GATEWAY TO THE FUTURE

ANNUAL REPORT

2018 HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

HHLA segments

Container

€ 758.9 million
Revenue

59 %
Share of revenue

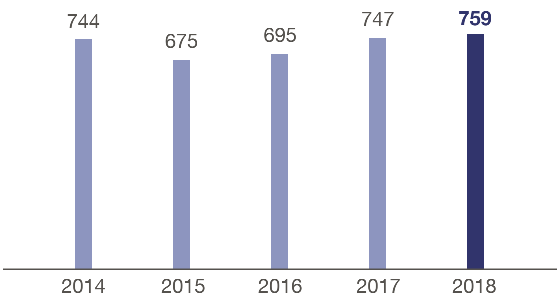
HHLA's container terminals link ships, rail networks and trucks to create an efficient transport chain. The terminals in Hamburg form the most important European hub between Asia and Central/Eastern Europe. HHLA also operates a container terminal in the Ukrainian city of Odessa as well in the Estonian city of Tallinn.

Key figures

in € million	2018	2017	Change
Revenue	758.9	746.6	1.7 %
EBITDA	209.8	194.7	7.7 %
EBITDA margin in %	27.6	26.1	1.5 pp
EBIT	131.6	109.4	20.3 %
EBIT margin in %	17.3	14.7	2.6 pp
Container throughput in thousand TEU	7,336	7,196	1.9 %

Revenue

in € million



Intermodal

€ 433.8 million
Revenue

34 %
Share of revenue

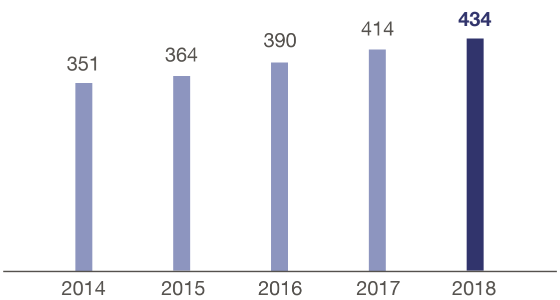
HHLA's rail companies operate a comprehensive transport and terminal network for container transportation and connect ports on the North and Baltic seas, as well as the northern Adriatic, with their hinterland. Transshipments by truck within the Port of Hamburg round off the service portfolio.

Key figures

in € million	2018	2017	Change
Revenue	433.8	414.0	4.8 %
EBITDA	112.7	95.0	18.7 %
EBITDA margin in %	26.0	22.9	3.1 pp
EBIT	89.1	69.9	27.5 %
EBIT margin in %	20.5	16.9	3.6 pp
Container transport in thousand TEU	1,480	1,480	0.0 %

Revenue

in € million



Logistics

€ 59.8 million
Revenue

4 %
Share of revenue

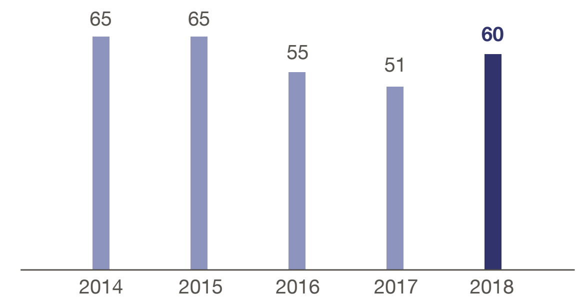
In this segment, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. Its service portfolio comprises both stand-alone logistics services (including airborne services) and entire process chains. HHLA also markets its expertise in infrastructure and project development internationally.

Key figures

in € million	2018	2017	Change
Revenue	59.8	50.8	17.7 %
EBITDA	10.0	6.9	44.0 %
EBITDA margin in %	16.7	13.7	3.0 pp
EBIT	5.6	2.6	120.0 %
EBIT margin in %	9.4	5.0	4.4 pp
At-equity earnings	4.4	3.9	13.2 %

Revenue

in € million



Real Estate

€ 39.3 million
Revenue

3 %
Share of revenue

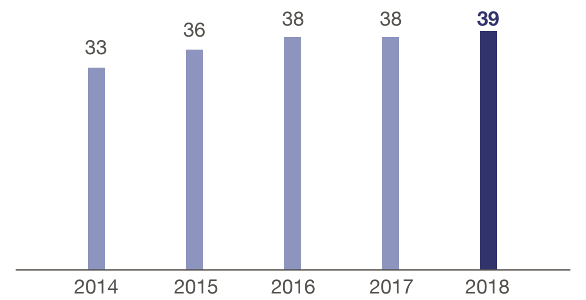
Following the sustainable renovation of Hamburg's landmarked Speicherstadt historical warehouse district to create an exemplary redeveloped quarter, HHLA is committed to intelligent site development and preserving the city's fishing tradition with the Hamburg-Altona fish market.

Key figures

in € million	2018	2017	Change
Revenue	39.3	37.9	3.6 %
EBITDA	20.7	21.3	- 2.9 %
EBITDA margin in %	52.7	56.2	- 3.5 pp
EBIT	15.5	16.3	- 5.1 %
EBIT margin in %	39.4	43.0	- 3.6 pp

Revenue

in € million



HHLA key figures

in € million	HHLA Group 2018	2017	Change
Revenue and earnings			
Revenue	1,291.1	1,251.8	3.1 %
EBITDA	318.5	295.8	7.7 %
EBITDA margin in %	24.7	23.6	1.1 pp
EBIT	204.2	173.2	17.9 %
EBIT margin in %	15.8	13.8	2.0 pp
Profit after tax	138.5	105.9	30.8 %
Profit after tax and minority interests	112.3	81.1	38.5 %
Cash flow statement and investments			
Cash flow from operating activities	232.7	275.5	- 15.5 %
Investments	141.3	142.6	- 0.9 %
Performance data			
Container throughput in thousand TEU	7,336	7,196	1.9 %
Container transport in thousand TEU	1,480	1,480	0.0 %

in € million	31.12.2018	31.12.2017	Change
Balance sheet			
Balance sheet total	1,972.9	1,835.3	7.5 %
Equity	614.8	602.4	2.1 %
Equity ratio in %	31.2	32.8	- 1.6 pp
Employees			
Number of employees	5,937	5,581	6.4 %

	Port Logistics subgroup[1, 2]			Real Estate subgroup[1, 3]		
in € million	2018	2017	Change	2018	2017	Change
Revenue	1,258.5	1,220.3	3.1 %	39.3	37.9	3.6 %
EBITDA	297.8	274.5	8.5 %	20.7	21.3	- 2.9 %
EBITDA margin in %	23.7	22.5	1.2 pp	52.7	56.2	- 3.5 pp
EBIT	188.4	156.6	20.3 %	15.5	16.3	- 5.1 %
EBIT margin in %	15.0	12.8	2.2 pp	39.4	43.0	- 3.6 pp
Profit after tax and minority interests	102.9	71.2	44.5 %	9.4	9.9	- 4.9 %
Earnings per share in €[4]	1.47	1.02	44.5 %	3.46	3.65	- 4.9 %
Dividend per share in €[5]	0.80	0.67	19.4 %	2.10	2.00	5.0 %

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This Annual Report was published on 27 March 2019.
report.hhla.de/annual-report-2018

To our shareholders

Angela Titzrath
Chairwoman of the Executive Board

Ladies and gentlemen,

Hamburger Hafen und Logistik AG (HHLA) can look back on a very successful financial year 2018. The already strong results of the previous year were exceeded, with increases in revenue and earnings across the Group. We were true to our word and achieved the ambitious targets we set ourselves. Our shareholders will profit from this success. Subject to the approval of the Annual General Meeting on 18 June 2019, we will increase the dividend to € 0.80 per Class A share, which equates to a rise of more than 19 percent. We want to justify the trust placed in us by continuing to deliver a strong performance. For the current financial year, we expect to build on the successful previous year in a challenging market environment and slightly exceed the results of 2018.

> **Our aim is always to offer our customers the best possible solution for the quick, safe and efficient transport of their goods.**

We stand by this aim, irrespective of changes in the underlying conditions. Hamburg and its port represent the gateway to the world – a world that is changing fast. Each and every one of us has the impression that the pace of change is constantly increasing and that even long-standing certainties can no longer be relied upon. What to do in such times? Our experience tells us that we should see change as both a challenge and an opportunity. This is what HHLA has always done throughout its 130-year history – and it has always been rewarded with success. We will therefore continue to systematically implement our strategy of strengthening the creative power and future viability of HHLA. What does that mean in concrete terms? By investing in our core business in the Container, Intermodal, Logistics and Real Estate segments, we will continue to focus on profitable growth whilst also identifying and driving forward new areas of growth, especially digital ones.

HHLA aims to be the gateway to the future. This means developing logistical and digital hubs together with our customers for the transport flows of the future. We began implementing this strategy last year by acquiring Estonia's largest terminal operator, Transiidikeskuse. HHLA TK Estonia has since been incorporated into the HHLA network. We have also successfully completed the integration of rail operator Polzug into the Metrans Group, which has been wholly owned by HHLA since last year. Compared to the previous year, the contribution made by Metrans to total comprehensive income increased once again. This is further confirmation that covering the entire logistical transport chain, from the quayside to the hinterland, is the right approach. And this is also the approach we are taking with our digital strategy. The aim is always to offer our customers the best possible solution for the quick, safe and efficient transport of their goods. This is why, for example, we have set up a joint venture with the US-based company Hyperloop Transportation Technologies (HTT). By working together, we want to develop a solution for transporting goods using Hyperloop technology. The fact that HTT has chosen Hamburg and selected HHLA as its partner for this high-tech project underscores the attractiveness of the location and our expertise as an innovative company.

A leading industrial nation such as Germany will continue to need a state-of-the-art, high-performance port. A quarter of Germany's foreign trade flows through its seaports, and Hamburg in particular. In other words, ports are a key element of the country's infrastructure. And this is why it was important and welcome news that the long-lasting legal dispute about the dredging of the river Elbe has come to an end, allowing work to begin. The world's largest container ships are already docking in the Port of Hamburg. In two years' time, the riverbed will have been widened and dredged sufficiently for these ultra-large container vessels to carry even more freight to Hamburg – and with even more flexibility in terms of scheduling. HHLA has long been preparing its terminal facilities for these ultra-large container vessels. We will continue these efforts and – instead of resting on our laurels – will keep working hard to offer our customers high-quality solutions whilst boosting HHLA's enterprise value for your benefit.

Yours,

A. Titzrath

Angela Titzrath
Chairwoman of the Executive Board

The Executive Board

Angela Titzrath
Chairwoman (CEO)
Economist (MA)

Responsibility
- Corporate development
- Corporate communications
- Sustainability
- Container sales
- Intermodal segment
- Logistics segment

Heinz Brandt
Chief Human Resources Officer (CHRO)
Legal assessor

Responsibility
- Human resources
- Purchasing and materials management
- Health and safety in the workplace
- Legal and insurance (including compliance)

Jens Hansen
Chief Operating Officer (COO)
Fully qualified engineer and business administration manager

Responsibility
- Container operations
- Container engineering
- Information systems

Dr. Roland Lappin
Chief Financial Officer (CFO)
Fully qualified industrial engineer

Responsibility
- Finance and controlling
- Investor relations
- Internal audit
- Real Estate segment

The Executive Board (f.l.t.r.): **Jens Hansen, Angela Titzrath, Heinz Brandt, Dr. Roland Lappin**

Dear shareholders,

In the 2018 financial year, the Supervisory Board dutifully fulfilled the responsibilities entrusted to it by law, the company's articles of association and rules of procedure, and the German Corporate Governance Code. We continuously monitored the Executive Board's management of business, provided advice on the company's further strategic development as well as on important individual measures, and concluded that the management of the company is lawful, proper and appropriate. We also constantly monitored the organisation of the company and the Group, the risk management system and the economic viability of management activities, and satisfied ourselves that all of them were fit for purpose.

Working relationship between the Supervisory Board and the Executive Board

The Supervisory Board was involved in all decisions of major significance for HHLA and the Group. The Executive Board provided us with regular, prompt and comprehensive information on all major developments, especially the situation of HHLA and the Group, corporate planning, fundamental issues of company policy and strategy, investment plans and personnel. All measures for which the approval of the Supervisory Board or one of its committees was required by law, the articles of association or the Executive Board's rules of procedure were submitted on time. After conducting their own examination and in-depth discussions with the Executive Board, the Supervisory Board or Supervisory Board committees approved all such measures. As Chairman of the Supervisory Board, I was also regularly in touch with the CEO and the Executive Board members between meetings and was informed about planning and strategy, the current business situation, significant transactions, the risk position, risk management and compliance.

The work of the Supervisory Board

The Supervisory Board held four routine meetings and four special meetings in the 2018 financial year.

At routine meetings, we regularly look at the current revenue, earnings and liquidity trend and the current business situation of the company, the Group and the individual segments, including the risk position, risk management and compliance. During the meetings, the Executive Board informed the Supervisory Board about the economic, financial and strategic position of the company and the Group, the company's strategy, as well as significant developments and events. The other focal points of the meetings during the reporting period can be summarised as follows:

The **financial statements meeting held on 23 March 2018** focused as scheduled on the auditing and approval of HHLA's annual financial statements, including the individual divisional financial statements for the A and S divisions, the consolidated financial statements including the subgroup financial statements, the combined management report of HHLA and the Group, the Supervisory Board report, the reports on transactions with related parties and on the relationship between the A and S divisions and the separate non-financial report, each for the 2017 financial year, as well as the agenda for the 2018 Annual General Meeting, including the Executive Board's proposal on the appropriation of profit and the candidates proposed for the election of the auditor for the 2018 financial year. Representatives of the auditor were present at the meeting. They reported on the main results of their audit and were available to answer questions. In this meeting, the Supervisory Board also approved the acquisition of the Estonian terminal operator Transiidikeskuse AS and the rest of the shares in Metrans a.s., as well as authorising borrowing for the long-term structuring of the purchase prices for both of these acquisitions. As a follow-up to this meeting, the Supervisory Board then finally agreed on the proposed candidates for the election of new shareholder representatives at the Annual General Meeting on 12 June 2018 by way of a written circular.

In our second regular **meeting on 1 June 2018**, we discussed an investment project, the granting of powers of procuration, preparations for the Annual General Meeting and preparations for auditing the efficiency of the work carried out by the Supervisory Board.

The first special meeting following the **Annual General Meeting on 12 June 2018** served to make the committee appointments required due to staff changes on the Supervisory Board.

The main focus of the ordinary **meeting held on 7 September 2018** was on presenting and discussing the results of the efficiency audit, which was carried out with the help of an independent advisor. Overall, cooperation was rated very good and efficient. In this meeting, we also discussed a smaller investment project and the granting of additional powers of procuration.

As part of a special **strategy meeting in October 2018**, we carried out an in-depth analysis of HHLA's strategic framework and strategy in individual areas of business in the presence of expert guests. In a further special meeting in October 2018, we also discussed two investment or rather equity investment projects.

In our final regular **meeting on 7 December 2018**, we routinely dealt with the budget for 2019, the medium-term planning for 2020 to 2023 for the Group and for the two subgroups, the findings of the risk and opportunity inventory and the declaration of compliance with the German Corporate Governance Code. We also once again discussed an investment project and matters concerning the Executive Board.

In our **special meeting on 21 December 2018**, we finally extended Ms. Titzrath's term of office by five years – following extensive preparations by the Personnel Committee – and appointed Mr. Torben Seebold to the Executive Board as of 1 April 2019 as successor to the departing Labour Director Mr. Brandt.

As a general rule, Supervisory Board meetings are attended by all of its members and – provided Executive Board matters or internal Supervisory Board topics are not discussed – the members of the Executive Board as well. The average attendance at the meetings of the Supervisory Board and its committees in the reporting period was approximately 88 %. With the exception of Dr. Bösinger, who left the Supervisory Board in April 2018 and could not take part in the Supervisory Board's financial statements meeting due to his schedule, no member of the Supervisory Board attended half or fewer of the meetings of the Supervisory Board and the committees to which they belong. No conflicts of interest regarding members of the Executive Board or the Supervisory Board arose in the reporting period. The Supervisory Board does not include any former members of the company's Executive Board.

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. Following any committee work, the chairs report to the Supervisory Board about the committees' activities. With the exception of the Nomination Committee, all of the committees include an equal number of shareholder and employee representatives. Notes to the consolidated financial statements, no. 49 Board members and mandates

The **Finance Committee** and **Audit Committee** each met once per quarter in the 2018 financial year, i.e. each committee met four times.

