions in unit costs.

Equity Ratio
Equity / total assets

Financial Result
Interest income – interest expenses +/– result from participations – write-downs and losses on the disposal of financial investments and of current securities – expense from loss adoption

Gearing Ratio
Commercial debts / equity

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

Impairment Test
Impairment test as defined under IFRS

Investments
Payments for investments in tangible assets and investment property and for investments in intangible assets.

Operating Cash Flow (as Defined in Literature on IFRS Indicators)
EBIT – taxes + amortisation and depreciation – writebacks +/– change of non-current provisions (excl. interest portion) +/– gains / losses on the disposal of property, plant and equipment + change of working capital

ROCE (Return On Capital Employed)
EBIT / average operating assets

Revenue
Sales derived from selling, letting or leasing and from services provided by the Group, less sales deductions and turnover tax.

Financial Calendar

30 March 2012
Annual Report

15 May 2012
Interim Report January – March 2012

14 June 2012
Annual General Meeting

14 August 2012
Interim Report January – June 2012

13 November 2012
Interim Report January – September 2012

Imprint

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Concept and Design
Kirchhoff Consult AG

Printed by
Druckerei F. Kriechbaumer

The report was printed on Recystar polar. The paper fulfills the requirement of “Blauer Engel” in accordance to RAL-UZ 14.

The Hamburger Hafen und Logistik Aktiengesellschaft Annual Report 2011 is a translation of the original German Hamburger Hafen und Logistik Aktiengesellschaft Geschäftsbericht 2011. Please note that only the German version is legally binding.

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HHLA Multi-year Overview

in € million	2007	2008	2009	2010	2011
Revenue					
Port Logistics subgroup	1,152.4	1,299.2	962.9	1,042.8	1,190.6
Real Estate subgroup	30.8	32.6	32.7	29.8	31.7
Consolidation	- 3.2	- 5.0	- 4.9	- 4.8	- 5.0
HHLA Group	1,180.0	1,326.8	990.7	1.067.8 [1]	1,217.3
EBITDA					
Port Logistics subgroup	364.6	439.4	261.1	290.1	317.3
Real Estate subgroup	14.1	17.6	16.4	16.8	16.2
Consolidation	0	- 0.2	0	0	0
HHLA Group	378.7	456.8	277.5	306.9	333.4
EBITDA margin in %	32.1	34.4	28.0	28.7	27.4
EBIT					
Port Logistics subgroup	277.0	341.3	147.7	179.9	194.8
Real Estate subgroup	10.3	13.7	12.3	12.7	11.9
Consolidation	0.3	0.1	0.2	0.3	0.3
HHLA Group	287.6	355.1 [2]	160.2 [2]	192.9 [2]	207.0
EBIT margin in %	24.4	26.8	16.2	18.1	17.0
Profit after tax	152.0	217.5	89.1	113.9	118.8
Profit after tax and minority interests	111.3	160.4	53.0	76.2	89.3
Cash Flow/Investments/Depreciation and Amortisation					
Cash flow from operating activities	246.7	341.9	193.2	206.9	266.1
Cash flow from investing activities	- 174.7	- 265.6	- 157.3	- 36.3	- 138.0
Cash flow from financing activities	131.9	- 88.5	- 88.6	- 95.2	- 45.9
Investments	194.8	259.4	159.7	173.8	128.7
Depreciation and amortisation	91.0	101.8	117.3	114.0	126.4
Assets and Liabilities					
Non-current assets	1,042.9	1,174.2	1,224.9	1,290.6	1,280.1
Current assets	440.9	438.3	365.6	424.5	531.5
Equity	569.5	682.6	637.0	567.0	644.7
Equity ratio [3] in %	38.4	42.3	40.0	33.1	35.6
Pension provisions	312.4	300.7	325.1	331.1	313.7
Other non-current assets	342.4	350.3	385.5	518.8	563.9
Current liabilities	259.5	278.9	242.9	298.2	289.3
Gearing ratio	0.8	0.6	0.8	1.1	0.9
Total assets	1,483.8	1,612.5	1,590.5	1,715.1	1,811.5
Employees					
Employees as of 31.12.	4,565	5,001	4,760	4,679	4,797
Performance Data					
Container throughput in million TEU	7.2	7.3	4.9	5.8	7.1
Container transport [4] in million TEU	1.7	1.8	1.5	1.7	1.9

[1] For the purposes of comparison, revenue has been restated due to the reclassification of incidental rental expenses.
[2] EBIT from continuing activities € 190.7 million in 2010, € 177.7 million in 2009 and € 357.8 million in 2008
[3] Equity ratio in 2010 after a reclassification from minority interests to financial liabilities
[4] Transport volume was fully consolidated

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