At its meetings, the **Finance Committee** regularly looks at the Group's financial results as well as its general financial and earnings position. The Finance Committee also addressed various equity investment projects and investments during the reporting period, specifically the acquisition of the Estonian terminal operator Transiidikeskuse AS and the remaining shares in Metrans a.s., as well as authorising borrowing for the long-term structuring of the purchase prices in this context. Finally, other points discussed in the December meeting were the detailed preliminary review of the budget for 2019 and the medium-term planning for 2020 to 2023.

The **Audit Committee**'s work regularly focuses on overseeing accounting, the accounting process and the audit. This includes monitoring the effectiveness of the audit, the internal control system, the risk management system, the internal audit system and compliance, along with the compliance management system. It also involves overseeing the selection of the auditor and the auditor's qualifications, efficiency and independent status, and the admissibility of any additional services provided by the auditor (known as non-audit services). To do this, the Audit Committee has adopted a catalogue of basic approved non-audit services by type and scope. Other key issues at the various meetings held during the reporting period included a detailed discussion and examination of HHLA's annual financial statements, the consolidated financial statements and the combined management report for the 2017 financial year (March meeting). This was followed by an in-depth consideration of the six-monthly financial report for 2018 and its review (August meeting). At both meetings, representatives of the auditor reported on the results of the audit or review and were available to answer questions. Other areas of focus were the interim reports for the first and third quarters, the organisation and audit remit of Internal Audit, the determination of key issues for the audit of the Annual Report and consolidated financial statements for the 2018 financial year, the findings of the 2018 risk and opportunity inventory, the plans for the 2019 audit and the preparation of the declaration of compliance with the German Corporate Governance Code. In addition to the committee members and representatives of the Executive Board, HHLA's Compliance Officer also regularly attends the meetings of the Audit Committee, where he speaks about his role, keeps the committee abreast of current developments, and is available to answer questions. Other participants, such as representatives of the auditor or Internal Audit, attend meetings as necessary. The Chairman of the Audit Committee is also regularly in touch with the auditor and the Chief Financial Officer between meetings.

The **Real Estate Committee** held two meetings in the reporting period. 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 – as well as the consolidated financial statements, the combined management report and the separate financial statements of the real estate companies for the 2017 financial year (March meeting). The committee also dealt with the budget for the 2019 financial year and the medium-term planning for 2020 to 2023 (December meeting). In each case, its deliberations related to the Real Estate subgroup (S division).

The members of the **Nomination Committee** convened once in the 2018 financial year in order to prepare for the necessary election of new shareholder representatives at the Annual General Meeting on 12 June 2018. The candidates put forward by the Supervisory Board took into account not only the requirements of the German Stock Corporation Act, German Corporate Governance Code and the Supervisory Board's rules of procedure but also the specifications of the profile of requirements issued by the Supervisory Board.

The **Personnel Committee** met six times during the reporting period in order to prepare for the staffing decisions made by the Supervisory Board – specifically, the extension of Ms. Titzrath's term of office and the selection of a successor to Mr. Brandt, who will be leaving the Executive Board on 31 March 2019.

There was no reason for the **Arbitration Committee** to convene during the 2018 financial year.

Corporate governance

The annual declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) was prepared together with the Executive Board at the **Audit Committee meeting on 9 November 2018** and adopted by the Supervisory Board at its **meeting on 7 December 2018**. The current declaration and the declarations of compliance relating to previous years can be viewed by the public on HHLA's website at www.hhla.de/corporategovernance at any time. In addition to this, the current declaration of compliance and further information about corporate governance can be found in the corporate governance section of the Management Report. Corporate Governance

Audit of financial statements

In line with the Audit Committee's recommendation and the Supervisory Board's nomination, the Annual General Meeting on 12 June 2018 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg (PwC), to conduct the audit of the Annual and consolidated financial statements for the 2018 financial year and to conduct the review of the Condensed Financial Statements and the interim management report of the Group for the first half of the 2018 financial year. In line with the legal requirements and the recommendations of the German Corporate Governance Code – especially those relating to the auditor's independence – the Audit Committee then negotiated the audit assignment, defined the focus areas of the audit and awarded the contract.

The auditor carried out an audit of HHLA's annual financial statements for the 2018 financial year 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 for the 2018 financial year including the subgroup financial statements for the A and S divisions in accordance with the International Financial Reporting Standards (IFRS) that apply in the European Union and the additional requirements of German commercial law pursuant to Section 315e HGB, and the combined management report for HHLA and the Group for the 2018 financial year. The auditor issued an unqualified opinion with respect to each of the foregoing.

The auditor also audited the report prepared by the Executive Board of HHLA on company transactions with related parties for the 2018 financial year in line with Section 312 AktG, delivered a written report on the audit findings and, having no objections to make, gave the report 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 for the transactions mentioned in the report was not inappropriately high, and (3) the measures detailed in the report give us no grounds to reach a substantially different opinion to that of the Executive Board."

The auditor also audited the report prepared by the Executive Board in line with Article 4 (5) of the articles of association applied analogously to Section 312 AktG on the relationship between the A and the S divisions for the 2018 financial year, delivered a written report on the audit findings and, having no objections to make, gave the report 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 for the transactions mentioned in the report was not inappropriately high."

Finally, the auditor reviewed the combined separate non-financial report in line with Section 289b et seqq. and Section 315b et seq. HGB to achieve a limited degree of certainty, reported the review findings and issued an unqualified opinion.

Each of the above-mentioned financial statements and reports along with the corresponding audit reports was distributed to all members of the Supervisory Board as soon as it had been produced and checked. The documents were subsequently explained by the Executive Board at the relevant meetings of the Audit and Real Estate Committees on 18 March 2019 and at the Supervisory Board's financial statements meeting held on 22 March 2019 before being discussed in detail by the committees and the Supervisory Board as a whole. Representatives of the auditor were present at the meetings, where they reported on the scope, focal points and key findings of the audit and were available to answer questions. They paid particular attention to the key audit matters described in the certificate along with the audit procedures used and the conclusions regarding the accounting-related internal control and risk management system. Finally, they also reported on the nature and extent of the other services provided by the auditor.

As part of the preliminary review, the Audit and Real Estate Committees closely examined the course of the audit, the auditor's reports, the findings and – in particular – the key audit matters described in the certificate. Once they had completed their examination, they recommended that the Supervisory Board as a whole approve the financial statements and reports. Following a detailed plenary examination of the auditor's reports and findings and the findings of the committees' preliminary review, and based on our own review, we approved the findings of the audit. Following our review, we had no objections to make to the annual financial statements including the divisional financial statements, the consolidated financial statements including the subgroup financial statements, and the combined management report for the 2018 financial year. Accordingly, we approved the annual financial statements, the consolidated financial statements and the combined management report at our **meeting on 22 March 2019**. HHLA's annual financial statements for the 2018 financial year have therefore been adopted. Following our review, we also had no objections to make to the Executive Board's statements on related parties and on the relationship between the A and S divisions. Finally, following our review, we had no objections to make to the combined separate non-financial report for the 2018 financial year.

The Executive Board's proposal for appropriation of the distributable profit was analysed in detail and discussed with the Executive Board at the meetings of the Audit Committee – for the A division – and the Real Estate Committee – for the S division – on 18 March 2019 and at the Supervisory Board's meeting on 22 March 2019. Following our own review, which paid particularly close attention to earning trends, financial planning and shareholders' interests, we endorsed the Executive Board's proposal for appropriation of the distributable profit. Together with the Executive Board, we will propose to the Annual General Meeting that a dividend of € 0.80 per dividend-entitled class A share and € 2.10 per dividend-entitled class S share be distributed from distributable profit for the 2018 financial year.

Personnel changes

Within the Executive Board, we extended Ms. Titzrath's term of office by five years. After Mr. Brandt informed us in September 2018 that he would be leaving the Executive Board as of 31 March 2019, the Supervisory Board initiated the necessary steps to find a successor and in its meeting on 21 December 2018 – upon completion of preparations by the Personnel Committee – appointed Mr. Torben Seebold to the Executive Board as of 1 April 2019 as Labour Director for an initial period of three years. The Supervisory Board would like to take this opportunity to thank Mr. Brandt for his many years of successful work on behalf of HHLA.

During the reporting period, shareholder representatives Dr. Rolf Bösinger and Petra Bödeker-Schoemann left the Supervisory Board, as well as Dr. Wibke Mellwig, who stepped in temporarily for Dr. Bösinger on the Supervisory Board. In place of Ms. Bödeker-Schoemann and Dr. Bösinger/Dr. Mellwig, the Annual General Meeting held on 12 June 2018 elected Dr. Isabella Niklas, Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, and Dr. Torsten Sevecke, State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation, to the Supervisory Board. Following the personnel changes, there were also the relevant appointments of new members to the Supervisory Board committees. Notes to the consolidated financial statements, no. 49 Board members and mandates

Mr. Westhagemann also resigned his seat on the Supervisory Board as a result of his appointment to the Senate of the Free and Hanseatic City of Hamburg, effective as of 6 February 2019. Once the Nomination Committee has completed its preparations, the Supervisory Board will submit a recommendation for his successor to the Annual General Meeting on 18 June 2019. In doing so, the Supervisory Board and its Nomination Committee will take into account not only the requirements of the German Stock Corporation Act, German Corporate Governance Code and the Supervisory Board's rules of procedure but also the specifications of the profile of requirements issued by the Supervisory Board. The Supervisory Board would like to thank all departing members for their reliable good work and dedication to the Supervisory Board.

Finally, on behalf of the Supervisory Board, I would like to thank the members of the Executive Board and all Group employees for their hard work in the 2018 financial year, and our shareholders and business partners for the trust they have placed in us.

Hamburg, 22 March 2019

The Supervisory Board

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board

Members of the Supervisory Board

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board
Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg

Berthold Bose
Vice Chairman
Head of ver.di Hamburg

Dr. Norbert Kloppenburg
International investments and financing consultant

Thomas Lütje
Director of sales at HHLA

Thomas Mendrzik
Vice Chairman of the works council of CTA

Dr. Isabella Niklas
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Norbert Paulsen
Chairman of the joint works council and the HHLA Group works council

Sonja Petersen
Clerical employee at CTB

Dr. Sibylle Roggencamp
Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

Maya Schwiegershausen-Güth
Trade union secretary, ver.di

Dr. Torsten Sevecke
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Michael Westhagemann (until 6 February 2019)
Senator at the Hamburg Ministry for the Economy, Transport and Innovation

For current and past members during the reporting period, as well as committee members, please also refer to the notes to the consolidated financial statements, no. 49 Board members and mandates.

The HHLA share

Key figures

in €, class A shares, Xetra	2018	2017
Closing price	17.33	23.67
Performance in %	- 26.8	33.7
Highest price	24.36	28.23
Lowest price	17.08	16.80
Average daily trading volume	82,330	117,313
Dividend per class A share[1]	0.80	0.67
Dividend yield as of 31.12. in %	4.6	2.8
Number of listed class A shares in thousand	70,048.8	70,048.8
Market capitalisation as of 31.12. in € million	1,213.9	1,658.1
Price-earnings-ratio as of 31.12.	11.8	23.2
Earnings per share	1.47	1.02

1 Dividend proposal for 2018

Indices affected by political and trade conflict

The world's stock markets were primarily affected by three topics in 2018: the trade war triggered by the US in the first quarter with China and the EU, the unresolved Brexit issue and the discussions between Brussels and Rome vis-à-vis the Italian budget.

While Germany's benchmark DAX index started the year at a new all-time high in anticipation of a strong reporting period, it already dropped below the 12,000 points mark in March due to the US Federal Reserve's tighter monetary policy.

The intensifying trade dispute between the US and China, as well as increasing uncertainty with regard to Brexit, pushed the DAX into a downward trajectory which, following a brief respite in early summer, gathered pace towards the end of the year and finished with a downward-facing year-end rally.

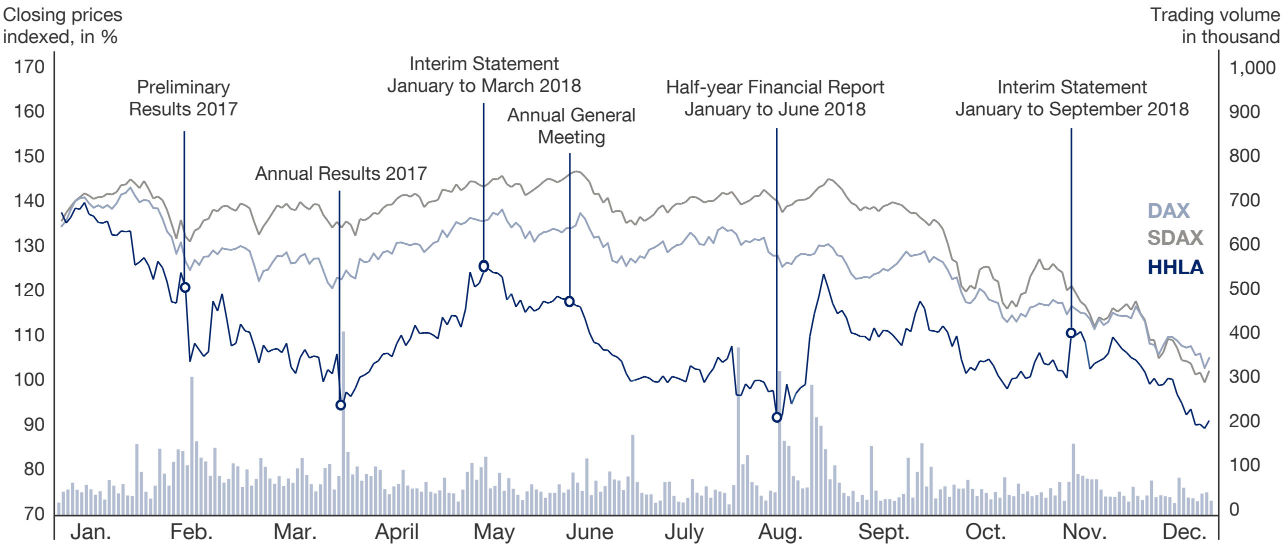
As a result, the DAX finished the year at 10,558.96 points on 28 December, 18.3 % lower than the previous year. The SDAX performed slightly worse, falling by 20.0 % to close at 9,509.15 points.

HHLA share price falls in declining market

The HHLA share was unable to escape the strong fluctuations on the capital market in 2018. After a positive start to the year with a high of € 24.36 on 9 January, the share reacted very sensitively to every new development in the trade conflict. The publication of figures constantly in line with expectations was also unable to offset this sentiment, resulting in some strong fluctuations in the share price with significantly higher trading volumes. Even the approval of the dredging of the river Elbe could only provide temporary relief.

Caught up in the general market sell-off towards the end of the year, the HHLA share dropped to a year-low of € 17.08 on 27 December. On the last trading day of the year, 28 December, the HHLA share rallied slightly to end the year at € 17.33 – and thus 26.8 % below the previous year's closing figure.

Share price development 2018



Source: Datastream

Annual General Meeting

The Annual General Meeting of HHLA was held at the Hamburg Messehallen convention centre on 12 June 2018. The Executive Board's invitation was accepted by just under 670 shareholders and guests, representing approximately 82 % of nominal capital.

In her upbeat speech to the shareholders, the Chairwoman of HHLA's Executive Board stressed that HHLA was built on strong foundations with great opportunities to strengthen the future viability and creative strength of the company, despite the changing macroeconomic environment. HHLA was well prepared for the challenges of the future, she concluded.

The shareholders formally approved the actions of HHLA's Executive Board and Supervisory Board for the 2017 financial year with 99.3 % and 99.2 % of the votes cast, respectively. The Annual General Meeting appointed Dr. Isabella Niklas, Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, and Dr. Torsten Sevecke, State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation, as new members of the Supervisory Board.

The proposal to increase the dividend to € 0.67 (previous year: € 0.59) per listed class A share was also approved. HHLA thus distributed dividends totalling € 41.3 million. This corresponded to a payout ratio of approximately 66 % of the Port Logistics subgroup's net profit after minority interests for the year. The dividends were paid out to the shareholders on 15 June 2018. Based on its closing price of € 21.18 on the day of the Annual General Meeting, the HHLA share achieved a dividend yield of 3.2 %, putting it in the top 15 of the SDAX.

Basic data HHLA class A share

Type of shares	**No-par-value registered shares**
ISIN / SIC	**DE000A0S8488 / A0S848**
Symbol	**HHFA**
Stock exchanges	**Frankfurt am Main, Hamburg**
Segment	**Prime Standard**
Sector	**Transport & Logistics**
Index affiliation	**SDAX**
Bloomberg / Reuters	**HHFA:GR / HHFGn.de**

Shareholder base still widely spread

HHLA's shareholder base remained largely stable in 2018. In terms of the listed class A shares, the Free and Hanseatic City of Hamburg remained the company's largest shareholder with an unchanged stake of 68.4 %. The free float portion amounted to 31.6 %. According to the voting rights notifications submitted to HHLA as of the end of 2018, no single investor held more than 3 % of the remaining free float shares at this time.

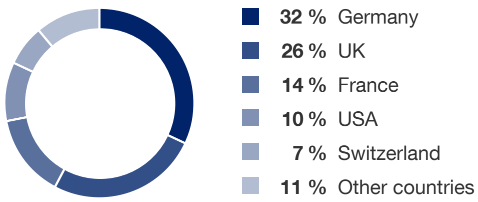
Among daily traded shares, ownership shifted in favour of private investors as of the reporting date. While institutional investors continued to hold the majority of free float shares at year-end, accounting for 22.9 % of all shares (previous year: 23.6 %), the proportion of nominal capital held by private investors increased to 8.7 % (previous year: 8.0 %). Overall, HHLA's share capital remained widely distributed among some 27,000 registered shareholders. In regional terms, the largest free float shareholders were based primarily in Germany, the US, the UK and other countries in continental Europe.

Dialogue with capital market maintained

Rapid reaction times, an ability to provide comprehensive information and an open dialogue with financial analysts and investors remained key to HHLA's investor relations activities in 2018, given the consistently volatile industry environment. 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 and London, as well as various stock exchange events in Munich and Hamburg. These initiatives were supplemented by roadshows in major European cities and discussions at various events for private investors held throughout Germany. Investors were also invited to a large number of meetings at the company's headquarters in Hamburg. There was considerable interest in the opportunities offered for discussion. Furthermore, the Executive Board provided details on business developments during quarterly conference calls.

Contacts with investors

by regions in 2018



With its proactive approach to communications, the Investor Relations department maintains a close dialogue with shareholders and potential investors. In addition to informing interested members of the public, the team also responds to issues of particular relevance to investors. Following the positive ruling on the dredging of the river Elbe, HHLA's investors showed great interest throughout 2018 in the planned implementation of this important infrastructure project for HHLA. In the wake of new shipping alliances and the resulting schedule changes, there were also numerous enquiries about the shifts in volume which might ensue. Other key topics for the capital market were the effects of punitive tariffs being imposed, the development of the Intermodal business and the acquisition of the container terminal in Tallinn. HHLA has been offering a full

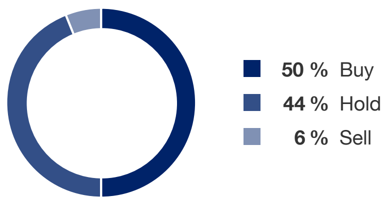
HTML version of its Annual Report in addition to existing online services such as the IR website and Twitter updates since 2016. Online reporting enables all stakeholders to navigate information interactively, search for content in a targeted manner and compile this information as desired.

HHLA share still of interest for analysts

Despite changes in the macroeconomic environment, particularly from more stringent MiFID II regulations, the HHLA share continues to enjoy broad and well-informed coverage by financial analysts. This gives potential investors the possibility to find out about HHLA's business model and environment through independent analyses. The Executive Board and Investor Relations department therefore remain in close contact with all financial analysts.

Recommendations by financial analysts

as of 31.12.2018



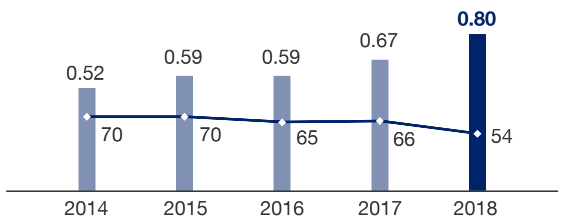
A total of 16 financial analysts covered HHLA's business development and issued reports and recommendations concerning the share. This means that the HHLA share has above-average coverage for an SDAX company. On the reporting date, 15 of the 16 analysts recommended the share as a buy or a hold. They particularly emphasise the successful Intermodal business and growth potential resulting from the forthcoming dredging of the navigation channel. Those analysts who recommend holding or selling the share primarily see risks arising from the fact that the river Elbe has still not been dredged, as well as the low level of cost flexibility. Analyst sentiment is also tempered by increasingly fierce competition among North Range ports and the potential worsening of current trade conflicts.

Higher dividend proposal

On the basis of the earnings achieved in 2018, the Executive Board and Supervisory Board will propose a dividend of € 0.80 per class A share at the Annual General Meeting to be held on 18 June 2019. A total of € 56.0 million would therefore be distributed (previous year: € 46.9 million). In an external comparison, the payout ratio would remain high at 54 %. HHLA therefore continues to pursue its dividend policy of distributing between 50 and 70 %, where possible, of the Port Logistics subgroup's relevant net profit for the year to its shareholders.

Dividends per listed class A share

in € / payout ratio in %



2018: Dividend proposal

Combined management report

The combined management report covers the course of business at the HHLA Group and Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG).

Group overview

HHLA

Holding/Other
- Strategic corporate development
- Functional management of the Container segment
- Management of resources and processes
- Provision of shared services

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

Port Logistics
Subgroup
Listed class A shares

Container
Segment
- Container handling
- Container transfer between modes of transport (ship, rail, truck)
- Container-related services (e.g. storage, maintenance, repair)

Intermodal
Segment
- Container transport via rail and truck in the ports' hinterland
- Loading and unloading of carriers
- Operation of inland terminals

Logistics
Segment
- Specialist handling of dry bulk, general cargo, vehicles, fruit, etc.
- Airborne logistics services
- Consulting and training

Real Estate
Subgroup
Non-listed class S shares

Real Estate
Segment
- Management of real estate in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona
- Development
- Tenancy
- Facility management

Shareholder Structure
Share capital: total of 72,753,334 no-par-value registered shares (no-par-value shares)

of which 70,048,834 class A shares
– listed –

31.6 % | 68.4 %

Free float
22,128,334 class A shares

Free and Hanseatic City of Hamburg
Shareholding: 47,920,500 class A shares
+ 2,704,500 class S shares

of which 2,704,500 class S shares
– non-listed –

100 %

Group structure

Hamburger Hafen und Logistik AG (HHLA) is one of Europe's leading logistics companies. The Group is operated as a strategic management holding company divided into two subgroups, Port Logistics and Real Estate. The class A shares, which are listed on the stock exchange, relate to the Port Logistics subgroup and entitle shareholders to participate in the result and net assets of these operations. The Real Estate subgroup includes those HHLA properties that are not specific to port handling. The performance and economic 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). In the unlikely and unprecedented event of the Real Estate subgroup reporting a loss, this would be indirectly transferred to the Free and Hanseatic City of Hamburg in line with a separate agreement to assume losses.

The HHLA Group's operations are conducted by the 27 domestic and 15 foreign subsidiaries and associated firms that make up the consolidated group. Notes to the consolidated financial statements, no. 3 Composition of the Group In the 2018 financial year, HHLA acquired the Estonian terminal operator Transiidikeskuse AS, took over the outstanding shares in METRANS a.s. in the Intermodal segment and reorganised its Polish rail activities. No other significant legal or organisational changes were made.

Management structure

As a German stock corporation (Aktiengesellschaft), HHLA has a dual structure consisting of an Executive Board and a Supervisory Board. The Executive Board manages the company on its own responsibility. The Supervisory Board appoints and advises the members of the Executive Board and monitors the Executive Board's work. In the 2018 financial year, the Executive Board of HHLA comprised four members, whose areas of responsibility are defined by their specific tasks and operating segments. The HHLA Executive Board is jointly responsible for the Container segment. Torben Seebold will be appointed as a member of the Executive Board as of 1 April 2019. He succeeds Heinz Brandt, who will leave the Executive Board as of 31 March 2019.

The Supervisory Board of HHLA has twelve members in all, with six representing the shareholders and six representing the employees. Notes to the consolidated financial statements, no. 49 Board members and mandates

Operating activities

As an integrated provider of container handling, transport and logistics services, the **Port Logistics subgroup** offers services along the logistics chain between international ports and their European hinterland. The geographical focus of its operating activities is on the Port of Hamburg and its hinterland. The Port of Hamburg is an international hub for container transport by sea and land, with an optimal link to the economies of Central and Eastern Europe, Scandinavia and the Baltic region. The company's core lines of business are represented by the Container, Intermodal and Logistics segments.

The **Container segment** pools the Group's container handling operations and is the largest business unit in terms of revenue and earnings. Its activities consist primarily of handling container ships (loading and discharging containers) and transhipping containers to other carriers (rail, truck, feeder ship or barge). HHLA operates three container terminals in Hamburg – Altenwerder (CTA), Burchardkai (CTB) and Tollerort (CTT) – and further container terminals in Odessa, Ukraine (CTO) and Tallinn, Estonia (HHLA TK Estonia). The portfolio is rounded off by supplementary container services, such as maintenance and repairs.

Organisational structure

Supervisory Board			
Executive Board			
Angela Titzrath Chairwoman of the Executive Board	**Heinz Brandt** Chief Human Resources Officer	**Jens Hansen** Chief Operating Officer	**Dr. Roland Lappin** Chief Financial Officer
Responsibilities	Responsibilities	Responsibilities	Responsibilities
Corporate development Corporate communications Sustainability Container sales Intermodal segment Logistics segment	Human resources Purchasing and materials management Health and safety in the workplace Legal and insurance	Container operations Container engineering Information systems	Finance and controlling (including organisation) Investor relations Internal audit Real Estate segment

The **Intermodal segment** is the second-largest of HHLA's segments in terms of revenue and earnings. As a further key element of HHLA's business model, which is vertically integrated along the transport chain, the segment provides a comprehensive rail and truck network for seaport-hinterland traffic and, increasingly, continental traffic. HHLA's METRANS rail companies operate regular direct connections between the ports on the North and Baltic seas and between the Northern Adriatic and its hinterland, as well as inland terminals to provide a comprehensive range of services for maritime logistics. In addition to transfer services at the Port of Hamburg, the trucking subsidiary CTD transports containers by road, both locally and over long-haul distances within Europe.

The **Logistics segment** encompasses a wide range of complementary specialist handling services and consulting. Its service portfolio comprises both stand-alone logistics services (including airborne services) and entire process chains for the international procurement and distribution of merchandise, including the operation of handling facilities for dry bulk, motor vehicles and fruit. In this segment, the company also provides consulting and management services for clients in the international port and transport industry. Some of these logistics services are provided together with partner companies.

The **Holding/Other** division is also part of the Port Logistics subgroup, although it does not constitute a separate segment as defined by the International Financial Reporting Standards (IFRS). The Holding division is responsible for strategic corporate development, the functional management of the Container segment, 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.

The Real Estate segment corresponds to the **Real Estate subgroup.** Its business activities encompass the development, letting and commercial and technical facility management of properties in the Port of Hamburg's peripheral area. These include the Speicherstadt historical warehouse district. The world's largest traditional warehouse quarter is a UNESCO World Heritage Site. In this central location, HHLA offers some 300,000 m^2 of commercial space. Other prime properties totalling approximately 63,000 m^2 are managed at the Fischmarkt Hamburg-Altona in the exclusive fish market area on the river Elbe's northern banks.

Further information on the performance of each segment can be found in segment performance.

Market position

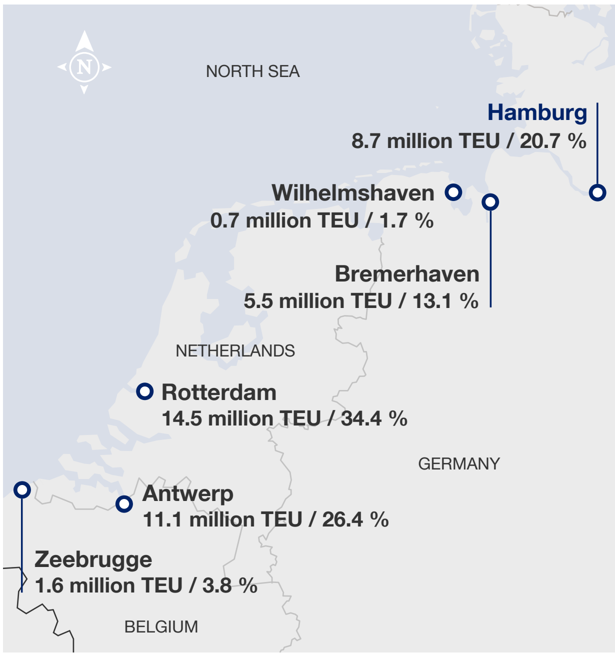
With its listed core business Port Logistics, HHLA operates on the European market for sea freight services. This market offers long-term growth prospects as a number of key Central European countries strengthened their competitiveness after the debt crisis, thereby paving the way for a further increase in foreign trade and consumer spending. Eastern Europe also offers growth potential and stable forecasts. Whether these positive trends materialise depends in part on the resolution of regional conflicts and the development of raw material and energy prices.

It is expected that the increasing barriers to global trade will impede global supply chains and thus have a negative impact on imports and exports. As a result, initial forecasts of the International Monetary Fund (IMF) indicate that global economic growth in 2018 will have been slightly weaker than in the previous year. Protectionist trade barriers in particular are having an effect on containerised trade and transport volumes. Nevertheless, it is anticipated that global growth will continue to develop positively in 2019.

The market for port services on the Northern European coast (the North Range) of relevance for HHLA is characterised by its high concentration of ports. Competition is particularly strong between the four major North Range ports of Hamburg, HHLA's main hub, Bremerhaven, Rotterdam and Antwerp. Other handling sites – such as Wilhelmshaven and Zeebrugge – are

Container throughput at the North Range ports

Volumes and market shares in 2018



Source: Port Authorities / market shares according to own calculation considerably smaller in terms of their capacity and/or current freight volume. At present, the Baltic Sea ports are served by high feeder traffic operating via central distribution points in the North Range. The practice of ocean-going vessels calling directly at ports such as Gdansk and Gothenburg, however, is also changing goods flows. Gdansk is exhibiting particularly strong growth and is therefore increasingly competing with this network system. Adriatic ports, such as Koper and Trieste, and the Polish ports have also improved their infrastructure and are competing with the Port of Hamburg for freight in the hinterland.

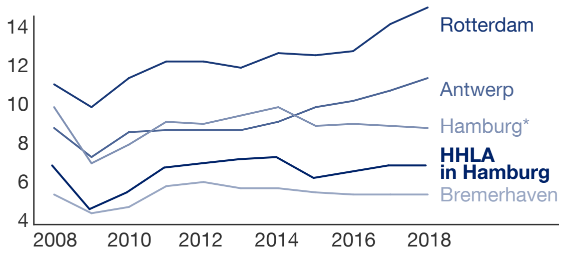
As well as the geographical position and hinterland links of a port, its accessibility from the sea affects the competitive position of terminal operators. Local freight volume in the direct catchment area of each port location plays an important role. Other key competitive factors that influence the market position include the reliability and speed of ship handling, as well as the scope and quality of services. Also of increasing importance is the performance of pre- and onward-carriage rail systems serving the hinterland (e.g. frequency, punctuality, pricing) and therefore the range of integrated transport solutions.

In the 2018 financial year, CMA CGM acquired a 10 % interest in the container terminal in Zeebrugge. Otherwise, there were no changes at competitor ports during the reporting period. Competition remains extremely fierce and the ports are increasingly dependent on changing shipping company constellations. The resulting shifts of more geographically flexible feeder traffic is having a significant impact on handling volumes. By contrast, the market position for handling volumes that are tied to the natural catchment area onshore is largely stable – given that it is vital to take the shortest route for the disproportionately more expensive land-bound transportation.

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 and from Central and Eastern Europe. Furthermore, 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 a container throughput of 8.7 million TEU, Hamburg ranked 18th among the world's ports in 2018 and is thus the third-largest European container port after Rotterdam and Antwerp.

Container throughput at the largest North Range ports

in million TEU

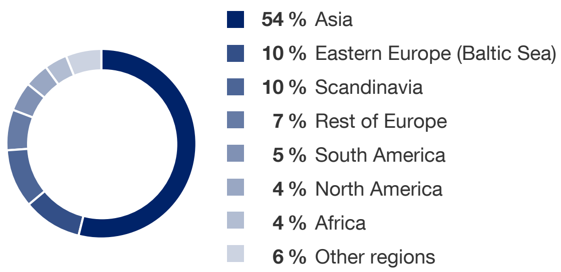


Source: Port Authorities; * incl. HHLA

In Hamburg, HHLA expanded its position as the largest container handling firm with a throughput volume of 6.9 million TEU in 2018. The HHLA container terminals achieved a slight year-on-year increase in their market share for handling at the Port of Hamburg to approximately 79 % (previous year: 78 %). Asia, Eastern Europe and Scandinavia were the most important shipping regions.

Container throughput by shipping region

in the Port of Hamburg, 2018

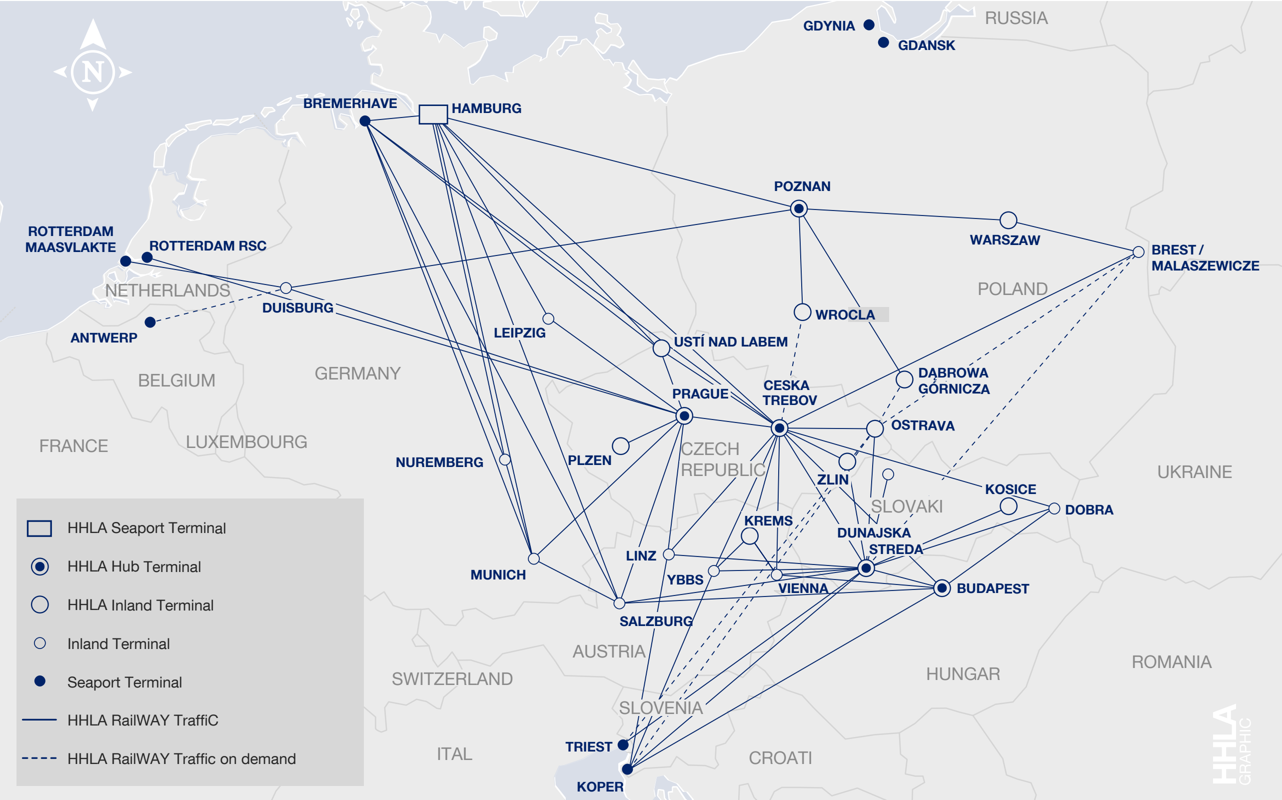


Source: Hamburg Hafen Marketing e.V.

In the **Intermodal segment**, HHLA primarily utilises the advantages of the Port of Hamburg's rail infrastructure – Europe's most important rail traffic hub handling approximately 2.4 million TEU a year. HHLA's Intermodal network also comprises further ports along the North Sea and Baltic Sea coasts as well as the northern Adriatic and, increasingly, continental traffic. The companies that transport containers by train compete with a variety of other rail operators and intermodal transport firms, but also with other carriers such as trucks and feeder ships. As the rail infrastructure is for the most part publicly owned, various national authorities guard against discrimination in both access and usage fees. In addition to the density of the available network, key competitive factors include the frequency of departures, opportunities for freight pooling and storage in the hinterland, the geographical distance to destinations, punctuality and infrastructural capacity. The importance of these factors is growing as ports compete with one another.

Intermodal network of HHLA

Selected connections



HHLA has proprietary inland terminals in Central and Eastern Europe along with its own container wagons and traction fleet (locomotives). All of these factors play a major role in the company's service offer. This is necessary to enable it to run direct trains with frequent departures and to allow the efficient pooling of rail freight transported via the port, which is efficiently distributed by central handling facilities. HHLA occupies relevant market positions in the majority of the regions it serves. HHLA has a sound market position in the greater Hamburg metropolitan region in the delivery and collection of containers by truck.

The **Logistics segment** serves various market sectors, some of them heavily specialised. With its multi-function terminal, HHLA is the leading provider of specialist handling services in Hamburg. Via Hansaport, HHLA has a stake in Germany's biggest seaport terminal for handling iron ore and coal. HHLA also provides fruit handling services for Northern Europe with its Frucht- und Kühl-Zentrum. In the field of consultancy, work is conducted on pioneering development projects around the world.

With a population of approximately 1.8 million and its significance as an economic centre, Hamburg is one of the largest property markets in Germany for the **Real Estate segment**. What makes the portfolio particularly attractive are its unique buildings and favourable locations in Hamburg's Speicherstadt historical warehouse district and on the northern banks of the river Elbe/fish market area. The company has built up a wealth of development and implementation expertise dedicated to finding the right balance between market-based tenant demands and the careful handling of its landmarked buildings with world heritage status. The properties compete with German and international investors marketing high-quality properties in comparable locations.

Customer structure and sales

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, ranging from steel companies and power plants (in the field of bulk cargo handling) to international operators of ports and other logistics centres (in the field of port consulting). The Real Estate segment lets its office space and commercial premises to German and international customers from a variety of sectors, ranging from logistics and trading companies to media, consulting and advertising agencies, fashion labels, hotels and restaurants, and companies from the creative industries.

Globally operating container shipping companies account for the largest share of HHLA's revenue. In ship handling, HHLA's container terminals work with shipping companies on a neutral basis (multi-user principle) and offer a wide range of high-quality services. The **HHLA customer base** remains in a state of flux on account of the ongoing consolidation in the container shipping segment. The acquisition of UASC by Hapag-Lloyd was already completed in the previous year, as was the acquisition of Hamburg Süd by Maersk Line. The acquisition of OOCL by the Chinese line COSCO Shipping was finalised in 2018. The merger of three Japanese shipping companies – NYK Line, MOL and K Line – to create Ocean Network Express (ONE) was also completed. ONE launched operations in April 2018.

In the reporting year, HHLA's customer base included all of the world's top ten container shipping companies. HHLA therefore considers itself well placed to also meet the future requirements of its clients in the shipping sector. Business forecast

Top 10 shipping companies

by carrying capacity in thousand TEU as of 31.12.2018

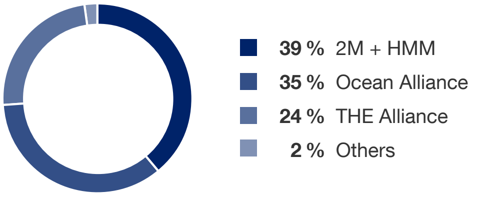
Shipping company	Alliance 2018	2018
1. APM-Maersk	2M	4,065
2. MSC	2M	3,313
3. COSCO Group (inkl. OOCL)	Ocean Alliance	2,772
4. CMA CGM Group	Ocean Alliance	2,665
5. Hapag-Lloyd	THE Alliance	1,652
6. ONE (MOL, NYK, K Line)	THE Alliance	1,515
7. Evergreen	Ocean Alliance	1,192
8. Yang Ming	THE Alliance	632
9. PIL	–	418
10. HMM	2M - associated	413

Source: Alphaliner Monthly Monitor, January 2019

The major shipping line alliances formed in 2017 – 2M, Ocean Alliance and THE Alliance – remain in place. In addition, Ocean Alliance has extended its existing contract until 2027.

Capacity breakdown by shipping line alliances

on Far East–Europe services as of 31.12.2018



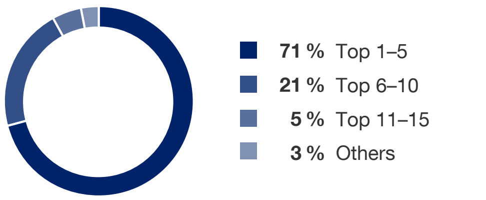
Source: Alphaliner Monthly Monitor, January 2019

Sales activities in the Container segment are organised by means of key account management. In the Intermodal and Logistics segments, sales are generally managed locally by the individual companies. As far as possible, all activities follow the strategic approach of vertical integration, i.e. offering comprehensive transport and logistics services from a single source. The Real Estate segment's sales team offers potential clients and tenants a wide range of services for properties in its two main districts – Hamburg's Speicherstadt historical warehouse district and the northern banks of the river Elbe/fish market area – as well as for logistics properties in and around the port.

The share of segment revenue attributable to HHLA's five most important customers in the Container segment rose strongly again in the 2018 financial year, taking it to 71 % in total (previous year: 60 %). Due to the wave of consolidation, also the share of segment revenue of the ten most important customers rose slightly to 92 % (previous year: 89 %). The share of the 15 most important customers was only marginally higher than in the previous year at 97 % (previous year: 96 %). HHLA has maintained commercial relationships with the majority of its most important customers for well over two decades.

Revenue distribution by customer

in the Container segment at the main hub of Hamburg in 2018



HHLA concludes framework contracts with its shipping customers that set out both the scope and remuneration of services. As the usage volume for these services is not fixed, there is no order backlog in the traditional sense for the specific services provided by HHLA.

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.

The regulatory environment for HHLA's commercial activities in and around the Port of Hamburg is largely determined by the Hamburg Port Development Act (Hamburgisches Hafenentwicklungsgesetz – HafenEG). 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 efficiently as possible. To this end, the Port of Hamburg employs a "landlord model", by which the Hamburg Port Authority (HPA) owns the port area and is responsible for building, developing and maintaining the infrastructure, while the privately owned port operators are responsible for the development and maintenance of the suprastructure (buildings and facilities). HHLA has concluded long-term lease agreements with HPA for those port areas of importance for its business operations. Lease agreements are based on HPA's general terms and conditions for port-related real estate (AVB-HI).

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 plan approval procedure for the expansion of the handling areas. HHLA's affiliated companies are subject to a number of strict regulatory requirements, especially regulations concerning the handling, storage and transport of environmentally harmful substances and hazardous goods, as well as rules concerning 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, this involves observing strict access control and implementing numerous other measures for averting danger. In the area of the Port of Hamburg, the aforementioned international provisions are implemented and specified by the German Port Security Act (Hafensicherheitsgesetz – HafenSG).

The regulatory environment for business activities in the Intermodal segment is largely determined by the EU directive establishing a single European railway area (Directive 2012/34/EU) and the national implementing legislation. In particular, these include regulations governing the licensing of rail companies, the use of railway infrastructure, the associated charges as well as rail operation. The main legislation in Germany are the General Railways Act (Allgemeines Eisenbahngesetz – AEG), which sets out the requirements for rail operation, and the Railway Regulation Act (Eisenbahnregulierungsgesetz – ERegG), which, in particular, contains provisions on network access and route pricing. In addition, there are further national, European and – especially for transnational rail transport – international regulations.

The legal framework for HHLA is subject to constant change at national, European and international level in order to keep pace with technical progress and increased sensitivity with regard to safety and environmental concerns, among other issues. In the 2018 financial year, significant legislative procedures for HHLA included the continued modernisation of the Union Customs Code at European level, as well as the corresponding delegated regulations. In Germany, the proposed draft legislation to accelerate the planning and construction of infrastructure projects as well as initiatives to improve the process for levying import VAT and to reduce route prices for using rail infrastructure were of relevance for HHLA. In the reporting period, however, there were no amendments to the legal framework with a significant impact on the Group's operating activities or its assets, financial or earnings position.

Corporate strategy

HHLA is one of Europe's leading port and logistics companies with activities stretching beyond the Port of Hamburg into many parts of Europe. Together with its customers, HHLA develops logistical and digital hubs for the transport flows of the future. As a result, HHLA is paving the way for sustainable growth in its enterprise value.

In 2017, the HHLA Executive Board launched a business development process with the aim of strengthening the company's future viability and dynamism over the long term. The necessary changes are linked across all segments and underpinned by numerous measures. The defined objectives are pursued consistently.

HHLA's market environment is changing at an ever-greater pace. HHLA aims to harness this change quickly and successfully and in a determined and focused manner. To this end, HHLA is paying increasing

- attention to identifying and interpreting relevant trends, in order to derive value-adding initiatives.
- Flexibility with the aim and benefit of acting and evolving quickly.
- Efficiency and networking in order to remain ahead of the competition and generate added value.
- Search for, and integration of, new ideas.

HHLA draws on its considerable **creative power** to focus on the development of additional values. This also involves strengthening customer loyalty and its customer base.

HHLA is guided by key milestones as it builds its **future viability**. We come from Hamburg and are at home in Europe. As a gateway to the future, we offer our customers the best way to transport their goods safely, quickly and efficiently. We are currently sowing the seeds for additional, sustainable and profitable growth in our value creation to safeguard our future enterprise value.

Four initiatives have been identified to achieve these objectives:

- **Fit for the world of tomorrow:** Our core business is being strengthened to be able to enter the world of tomorrow sustainably and profitable. A corresponding programme for the future is being implemented. This programme aims to enhance competitiveness, quality and profitability.
- **Exploiting additional growth areas:** HHLA is tapping growth potential along the transport streams of the future, along the logistics value chain and in new, digital business models.
- **Organisation and corporate culture:** The company organisation and culture are being aligned with tomorrow's world. The client is being placed more than ever at the centre of activity.
- **Investments and finance:** The company will continue to gear its investments and operating results towards sustainable, profitable growth. HHLA applies a value-oriented approach to its strategic investments. The most important investment criteria are the growth prospects and anticipated return on capital of the investment projects.

The development of sustainable and profitable business is an integral component of HHLA. In particular, this includes the development of sustainable transport and logistics solutions that enable climate-friendly and space-saving operations while facilitating the conservation of resources and contributing to the economic result of HHLA.

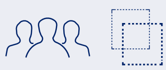
Corporate strategy

Sustainably increasing enterprise value at HHLA

Fit for the world of tomorrow
HHLA is developing its existing core business for the challenges of tomorrow.

Exploiting additional growth areas
HHLA is focusing on profitable growth areas of tomorrow.

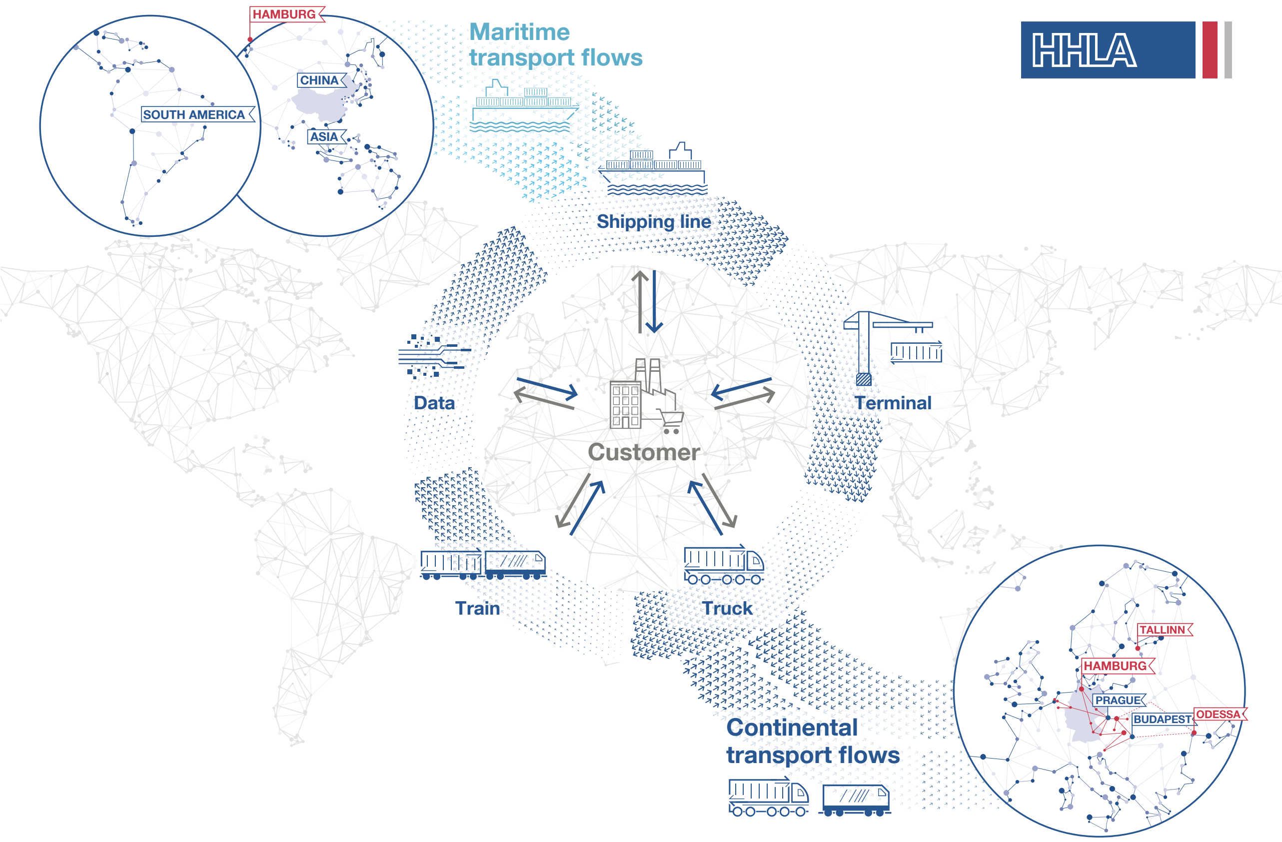
Organisation and corporate culture
HHLA is aligning its organisation and corporate culture for tomorrow.



Investments and finance
HHLA is aligning its investments and operating results for sustained and profitable growth of tomorrow.

The HHLA service network

HHLA connects its customers with maritime and continental transport streams



In the listed Port Logistics subgroup, activities to cement and expand the current market positioning are governed by the following guidelines:

In the **Container segment**, HHLA aims to be an efficient, highly automated and high-performance port service provider with a strong hinterland network and cutting-edge, digital customer solutions. In order to achieve this, the design and operation of HHLA's container terminals are systematically geared to maximum efficiency of space and manpower, while innovative technologies and processes are used to achieve continuous improvements in quality standards. Another area of focus is the mission to develop HHLA into a green port within a sustainable and emission-free transport chain. HHLA's container terminals are supposed to collaborate across all terminals wherever possible in order to benefit from each other and continuously boost the efficiency of handling services.

In the **Intermodal segment,** HHLA strives to be a quality and efficiency leader and aims to leverage this leading position in order to profit from the transport streams of the future. METRANS will play an important role along the hubs and connecting lines of the logistics network, both in Europe and beyond. Thanks to efficient networking between the Intermodal segment and the other activities of the HHLA Group, HHLA is able to offer its customers a perfectly coordinated range of services. Besides enhancing the scope and range of its services, HHLA also focuses on increasing its vertical integration.

With its **Logistics segment**, HHLA aims to strengthen Hamburg's all-purpose port and drive forward its future-oriented diversification. The business prospects of the Frucht- und Kühl-Zentrum, Ulrich Stein and UNIKAI are being further enhanced. HPC is positioning itself as a leading international specialist and strategic consultancy for the maritime industry. The segment's potential is being harnessed to develop further services in the logistical and digital value chains.

In addition to purely organic growth, HHLA examines opportunities for acquisitions in order to tap new growth areas along the logistical value chain. Potential acquisitions and equity investments focus on port projects and shareholdings in attractive growth markets. HHLA's interest is based on the economies of scope offered by the existing network and the opportunities it presents to tap additional growth potential along the transport flows of the future. In this way, the company aims to identify and occupy new digital business models.

In its non-listed **Real Estate subgroup**, HHLA pursues the objective of developing into an integrated, market-viable developer of specialist properties. The corporate unit HHLA Real Estate aims to be Hamburg's flagship provider of intelligent district management on the basis of a clear strategic alignment and reliable prioritisation. As such, HHLA Real Estate is a much sought-after specialist in its clearly defined areas of expertise.

Corporate and value management

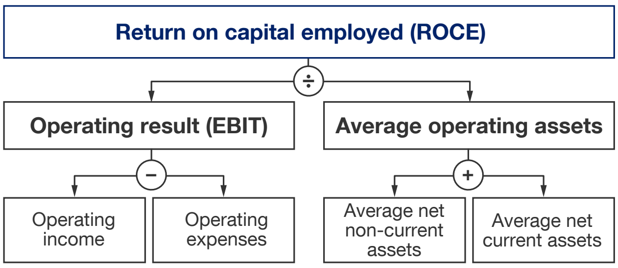
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2018 financial year.

Financial performance indicators

The key operational management parameters used by the HHLA Group are the operating result (EBIT) and the average operating assets (capital employed). EBIT and capital expenditure as key drivers of capital employed are the main intra-year and short-term performance measures. Return on capital employed (ROCE) is calculated for the measurement of long-term, value-oriented performance and is also used to determine the annual value added. The HHLA Group calculates ROCE as a ratio of the operating result and the average operating assets used.

Value management

ROCE – defining parameters and influential factors



Commercial activities are generally regarded as value-generating if ROCE exceeds the cost of capital and they 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 8.5 % before tax to calculate value growth at Group level in the 2018 financial year. This minimum interest rate reflects the Executive Board's assessment of a medium- to long-term rate of return arising from a balanced relationship between equity and borrowed capital. This approach avoids short-term fluctuations in interest rates on the capital markets that may distort the information provided by the value management system.

The HHLA Group's EBIT rose year-on-year by 17.9 % to € 204.2 million in the 2018 financial year (previous year: € 173.2 million). Group Performance With a moderate rise in average operating assets to € 1,383.9 million (previous year: € 1,321.2 million), the return on capital employed was up by 1.7 percentage points year-on-year at 14.8 % (previous year: 13.1 %). The minimum ROCE of 8.5 % was therefore comfortably exceeded by 6.3 percentage points. As a result, the HHLA Group generated a positive value added of € 86.6 million in the reporting period (previous year: € 60.9 million).

Key figures value added

in € million	**2018**	2017	Change
Operating income	1,338.2	1,296.4	3.2 %
Operating expenses	- 1,134.0	- 1,123.2	1.0 %
EBIT	204.2	173.2	17.9 %
Ø Net non-current assets	1,279.4	1,217.4	5.1 %
Ø Net current assets	104.5	103.8	0.7 %
Ø Operating assets	1,383.9	1,321.2	4.7 %
ROCE in %	14.8	13.1	1.7 pp
Capital costs before tax[1] in %	8.5	8.5	0.0 pp
Capital costs before tax	117.6	112.3	4.7 %
Value added in %	6.3	4.6	1.7 pp
Value added	86.6	60.9	42.2 %

1 Of which 5.0 % for the Real Estate subgroup

Non-financial performance indicators

The main non-financial performance indicators are container throughput and container transport volumes. In addition to the continuous dialogue that HHLA maintains with its customers, the company makes extensive use of macroeconomic forecasts as early indicators for volume trends and 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 and changes in the correlation between gross domestic product and containerised trading volumes.

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. Due to close collaboration with technical universities, institutes, industry partners and government authorities, joint projects can be planned, managed and developed by working groups.

In the 2018 financial year, HHLA mainly focused its resources and available capacity on research as part of the subsidy programme for Innovative Port Technologies (IHATEC).

Container terminal 4.0

The Container Terminal Altenwerder (CTA) is one of the most highly automated container terminals in the world. Since it opened in 2002, HHLA has constantly been researching and working on improving and expanding automation at the site. Right at the start, a paradigm was established whereby automated work areas are separated, isolated and off-limits to staff in order to guarantee occupational safety. This principle has always been upheld. Today, however, this paradigm is preventing the ramping up of the automated processes as it inevitably excludes them from areas used by people. The research project "Container terminal 4.0 – a paradigm shift in the automation of container terminals via human–machine interaction rather than separation" is to be conducted as part of the German government's Innovative Port Technologies (IHATEC) incentive scheme. The project's main objective is to develop automation solutions for various container crane systems used at the terminal in work areas shared by people and machines (e.g. alongside ships and trucks) and to implement them as prototypes. At the same time, the experience, knowledge and evidence gathered during this process should play a fundamental role in establishing the safety standards needed to create a reliable framework for future automation projects.

Further development of HVCC software

Also as part of the IHATEC subsidy programme, the Hamburg Vessel Coordination Center (HVCC) continued the project "HVCC software – further development of interface- and real time-based software for the cross-operator coordination of barges, feeder ships and mega-ships at a universal and multi-terminal port with nautical restrictions". The aim is to expand the software to incorporate the various operators involved in ship calls. This could eliminate redundant working processes and improve data quality. The project's main aims are as follows: Adapt the port to the challenges posed by persistent growth in the volume and size of container vessels. Boost international competitiveness and avoid unnecessary and inefficient transport, thus reducing the environmental impact. Accelerate the use of digital networks in maritime logistics and the port industry while making more effective and efficient use of the infrastructure of the Port of Hamburg and its upstream waterways.

SustEnergyPort

SustEnergyPort is another IHATEC project being conducted by Hamburg Port Consulting GmbH (HPC) to enhance energy sustainability in the port sector. As part of this project, a structured, model-based process is to be developed and filled with content to enable port operators to identify suitable measures for improving their energy sustainability, thereby minimising their environmental impact and enhancing their profitability. The aim is to develop a structured process which will equip ports and terminals to achieve targeted improvements in their energy sustainability.

Heat treatment unit

UNIKAI Lagerei- und Speditionsgesellschaft mbH has developed a worldwide unique technology for preparing vehicles for pest-free export to Australia and New Zealand. As of 1 September, goods being exported from Germany to Australia or New Zealand have to be fumigated or heat treated due to the appearance of the brown marmorated tree bug (Halyomorpha halys). This also includes all vehicles that UNIKAI sends to Oceania. The new process involves converting forty-foot reefer containers into heating containers – a flexible, mobile and ecologically sound solution that is also attracting great interest beyond Hamburg.

Hamburg TruckPilot

With the Hamburg TruckPilot field test, which is scheduled to run for the next two-and-a-half years, MAN Truck & Bus and HHLA are launching a highly innovative research and testing project to develop automation solutions in road transport. The aim is to analyse and validate the precise requirements for the customer-specific deployment and integration of self-driving trucks in the automated container handling process under realistic conditions. Initially, the project will involve two prototype trucks equipped with the corresponding electronic automation systems. In fully automated operation, they should be able to navigate the journey on the A7 from the Soltau-Ost junction and autonomously unload and reload within the Container Terminal Altenwerder. The project is split into three phases: in the preparation phase, which already began in 2018, the technical conditions must first be defined. The testing phase is scheduled to run from January 2019 to June 2020. It comprises the technical development of the system at MAN's testing centre in Munich in accordance with the specific requirements identified during the preparation phase. The structure of the subsequent field tests from July to December 2020 will be determined by the results of the preparation and testing phases and conducted under conditions similar to customer usage.

Hyperloop transport system

In December 2018, HHLA established a joint venture with the US-based research and development company Hyperloop Transportation Technologies (HTT) to explore possible applications of hyperloop technology for transporting shipping containers within the Port of Hamburg. The hyperloop concept is based on the idea of transporting people and goods at high speed through a tube. Using magnetic levitation technology, transport capsules are sent through a tunnel with a partial vacuum at speeds of up to 1,000 km/h or more. Initial plans are for the construction of a transfer station for testing purposes at an HHLA terminal in Hamburg, and the development of a transport capsule for standard shipping containers.

Performance certified

In order to document their performance, the Container Terminals Altenwerder (CTA) and Tollerort (CTT) once again completed 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 side and onshore, as well as its links to pre- and onward-carriage systems. With their successful certification, the terminals once again confirmed their high levels of performance and compliance with all quality standards.

Purchasing and materials management

Purchasing is a shared service provided by the HHLA Group's management holding company in Hamburg. HHLA Group purchasing supports corporate strategy by means of its professional management of procurement activities. The aim is to establish a consolidated supplier base that is characterised by maximum value added, top quality and optimum life cycle costs.

The strategic purchasing function supports and advises Group companies as part of its holistic management of product groups, suppliers and contracts so that the service and performance requirements of internal customers are met as completely as possible. Market developments relating to new technologies, innovations and the service performance of specific suppliers are considered in close cooperation with the operations and technology departments. In this regard, the purchasing department ensures that all Group requirements for the procurement processes are observed in accordance with the framework guidelines. These guidelines are binding for all employees.

In order to develop viable future solutions for port infrastructure, HHLA remains committed to its strategic and collaborative partnerships with selected suppliers while taking into account both economic and ecological aspects. Products, facilities and processes are systematically enhanced in order to increase the degree of digitalisation. When selecting partners, great importance is attached to reliability, quality, innovative strength, cost structure, economic stability, sustainability and compliance. Compliance with these criteria is monitored by an IT-based supplier management system. All suppliers undergo this process, especially when new potential suppliers are added. This also facilitates a continuous internal assessment. Strategic suppliers are evaluated annually by their internal customers and departments. The evaluations include experience on first contact as well as information about project procurement and processes.

We are continuing to drive the automation of purchasing processes for day-to-day requirements. In the reporting period, 25.2 % of all purchasing processes were handled fully automatically by means of e-procurement systems (previous year: 15.5 %). This enables us to streamline processes and ensure both non-bureaucratic procedures and compliance with process standards. The systematic continuation of optimisation and automation measures gives us the potential to increase the efficiency of, or fully automate, a further 14.7 % of managed processes in 2019. These steps will enable us to drive the further strategic alignment of our purchasing activities.

HHLA's supply chains comprise capital goods (such as port handling equipment) as well as consumables and other services (such as maintenance). The overwhelming majority of suppliers are from Germany and other European countries. In 2018, equipment and energy accounted for 51.0 % of the Group-wide procurement volume, while information technology (IT) accounted for 21.5 %, construction for 18.0 % and MRO (maintenance, repairs and operations) for 9.5 %. The total managed purchasing volume amounted to approximately € 294 million.

A major project in 2018 was the review of existing structures, processes and procurement systems within the purchasing department with the support of an external partner. By forming project groups, purchasing employees were closely involved in this process and helped define the requirements for HHLA's purchasing organisation in the areas of digitalisation, training concepts, KPI systems and catalogue management. In this way, the groups were able to harness existing knowledge and experience as fully as possible. The initial results of this work have already been implemented and have led, for example, to a strengthening of personal responsibility.

On the basis of these findings, we will continue to optimise processes and expenditure. Purchasing initiatives with a wide range of objectives have already been defined. Corporate departments will be involved even more closely in procurement processes in future, and cooperation between internal customers will be further intensified. The aim is to optimise procurement costs, to boost efficiency by streamlining the management of product groups and contracts, and to review and harmonise the IT systems used. The aim of harmonisation is to establish an integrated process – from initial need to the point of payment (P2P - purchase-to-pay).

Moreover, purchasing also makes a contribution to the Group's ongoing internationalisation by supporting foreign affiliates with specific services. Among other things, the department's objectives are to harmonise structures, exploit economies of scope, and offer the widespread use of available IT systems. From a purchasing standpoint, it is particularly important to strengthen the market position of individual companies.

Sustainable performance indicators

Direct and indirect energy consumption by HHLA and its companies were as follows in the year under review.

Direct and indirect energy consumption

	2014	2015	2016	2017	**2018**
Diesel, petrol and heating oil in million l	29.2	26.3	26.6	27.4	28.4
Natural gas in million m^3	1.8	2.3	2.4	3.6	4.4
Electricity[1] in million kWh	154.4	138.3	139.6	135.6	135.9
thereof from renewable energies	84.1	76.1	73.2	82.8	78.9
Traction current in million kWh	51.7	130.3	150.0	157.5	181.4
District heating in million kWh	3.7	3.2	3.6	3.6	3.7

Consumption of natural gas, traction current and district heating in 2018 is based on preliminary and estimated figures.

1 Electricity without traction current

For more information about sustainability, please refer to the sustainability section of the Annual Report.

Non-financial report

HHLA reports on the Group and HHLA AG in the form of a combined separate non-financial report, the contents of which are integrated into the sustainability section. The non-financial report is also available as a separate PDF from the download centre for the online Annual Report: report.hhla.de/annual-report-2018/non-financial-report

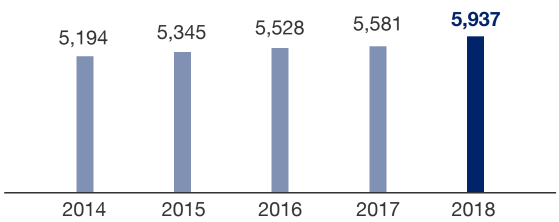
Employees

Development of headcount

HHLA aligns headcount planning with the economic development of its companies. It aims to provide the majority of its services using in-house staff. Employees of Gesamthafenbetriebs-Gesellschaft (GHB) are used by the container handling firms in Hamburg to cover peaks in operating manpower requirements. The recruitment processes used by the individual companies of HHLA AG are monitored by the HHLA manpower planning team. Proposals to create additional jobs are examined for their consideration of economic planning and operational necessity as well as other options for filling positions internally or taking alternative action. This ensures that recruitment does not exceed the HR planning for individual companies approved by the Executive Board and can be synchronised with headcount trends at the other firms with the possibility of synergy effects.

Employees at the HHLA Group

as of 31.12



HHLA had a total of 5,937 employees at the end of 2018. This figure rose by 356, or 6.4 %, compared to the previous year. The increase is chiefly attributable to the acquisition of Estonia's largest terminal operator. In addition, HHLA used an annual average of 760 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 710).

Employees by segment

In the Container segment, the number of employees rose to 3,134 as of 31 December 2018. Total headcount was up by 225 year-on-year in the reporting period (previous year: 2,909). This corresponds to an increase of 7.7 %, which is chiefly attributable to the first-time consolidation of Transiidikeskuse AS. Due to the expansion of services and the increase in vertical integration, headcount in the Intermodal segment also rose by a further 130 employees in total to 2,002 (previous year: 1,872). Employee numbers in the Logistics segment increased to 141 in the reporting period (previous year: 134). By contrast, the number of employees at the strategic management holding company declined by 1.3 % to 628 (previous year: 636). In the Real Estate segment, headcount remained virtually unchanged at 32 as of 31 December 2018 (previous year: 30).

Employees by segment

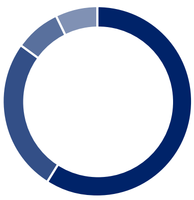
	2018	2017	Change
Container	3,134	2,909	7.7 %
Intermodal	2,002	1,872	6.9 %
Holding/Others	628	636	- 1.3 %
Logistics	141	134	5.2 %
Real Estate	32	30	6.7 %
HHLA Group	**5,937**	**5,581**	**6.4 %**

Employees by region

In geographical terms, the workforce was concentrated mainly in Germany, with 3,489 employees (previous year: 3,479), the majority of whom worked in Hamburg. This corresponds to a share of 58.8 % (previous year: 62.3 %). The number of staff employed abroad rose by 16.5 % to 2,448 (previous year: 2,102). This is mainly due to the first-time consolidation of HHLA TK Estonia, with 220 employees. As a result, the share of employees at subsidiaries in Austria, Poland, Georgia and Estonia climbed to 429 people (previous year: 179). In South-East Europe, headcount grew by 6.3 % to 1,558 (previous year: 1,465). In Ukraine, the number of employees rose by 0.7 % to 461 (previous year: 458).

Employees by region

as of 31.12.2018



59 % Germany
26 % Central Europe[1]
8 % Ukraine
7 % Other countries

1 Czech Republic, Slovakia, Hungary, Slovenia

Recruitment

Of the 121 new employees who had not previously worked for HHLA in Germany, for example via Gesamthafenbetriebs-Gesellschaft mbH Hamburg (GHB), 40 % were under 30 years of age.

Recruitments 2018

	Total	thereof females	thereof females
< 30 years	49	15	30.6 %
30 – 50 years	59	15	25.4 %
> 50 years	13	1	7.7 %
HHLA Group	**121**	**31**	**25.6 %**

Since 2013, HHLA has been employing a self-developed **selection process** (assessment centre) that not only considers the applicant's personal and professional suitability, but also diversity aspects. These processes have been used for all blue-collar roles since the end of 2013 and at the holding company and all container terminals in Hamburg since 2014. Members of the company's staff selection panels receive special training. In addition, the selection panel must include at least one woman for all selection processes in which the pool of applicants includes women.

At 4.2 %, the **fluctuation rate** (excluding internal transfers within the Group) in Germany declined slightly year-on-year (previous year: 4.7 %). Of the 148 people who left the company, 41.2 % were retirees (previous year: 40.2 %).

Personnel structure

The majority of jobs at HHLA are in a segment of the labour market in which men are traditionally employed and women are under-represented. However, the positive trend seen in the previous years continued in 2018 and the ratio of women employed by HHLA in Germany increased once again (including apprentices). At 15.7 %, the ratio of women employed by the company was 0.2 percentage points higher than in the previous year (15.5 %).

Gender distribution on the Executive Board and in the two management levels below the Executive Board is governed by the German Act on the Equal Participation of Women and Men in Leadership Positions and by the targets agreed by the Supervisory Board and, where applicable, the Executive Board.
Corporate governance, Corporate governance report

Age structure

The average age of staff in Germany in the reporting period was 44.6 (previous year: 44.2). Male employees had an average age of 45.3, while female employees were 41.2 years old on average. Over half of all employees are aged between 30 and 50.

Age structure of employment

in %	31.12.2018	thereof females	31.12.2017	thereof females
< 30 years	10.3	28.1	10.9	27.3
30 – 50 years	52.9	16.8	53.5	16.2
> 50 years	36.8	10.6	35.6	10.8
HHLA Group	**100.0**	**15.7**	**100.0**	**15.5**

The average length of service with the company in Germany is approximately 15.5 years.

Average employment period

in years	31.12.2018	31.12.2017
< 30 years	5.2	5.1
30 – 50 years	11.6	11.3
> 50 years	23.9	24.1
HHLA Group	**15.5**	**15.2**

The percentage of employees with a severe disability (including persons of an equivalent status) was 9.8 % at the end of the reporting period (previous year: 8.8 %).

Personnel development

HHLA invested a total of € 4.6 million in educating and training staff at its locations in Hamburg in 2018 (previous year: € 4.2 million).

As of 31 December 2018, 59 apprentices and 13 students were receiving training in Germany in six different professions and seven dual study courses. 33 % of the 72 apprentices and students were female. The ratio of female students in 2018 was 54 % (previous year: 58 %).

27 of the 29 apprentices (of whom four were on dual study courses) who successfully completed their training in the course of the year were given permanent contracts. A total of 23 new apprentices were taken on at the company's Hamburg facilities in 2018, of whom around 30 % were women. At the start of the 2018 academic year, women accounted for 29 % of technical apprentices and 30 % of industrial apprentices.

In total, over 630 events lasting one or more days were held in the reporting period. These included more than 550 internal vocational courses conducted by HHLA's own trainers over 2,673 training days. In addition, more than 80 one- to multi-day events with over 960 participant days were organised as part of the company's cross-segment seminar programme. 36 % of the participants were women (previous year: 31 %).

Detailed workforce-related information on strategic HR management, personnel development, occupational safety and health promotion, as well as contracts, remuneration and additional benefits can be found in the Sustainability, Human resources section of the report.

Economic environment

Macroeconomic development

According to estimates of the International Monetary Fund (IMF, January 2019), global economic growth was slightly weaker in 2018 than in the previous year. There was thus a slight slowdown in the dynamic trend of the past five years. Economic growth was hampered in particular by political conflicts, such as the ongoing trade dispute between the US and China, the uncertain outcome of Brexit and the budget debate between the Italian government and the European Union.

Development of gross domestic product (GDP)

in %	2018	2017
World	3.7	3.8
Advanced economies	2.3	2.4
USA	2.9	2.2
Emerging economies	4.6	4.7
China	6.6	6.9
Russia	1.7	1.5
Eurozone	1.8	2.4
Central and Eastern Europe (emerging european economies)	3.8	6.0
Germany	1.5	2.5
World trade	4.0	5.3

Source: International Monetary Fund (IMF), January 2019

As a result, the IMF expects growth in global gross domestic product (GDP) of 3.7 % for 2018. Growth in the advanced economies was more or less on a par with the previous year; the pace was only higher in the United States as a result of temporary fiscal incentives. Although the emerging economies maintained their stable growth trajectory, it came under pressure as the year progressed. China slightly exceeded its target of 6.5 %, but this growth rate was its slowest in almost three decades. Despite continuing its upwards trend, the Russian economy suffered from the effects of the sanctions still in place. Economic growth in Ukraine was held back by the sluggish pace of reform and the conflict surrounding East Ukraine. Should recently passed reforms take effect in the fourth quarter, however, the World Bank regards growth of 3.3 % as possible. According to preliminary figures, the Estonian economy expanded by 3.7 % in 2018 – 1.2 percentage points down on the previous year's growth (as of October 2018). Due to political factors, the eurozone economy experienced a noticeable loss of momentum. By contrast, there was particularly dynamic growth in Slovakia and the non-eurozone economies of Poland and Hungary. Overall, however, the underlying economic momentum slowed in the countries of Central and Eastern Europe, mainly due to economic turbulence in Turkey. Following an upturn lasting more than five years, economic growth in Germany began to falter during the course of the year. The lack of economic momentum is reflected in global trade volumes, which are expected to have grown by a mere 4.0 % in 2018 (1.3 percentage points down on the previous year).

Sector development

Growth in global **container throughput** cooled in 2018. According to the most recent estimates by Drewry, global throughput climbed by 4.7 % last year. This is well below expectations, as throughput of 6.5 % for 2018 was still being forecast midway through the year.

Development of container throughput by region

in %	2018	2017
World	4.7	6.3
Europe as a whole	5.0	5.7
North-West Europe	2.6	4.9
Scandinavia and the Baltic region	10.7	9.3
Western Mediterranean	7.0	2.3
Eastern Mediterranean and the Black Sea	5.6	9.6

Source: Drewry Maritime Research, December 2018

The weakening of throughput growth was observed in almost all **shipping regions**, albeit to different extents. In Europe, growth momentum from the Western Mediterranean as well as Scandinavia and the Baltic was unable to offset the weaker trend in the regions of North-West Europe, the Eastern Mediterranean and the Black Sea. There was even a noticeable year-on-year slowdown in growth in the world's highest-throughput region, Asia. In China, the pace of throughput growth almost halved to 3.6 %, partly as a consequence of the trade conflict with the United States.

Development of container throughput at Northern European ports

in million TEU	2018	2017	Change
Rotterdam	14.5	13.7	5.7 %
Antwerp	11.1	10.5	6.2 %
Hamburg	8.7	8.8	- 1.0 %
Bremen ports	5.5	5.5	- 0.6 %
Gdansk	1.9	1.6	23.3 %
Zeebrugge	1.6	1.5	5.2 %
Wilhelmshaven	0.7	0.6	18.3 %

Source: Port Authorities

The **trend among the major container ports of the North Range**, as well as the largest ports of the western Baltic Sea, was mixed. In the Port of Hamburg, throughput volume of 8.7 million TEU in the reporting period was nearly on the same level as in the previous year (previous year: (8.8 million TEU). As a result, Hamburg continues to rank third among European container ports, despite the delays in dredging the river Elbe.

Europe's largest container port, Rotterdam, handled 14.5 million TEU in 2018, 5.7 % more containers than in the previous year. With container throughput of 11.1 million TEU, year-on-year growth in Antwerp of 6.2 % was slower than in 2017. Overall, throughput at the German Bay ports remained more or less stable, while the Benelux ports experienced growth. Container throughput at the Polish and Russian Baltic Sea ports increased significantly once again.

According to the most recent estimates from September 2018, freight traffic across all modes in Germany will continue its upwards trend from the previous year. Transport volumes are expected to be up slightly by 2.0 % year-on-year, while the rise in traffic performance – transport volume multiplied by the distance travelled – is likely to be somewhat stronger than in 2017 at 2.8 %. Growth in road traffic will only be slightly weaker than in the previous year, at 2.3 %. Traffic performance is forecast to be exactly on a par with the previous year, at 3.4 %. Due to a marked decline in coal transport, the volume of rail transport increased more than in the previous year, albeit at a modest rate of 0.7 %. At 1.6 %, the growth in traffic performance will be up slightly on the previous year. Multi-modal traffic is expected to benefit from the robust performance in other classes of goods, with strong growth in volume and performance of 4.3 % and 3.8 %, respectively.

Course of business and economic situation

Key figures

in € million	2018	2017	Change
Revenue	1,291.1	1,251.8	3.1 %
EBITDA	318.5	295.8	7.7 %
EBITDA margin in %	24.7	23.6	1.1 pp
EBIT	204.2	173.2	17.9 %
EBIT margin in %	15.8	13.8	2.0 pp
Profit after tax and minority interests	112.3	81.1	38.5 %
At-equity earnings	5.3	4.8	11.9 %
ROCE in %	14.8	13.1	1.7 pp

Overall view

Despite a gloomier market environment in the second half of the year, the HHLA Group developed very successfully in 2018. There was a slight increase in container throughput due to the consistently positive trend in Far East volumes and the successful integration of Estonia's largest terminal operator, TK Estonia, acquired during the reporting period. Container transport managed to repeat the strong results of the previous year, driven mainly by rail transport. Developments at HHLA's two largest segments led to moderate growth in revenue at Group level. The operating result (EBIT) was well above the prior-year figure, as around € 25 million was expensed in the previous year for organisational restructuring and the harmonisation of pension schemes. But even adjusted for this effect, there was still moderate growth in the operating result (EBIT) above the level of revenue growth.

As there were no significant events in the 2018 financial year, the disclosures made by the HHLA Executive Board in the 2017 Annual Report concerning the expected course of business in 2018 remained valid throughout the reporting period. Guidance was confirmed by and, in some cases, even exceeded by the actual figures. The HHLA Group continued to scale its capital expenditure to actual needs during the reporting period. Delays to individual projects resulted in postponements until 2019.

Forecast and actual figures

	Actual 31.12.2017	Forecast 28.03.2018	**Actual 31.12.2018**
Container throughput	7.2 million TEU	At previous year's level	7.3 million TEU
Container transport	1.5 million TEU	At previous year's level	1.5 million TEU
Revenue	€ 1,251.8 million	At previous year's level	€ 1,291.2 million
EBIT	€ 173.2 million	Significant increase	€ 204.2 million
Capital expenditure	€ 142.6 million	In the range of € 200 million	€ 141.3 million

As a result of its business trend in 2018, HHLA's financial position at the end of the reporting period on 31 December 2018 remained stable. Changes in the capital structure due to borrowing led to a decrease of 1.6 percentage points in the equity ratio to 31.2 % (previous year: 32.8 %), while the gearing ratio rose from 2.3 to 2.5. There were no further refinancing needs as of the balance sheet date.

Notes on the reporting

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

During the reporting period, HHLA increased its level of investment in METRANS a.s., Prague, Czech Republic, and now holds 100 % of shares in the company. On 26 March 2018, HHLA also signed an agreement to acquire 100 % of shares in the terminal operator HHLA TK Estonia (previously: Transiidikeskuse AS) based in Tallinn, Estonia. Upon fulfilment of the conditions precedent, HHLA acquired control on 27 June 2018.

The 2018 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union, taking into consideration the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Group Management Report was prepared in line with the requirements of German Accounting Standard no. 20 (GAS 20).

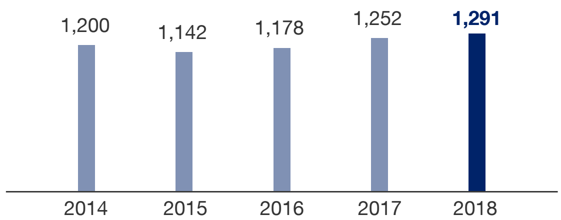
Earnings position

HHLA's **performance data** displayed a very stable development in 2018. At 7,336 thousand TEU, there was a slight rise of 1.9 % in container throughput (previous year: 7,196 thousand TEU). The increase was mainly due to the takeover of the container terminal in Tallinn and a rise in Asian traffic at the Port of Hamburg and was achieved in spite of the adverse effect from the takeover of Hamburg Süd by the shipping company Maersk and the resulting removal of a service from the HHLA terminals. At 1,480 thousand TEU, transport volume remained at the high level of the previous year. The decrease in road transport was offset by a rise in rail transport.

Against this background, **revenue** of the HHLA Group rose by 3.1 % to € 1,291.1 million (previous year: € 1,251.8 million) in the reporting period. All four segments of HHLA contributed to this rise. In particular, the increase was facilitated by a rise in rail's share and longer transport distances in the Intermodal segment, the revenues of the container terminal in Tallinn and temporary additional business in the area of vehicle logistics. The listed Port Logistics subgroup largely developed in line with the HHLA Group as a whole. Its Container, Intermodal and Logistics segments recorded an overall increase in revenue of 3.1 % to € 1,258.5 million (previous year: € 1,220.3 million). The non-listed Real Estate subgroup achieved a similar increase in revenue of 3.6 % to € 39.3 million (previous year: € 37.9 million). The Real Estate subgroup thus accounted for 2.5 % of Group revenue.

Revenue

in € million



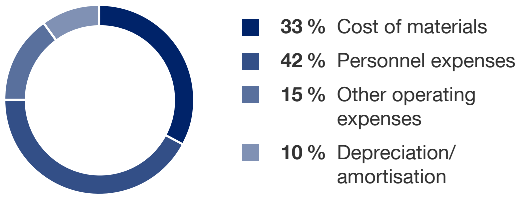
At € 0.4 million, **changes in inventories** once again had no material impact in the reporting period (previous year: € - 0.3 million). **Own work capitalised** decreased to € 5.2 million (previous year: € 5.4 million).

There was no significant year-on-year change in **other operating income**.

Due to opposing trends in the expenditure types, **operating expenses** rose slightly by 1.0 % to € 1,134.0 million (previous year: € 1,123.2 million).

Operating expenses

Expense structure 2018



Compared to the previous year, the **cost of materials** was reduced slightly by 0.9 % to € 367.1 million (previous year: € 370.5 million). The decline in the cost of materials ratio to 28.4 % (previous year: 29.6 %) resulted from an increase in vertical integration in rail transport, as well as from the decrease in track fees for German rail freight.

Personnel expenses rose by 3.6 % to € 480.6 million (previous year: € 463.8 million). In addition to higher union wage rates, other factors included the Budapest terminal put into operation in mid 2017 and the integration of the container terminal in Tallinn. The previous year's figure included expenses for organisational restructuring in the Container segment. The personnel expense ratio remained virtually unchanged at 37.2 % (previous year: 37.1 %).

Other operating expenses increased moderately by 3.5 % in the reporting period to € 172.1 million (previous year: € 166.3 million). The main causes were maintenance work on locomotives, consultancy services (including on HHLA's digital strategy) and increased rental and leasing expenses. The previous year's figure included expenses for the harmonisation of existing pension schemes. The ratio of expenses to revenue remained unchanged at 13.3 %.

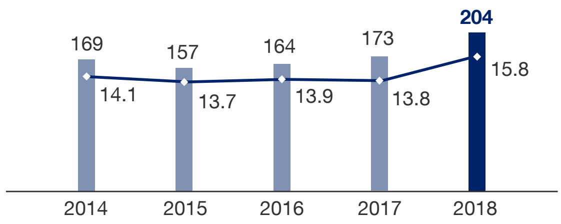
Depreciation and amortisation fell considerably by 6.8 % year-on-year to € 114.2 million (previous year: € 122.6 million). This was partly due to the revaluation of the useful lives of storage cranes and container wagons.

Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** rose by 7.7 % to € 318.5 million (previous year: € 295.8 million) and thus more strongly than revenue. There was a corresponding moderate increase in the EBITDA margin to 24.7 % (previous year: 23.6 %).

The **operating result (EBIT)** was increased by 17.9 % to € 204.2 million in the reporting period (previous year: € 173.2 million). As a result of the significantly stronger rise compared to revenue, the EBIT margin increased considerably to 15.8 % (previous year: 13.8 %). In the Port Logistics subgroup, EBIT rose by 20.3 % to € 188.4 million (previous year: € 156.6 million). As a result, the subgroup accounted for 92.3 % (previous year: 90.4 %) of the Group's operating result in the reporting period. In the Real Estate subgroup, EBIT decreased 5.1 % to € 15.5 million due to scheduled large-scale maintenance work that does not qualify for capitalisation (previous year: € 16.3 million). 7.7 % of the Group's operating result was generated by this subgroup (previous year: 9.6 %).

Operating result (EBIT)

in € million / EBIT margin in %



Net expenses from the **financial result** fell by € 5.3 million, or 20.3 %, to € 20.6 million (previous year: € 25.9 million). This was mainly due to the revaluation of an equalisation liability payable to a minority shareholder in conjunction with a profit and loss transfer agreement of a subsidiary.

At 24.6 %, the Group's **effective tax rate** was lower than in the previous year (previous year: 28.1 %).

Profit after tax and minority interests increased by 38.5 % year-on-year to € 112.3 million (previous year: € 81.1 million). Non-controlling interests accounted for € 26.2 million in the 2018 financial year (previous year: € 24.8 million). From a financial point of view, this item includes the expenses mentioned in relation to the financial result associated with revaluing an equalisation liability payable to a minority shareholder. **Earnings per share** rose by 38.5 % to € 1.54 (previous year: € 1.11). The listed Port Logistics subgroup achieved a 44.5 % increase in earnings per share to € 1.47 (previous year: € 1.02). Earnings per share of the non-listed Real Estate subgroup were down on the prior-year figure at € 3.46 (previous year: € 3.65). As in the previous year, there was no difference between basic and diluted earnings per share in 2018. The return on capital employed (ROCE) was up 1.7 percentage points year-on-year at 14.8 % (previous year: 13.1 %). Corporate and Value Management

As in the previous year, HHLA's **appropriation of profits** is oriented towards the development of the HHLA Group's earnings in the financial year ended. The distributable profit and HHLA's stable financial position form the foundation of the company's consistent profit distribution policy. On this basis, the Executive Board and Supervisory Board will propose at the Annual General Meeting on 18 June 2019 a dividend of € 0.80 per class A share and € 2.10 per class S share. Based on the number of shares with dividend entitlement as of 31 December 2018, the amount to be distributed for listed class A shares would increase by 19.4 % to € 56.0 million (previous year: € 46.9 million). The amount to be distributed for non-listed class S shares would increase by 5.0 % year-on-year to € 5.7 million (previous year: € 5.4 million). In relation to the consolidated profit and earnings per share, the dividend payout ratio would reach a high level of approximately 54 % for the Port Logistics subgroup (previous year: 66 %) and around 61 % for the Real Estate subgroup (previous year: 55 %).

Financial position

Balance sheet analysis

Compared with the previous year, the HHLA Group's **balance sheet total** increased by a total of € 137.6 million to € 1,972.9 million as of 31 December 2018.

Balance sheet structure

in € million	**31.12.2018**	31.12.2017
Assets		
Non-current assets	1,446.9	1,348.0
Current assets	526.0	487.3
	1,972.9	**1,835.3**
Equity and liabilities		
Equity	614.8	602.4
Non-current liabilities	1,114.7	993.8
Current liabilities	243.4	239.1
	1,972.9	**1,835.3**

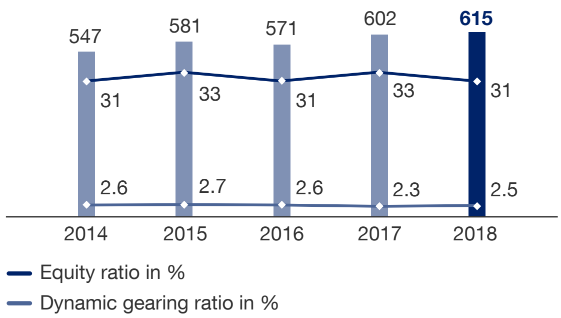
On the assets side of the balance sheet, **non-current assets** rose by € 98.9 million. Property, plant and equipment grew by € 85.7 million to € 1,060.3 million (previous year: € 974.6 million). Intangible assets rose by € 20.1 million year-on-year to € 89.8 million (previous year: € 69.7 million). The rise in both of these balance sheet items is mainly due to the first-time consolidation of HHLA TK Estonia AS, Tallinn, Estonia (previously Transiidikeskuse AS). Another factor was the increase in property, plant and equipment due to capital expenditure, less amortisation and depreciation.

Current assets grew by € 38.7 million to € 526.0 million (previous year: € 487.3 million). The increase was primarily attributable to trade receivables, which grew by € 30.7 million to € 179.8 million (previous year: € 149.1 million), and an increase in receivables from related parties of € 18.7 million to € 100.2 million (previous year: € 81.5 million). By contrast, cash, cash equivalents and short-term deposits fell by € 20.0 million to € 181.5 million (previous year: € 201.5 million).

On the liabilities side, **equity** rose by € 12.4 million compared to year-end 2017, taking it to € 614.8 million (previous year: € 602.4 million). This growth was mainly due to positive comprehensive income of € 147.9 million. It was offset by the distribution of dividends and the reclassification of a future financial settlement totalling € 85.3 million as a non-current financial liability, as well as the acquisition of the remaining shares in METRANS a.s., Prague, Czech Republic, amounting to € 49.9 million. The equity ratio decreased to 31.2 % (previous year: 32.8 %).

Group equity

in € million



Non-current liabilities rose by € 120.9 million to € 1,114.7 million (previous year: € 993.8 million). The increase was mainly due to a rise in non-current financial liabilities of € 125.2 million to € 429.9 million (previous year: € 304.7 million) from the issuance of promissory note loans.

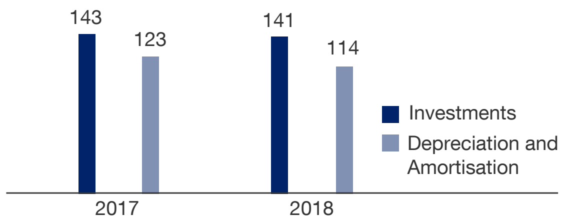
Current liabilities grew by € 4.3 million to € 243.4 million (previous year: € 239.1 million). This was primarily attributable to trade liabilities, which grew by € 9.8 million to € 87.0 million (previous year: € 77.2 million). By contrast, other current provisions fell by € 6.6 million to € 28.0 million (previous year: € 34.6 million).

Investment analysis

Capital expenditure in the 2018 financial year totalled € 141.3 million (previous year: € 142.6 million). This figure includes additions of € 2.4 million from finance leases not recognised as a direct cash expense (previous year: € 4.2 million). Capital expenditure focused on extending the Hamburg container terminals and expanding intermodal transport and handling capacities. Additionally, 100 % of the shares of HHLA TK Estonia AS were acquired. Investment projects were mainly funded by the operating cash flow generated in the financial year.

Investments, depreciation and amortisation

in € million

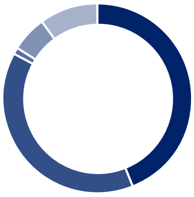


Property, plant and equipment accounted for € 117.3 million (previous year: € 131.6 million) of capital expenditure, while intangible assets accounted for € 11.1 million (previous year: € 5.5 million) and investment property for € 12.9 million (previous year: € 5.5 million).

Investments amounting to € 62.6 million were made in the **Container segment** (previous year: € 81.2 million). Capital expenditure was dominated by the procurement of handling equipment and storage capacities at the Hamburg container terminals. The **Intermodal segment** invested € 55.1 million (previous year: € 45.7 million). The METRANS Group accounted for most of this investment volume, mainly for wagons and locomotives. Capital expenditure in the **Logistics segment** came to € 1.4 million (previous year: € 1.4 million). The **pro forma Holding/Other segment** invested a total of € 14.1 million (previous year: € 8.4 million). A large proportion of capital expenditure was for the migration to a new terminal management system. The **Real Estate segment** invested a total of € 8.4 million (previous year: € 6.1 million) mainly for the development of the Speicherstadt historical warehouse district.

Capital expenditure

by segment in 2018



Investments in the Container segment focus on enhancing the productivity of existing terminal areas by using state-of-the-art handling technology and developing berth places for the trend in ship sizes. Meanwhile, in the Intermodal segment, the primary objective is to increase vertical integration to further improve the performance and range of its hinterland connections.

As of year-end, there were other financial liabilities for outstanding purchase commitments totalling € 107.0 million (previous year: € 110.6 million). This figure includes € 69.6 million (previous year: € 77.3 million) for the capitalisation of property, plant and equipment.

Liquidity analysis

Cash flow from operating activities fell year-on-year from € 275.5 million to € 232.7 million. This decline of € 42.8 million is mainly due to an increase in trade receivables and other assets of € 53.0 million against previous year. At the same time, an increase of € 19.0 million in balances of provisions contributed to the decrease in cash flow from operating activities. There was an opposing effect from the increase in EBIT of € 31.0 million.

Cash flow from investing activities (outflow) of € 203.4 million was above the prior-year figure of € 131.2 million. This increase of € 72.2 million in cash outflow was mainly due to payments of € 72.0 million made for the acquisition of all shares in Transiidikeskuse AS, excluding acquired cash and cash equivalents.

Free cash flow – the total cash flow from operating and investing activities – decreased to € 29.3 million (previous year: € 144.3 million).

Cash flow from financing activities (outflow) amounted to € 31.5 million in the reporting period (previous year: € 119.0 million) and was therefore € 87.5 million below the prior-year figure. One of the main reasons for the lower cash outflow was proceeds from the issue of bonds and the raising of (financial) loans. This was offset by the payment made to acquire all minority interests in METRANS a.s., Prague, Czech Republic.

Liquidity analysis

in € million	2018	2017
Financial funds as of 01.01.	**255.6**	**232.4**
Cash flow from operating activities	232.7	275.5
Cash flow from investing activities	- 203.4	- 131.2
Free cash flow	**29.3**	**144.3**
Cash flow from financing activities	- 31.5	- 119.0
Change in financial funds	- 2.2	25.3
Change in financial funds due to exchange rates	0.6	- 2.1
Financial funds as of 31.12.	**254.0**	**255.6**
Short-term deposits	22.4	20.0
Available liquidity	276.4	275.6

The HHLA Group had sufficient liquidity as of year-end 2018. There were no liquidity bottlenecks in the course of the financial year. **Financial funds** totalled € 254.0 million as of 31 December 2018 (31 December 2017: € 255.6 million). Including all short-term deposits, the Group's **available liquidity** as of year-end 2018 came to a total of € 276.4 million (previous year: € 275.6 million).

Financing analysis

Financial management at the HHLA Group is handled 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 can be used to reduce the risk of changes in interest rates and, to a minor extent, to reduce currency and commodity price risks.

HHLA's business model 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. Pension provisions are also available for long-term internal financing.

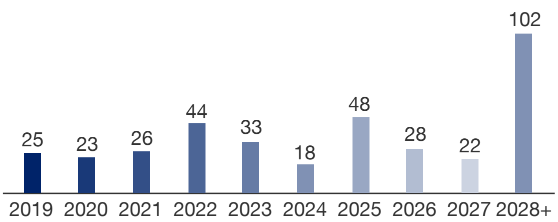
At € 369.7 million as of the balance sheet date, amounts due to banks were above the prior-year figure of € 256.9 million. The Group drew on additional external financing totalling € 136.9 million in the 2018 financial year (previous year: € 0.0 million). New borrowing was offset by loan repayments of € 27.9 million (previous year: € 41.9 million). A promissory note loan was the main reason for the increase in liabilities from bank loans. Due to the maturities agreed and its stable liquidity position, the company had no significant refinancing requirements.

The majority of the liabilities from bank loans are denominated in euros, with a small proportion in US dollars. In terms of conditions, approximately 76 % have fixed interest rates and some 24 % have floating interest rates. As a result of borrowing, certain affiliated companies had covenants linked to key balance sheet figures, which mostly require a minimum equity ratio to be met. Covenants are currently in place for approximately 23 % of bank loans. These covenants were met at all agreed audit points throughout the reporting year.

As of the balance sheet date, HHLA disclosed non-current liabilities to related parties totalling € 105.0 million (previous year: € 105.5 million). These resulted from the recognition of the leasing liability to the Hamburg Port Authority (HPA) in connection with quay walls for the mega-ship berths at the HHLA Container Terminal Burchardkai (CTB) and the HHLA Container Terminal Tollerort (CTT).

Maturities of bank loans

by year and in € million



With the exception of operating leases, there are no significant off-balance sheet financial instruments. These operating leases relate primarily to long-term agreements between the HHLA Group and either the Free and Hanseatic City of Hamburg or HPA for leasing land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

Cash, cash equivalents and short-term deposits, the bulk of which is held centrally by the holding company, totalled € 181.5 million as of the balance sheet date (previous year: € 201.5 million). These funds are mainly invested at German 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 approximately € 2.7 million (previous year: € 3.2 million). The credit line utilisation rate was 72.9 % in the period under review (previous year: 67.9 %). 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, € 14.5 million as of the balance sheet date (previous year: € 10.4 million) was subject to restrictions in Ukraine relating to the transfer of currency abroad. In the previous year, € 11.2 million served as collateral for working lifetime accounts.

As HHLA has a large number 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. Furthermore, Deutsche Bundesbank once again confirmed the Group's eligibility for central bank finance.

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

Acquisitions and disposals of companies

With share purchase and transfer agreements dated 2 March 2018, HHLA acquired further shares in METRANS a.s., Prague, Czech Republic, thus increasing its stake from 90.0 % to 100 %. In accordance with the entity concept, the purchase price for these shares was taken directly to equity with a corresponding reduction in non-controlling interests.

HHLA signed a contract dated 26 March 2018 for the acquisition of 100 % of shares in terminal operator Transiidikeskuse AS, headquartered in Tallinn, Estonia, in order to further expand its existing transport and logistics network in Estonia. Upon the various conditions precedent being met, HHLA took control of the company on 27 June 2018 (acquisition date within the meaning of IFRS 3 (9)). The purchase price (transferred consideration) was paid in euros. The company was renamed HHLA TK Estonia as of 24 September 2018.

HHLA founded the company HHLA Sky GmbH, based in Hamburg, on 24 July 2018. The company was included in HHLA's group of consolidated companies as of the end of the financial year. The primary purpose of the company is to develop, organise, manage, operate, monitor and distribute airborne logistics services.

In the reporting year, there were no further substantial acquisitions or disposals of shares in subsidiaries.

Changes in the group of consolidated companies

With the share purchase agreement dated 28 December 2017 and the agreement on the transfer of company shares dated 22 January 2018, METRANS a.s., Prague, Czech Republic, acquired 100 % of shares in POLZUG Intermodal Polka sp. z.o.o., Warsaw, Poland, and renamed the acquired company METRANS (Polonia) Sp. z.o.o. This transaction has no material impact on HHLA's consolidated financial statements.

On submission of the application for its removal from the commercial register on 25 May 2018, the company HCC Hanseatic Cruise Centers GmbH i. L., Hamburg, was deconsolidated as of 30 June 2018 and is therefore no longer included in HHLA's group of consolidated companies.

The company POLZUG Intermodal GmbH, Hamburg, was merged with HHLA International GmbH, Hamburg, as of 1 January 2018 upon entry in the commercial register on 31 August 2018. The merger had no impact on HHLA's consolidated financial statements.

The Czech company JPFE-07 INVESTMENTS s.r.o., Ostrava, Czech Republic, which was not previously included in HHLA's group of consolidated companies, was merged with METRANS a.s., Prague, Czech Republic, as of 1 January 2018 upon entry in the commercial register on 12 December 2018. The merger had no material impact on HHLA's consolidated financial statements.

There were no other significant acquisitions, purchases or disposals of shares in subsidiaries, or changes to the group of consolidated companies. Notes to the consolidated financial statements, no. 3 Composition of the Group

Segment performance

Container segment

Key figures

in € million	2018	2017	Change
Revenue	758.9	746.6	1.7 %
EBITDA	209.8	194.7	7.7 %
EBITDA margin in %	27.6	26.1	1.5 pp
EBIT	131.6	109.4	20.3 %
EBIT margin in %	17.3	14.7	2.6 pp
Container throughput in thousand TEU	7,336	7,196	1.9 %

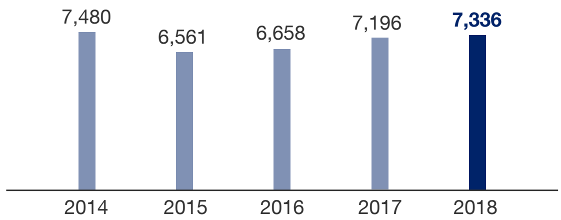
During the 2018 reporting year, the **volume development** at HHLA's container terminals increased slightly by 1.9 % to 7,336 thousand TEU (previous year: 7,196 thousand TEU).

The three **Hamburg container terminals** were almost able to match the strong prior-year figures with container throughput of 6,885 thousand TEU or - 0.3 % (previous year: 6,904 thousand TEU). Despite the loss of a South America service halfway through 2018 as part of the realignment of the shipping consortia, overseas traffic volumes remained stable with growth of 0.4 %. This was largely attributable to the 4.6 % increase in Asian traffic (Far East–Northern Europe) over the previous year. However, this was not sufficient to fully offset the 2.3 % decline in feeder traffic with the Baltic region. The proportion of seaborne handling by feeders decreased correspondingly to 24.0 % (previous year: 24.5 %).

Throughput at the **international container terminals** in Tallinn, Estonia, and Odessa, Ukraine, during the reporting period was 451 thousand TEU (previous year: 292 thousand TEU). It should be noted, that the figures for the previous year are only partly comparable as the container terminal in Tallinn was only integrated into the HHLA consolidated group at the end of the second quarter of 2018.

Container throughput

in thousand TEU



Revenue increased by 1.7 % year-on-year to € 758.9 million (previous year: € 746.6 million) and thus lagged slightly behind the rise in seaborne volumes. The share of local cargo increased, especially higher-margin, rail-bound throughput. After the temporary increase in storage fees of the past two years due to the realignment of shipping alliances, fees returned to their normal levels in 2018. Revenue generated by the international terminals came under pressure from competition. However, these negative effects were almost fully offset by the slightly decrease in the proportion of lower-margin feeder traffic and adjustments to individual handling rates. The average revenue per container handled at the quayside dipped slightly by 0.3 % year-on-year in the 2018 financial year.

EBIT costs for the segment decreased by 1.5 % in the 2018 financial year due to the absorption in the previous year of expenses for the organisational restructuring and harmonisation of pension systems amounting to around € 25 million. Adjusted for this effect, EBIT costs were 2.5 % higher than in the previous year. The main reasons for this were higher personnel expenses due to increased headcount following the integration of HHLA TK Estonia AS, union tariff rises in June 2018 and increased energy costs. The **operating result (EBIT)** improved strongly by 20.3 % to € 131.6 million (previous year: € 109.4 million). The EBIT margin rose by 2.6 percentage points to 17.3 % (previous year: 14.7 %).

During the reporting year, HHLA made further investments to ensure the future viability of its facilities. The main focus was on sustainable handling equipment and the promotion of transport by rail. Diesel-powered automatic guided vehicles (AGVs) at the Container Terminal Altenwerder (CTA) were replaced by battery-powered AGVs, which are practically emission-free. The rail station at the Container Terminal Buchardkai (CTB) was expanded from eight to ten platforms and equipped with two new rail-mounted gantry cranes. Additional storage areas will be developed at the Container Terminal Odessa (CTO).

Intermodal segment

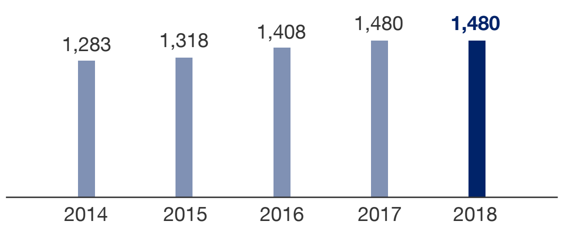
Key figures

in € million	2018	2017	Change
Revenue	433.8	414.0	4.8 %
EBITDA	112.7	95.0	18.7 %
EBITDA margin in %	26.0	22.9	3.1 pp
EBIT	89.1	69.9	27.5 %
EBIT margin in %	20.5	16.9	3.6 pp
Container transport in thousand TEU	1,480	1,480	0.0 %

In the highly competitive market for container traffic in the hinterland of major seaports, the **transport volumes** of HHLA's transport companies remained unchanged from the previous year at 1,480 thousand standard containers (TEU). Within the segment, however, the trend was uneven. Rail transportation rose year-on-year by a further 2.5 % to 1,168 thousand TEU (previous year: 1,140 thousand TEU). In particular, there was above-average growth in connections between the north German seaports, the Adriatic ports and the Central and Eastern Europe hinterland. There was also a further increase in continental cargo volumes. Transport volumes in Poland decreased significantly as a result of the scheduled realignment of POLZUG activities. Due to a significant decrease in freight volume in the greater Hamburg area, road transport fell by 8.3 % year-on-year to 312 thousand TEU (previous year: 340 thousand TEU).

Container transport

in thousand TEU



With growth of 4.8 % to € 433.8 million (previous year: € 414.0 million), **revenue** performed much better than transport volumes. This positive revenue trend resulted from a slight increase in rail's share of HHLA's total intermodal transportation from 77.0 % to 78.9 %, in combination with longer transport distances.

The **operating result (EBIT)** increased year-on-year to € 89.1 million (previous year: € 69.9 million). In addition to the positive trend in average revenues due to changes in the transport mix, the rise in EBIT was also attributable to lower depreciation and amortisation charges caused by an adjustment to the useful lives of container transport wagons. The terminal in Budapest, which started operations in mid-2017, also had a positive impact on the efficiency of HHLA's intermodal network. The EBIT margin rose by 3.6 percentage points to 20.5 % (previous year: 16.9 %).

HHLA continues to invest as needed in the expansion of its intermodal network. The decrease in route prices for German rail freight applied retroactively as of mid-2018 is bolstering the development of the intermodal service portfolio. HHLA's rail subsidiary METRANS put ten new multi-system locomotives into operation during 2018. It now has 85 shunters and locomotives as well as a fleet of over 2,800 container wagons. The network consists of 14 terminals in the hinterland, of which five function as large hub terminals.

In the past financial year, the activities of POLZUG (now METRANS Polonia) were fully integrated into the METRANS organisation. By pooling activities, the company was able to streamline its structures and processes, thereby enabling synergies to be realised. During the reporting period, HHLA also increased its stake in METRANS a.s., Prague, Czech Republic, and now holds 100 % of shares in the company.

Logistics segment

Key figures

in € million	2018	2017	Change
Revenue	59.8	50.8	17.7 %
EBITDA	10.0	6.9	44.0 %
EBITDA margin in %	16.7	13.7	3.0 pp
EBIT	5.6	2.6	120.0 %
EBIT margin in %	9.4	5.0	4.4 pp
At-equity earnings	4.4	3.9	13.2 %

The key financial figures for the Logistics segment include the vehicle logistics and consultancy divisions. In addition, the division for airborne logistics services was added in the fourth quarter of 2018. The results from dry bulk and fruit logistics are included in at-equity earnings.

The Logistics segment recorded significant sales growth in the fourth quarter, which was in particular due to temporary additional business in the field of vehicle logistics. For the year as a whole, the fully consolidated companies reported **revenue** of € 59.8 million, up 17.7 % on the prior-year figure (previous year: € 50.8 million).

The **operating result (EBIT)** far outstripped the increase in revenue and more than doubled during the reporting period, increasing by 120.0 % to € 5.6 million (previous year:

€ 2.6 million). Improved results for vehicle logistics and consultancy were opposed by losses in the newly consolidated airborne logistics services division.

The performance of those companies included in **at-equity earnings** showed significant revenue growth during the reporting period. Total at-equity earnings rose by 13.2 % to € 4.4 million (previous year: € 3.9 million) for 2018 as a whole.

Real estate segment

Key figures

in € million	**2018**	2017	Change
Revenue	39.3	37.9	3.6 %
EBITDA	20.7	21.3	- 2.9 %
EBITDA margin in %	52.7	56.2	- 3.5 pp
EBIT	15.5	16.3	- 5.1 %
EBIT margin in %	39.4	43.0	- 3.6 pp

In 2018, Hamburg's office rental market was unable to match the high revenue level of the previous year. According to Grossmann & Berger's latest market report, 590,000 m² of office space was let in the reporting period, corresponding to a year-on-year decrease of 8 % (previous year: 640,000 m²). One major reason for the decrease in revenue was the supply shortage.

At the end of the year, the vacancy rate for offices in Hamburg remained unchanged from the preceding quarter at 3.5 % but was 0.8 percentage points down on the previous year (4.3 %) as a result of high demand and a decline in available space. Despite the increase in the number of new-builds completed, no increase in the vacancy rate is expected in the medium term.

HHLA's properties in Hamburg's Speicherstadt historical warehouse district and the fish market area achieved a further moderate increase in revenue of 3.6 % to € 39.3 million in 2018 (previous year: € 37.9 million) – despite almost full occupancy as in the previous year.

Due to scheduled large-scale maintenance work that does not qualify for capitalisation, the **operating result (EBIT)** declined year-on-year by a moderate 5.1 % to € 15.5 million (previous year: € 16.3 million).

The long-term and value-oriented development of the real estate portfolio is a major pillar for the financial success of the segment. In order to ensure this remains so, HHLA will continue to invest in its property portfolio.

Events after the balance sheet date

There were no significant events after the balance sheet date of 31 December 2018. Notes to the consolidated financial statements, no. 52 Events after the balance sheet date

Business forecast

Macroeconomic environment

The economic outlook for 2019 is currently dominated by a high level of uncertainty. Specific risks to the global economy are posed by the further intensification of trade conflicts, the tightening of global financial conditions, concerns about Italy's debt crisis, the delay to reforms in France and, finally, a possible no-deal Brexit. In view of the tense global economic environment, the International Monetary Fund (IMF) downgraded its outlook for 2019 slightly in January compared to October 2018.

Growth expectations for GDP

Growth expectation in %	**2019**	Trend vs. 2018
World	3.5	↘
Advanced economies	2.0	↘
USA	2.5	↗
Emerging economies	4.5	→
China	6.2	↘
Russia	1.6	→
Eurozone	1.6	↘
Central and Eastern Europe (emerging european economies)	0.7	↘
Germany	1.3	↘
World trade	4.0	→

Source: International Monetary Fund (IMF), January 2019

Global economic output is likely to be slightly lower in 2019 than in the previous year. The outlook for 2019 in the economic regions of particular significance to HHLA is also slightly gloomier, with the IMF anticipating slower economic growth of 6.2 % for China. However, the People's Republic would thus remain the most important driver of global economic growth. Weaker forecasts for the crude oil market, structural bottlenecks and the hampering of trade by sanctions are likely to prevent any strong recovery of the Russian economy. By contrast, the economic outlook for the Commonwealth of Independent States (excluding Russia) has improved slightly: the IMF expects to see a steady expansion of total economic output of 3.7 %. According to the most recent estimates of October 2018, Estonian GDP is expected to achieve robust – albeit slightly slower – growth of 3.2 %. As a result of the tense political situation, a slowdown is also anticipated for the eurozone economy compared to 2018. Against the backdrop of the Turkish recession, the IMF has strongly downgraded its economic forecasts for Central and Eastern Europe by 1.3 percentage points and now expects much slower growth of 0.7 % for the economies of this region in 2019. The IMF also expects the pace of economic growth in Germany to slow slightly. Nevertheless, the IMF anticipates a steady increase of 4.0 % in global trade volumes for 2019.

Sector development

Following a moderate increase in container throughput in 2018, the market research institute Drewry expects the momentum to slow in 2019 with a decrease of 0.6 percentage points to 4.1 %.

Growth will be driven in particular by the shipping regions of Asia (+ 4.9 %), particularly South Asia (+ 8.0 %), and Latin America (+ 4.4 %). Drewry expects that container throughput growth in China – the Port of Hamburg's most important shipping region – will be stronger in 2019 than in the comparatively weak previous year, but still clearly below 5 %. The outlook for European shipping regions is also much less positive. Experts estimate that growth in the European shipping region in 2019 will be only half as strong as in the previous year. Drewry forecasts that only the North-West European ports will recover slightly compared with 2018. For all other shipping regions, estimates are up to 8.3 percentage points below the prior-year figures.

Expected container throughput by shipping region

Growth expectation in %	**2019**	Trend vs. 2018
World	4.1	↘
Asia	4.9	↘
China	4.2	↗
Europe as a whole	2.2	↘
North-West Europe	3.2	↗
Scandinavia and the Baltic region	2.4	↘
Western Mediterranean	1.2	↘
Eastern Mediterranean and the Black Sea	1.1	↘

Source: Drewry Maritime Research, December 2018

Considering the capacities available at container terminals in the North Range and the Baltic Sea, competition between ports is likely to remain fierce in 2019. However, as Drewry forecasts increased demand for the North European ports in 2019, the situation is expected to ease slightly. Nevertheless, the bargaining power of shipping companies in negotiations with the port operators has increased significantly as a result of mergers and acquisitions, as well as the formation of new alliances.

The situation on the container shipping market also looks set to ease slightly. Drewry expects the market conditions for shipping companies to brighten significantly in 2019, with growth in average freight rates of 6.5 % for the forecasting period. However, the development of freight rates is strongly dependent on the high volatility of crude oil prices, which makes it difficult to forecast bunker costs. According to estimates of the market research institute AXS Alphaliner, the growth in total capacity of the container ship fleet will continue its downward trend in 2019 as a result of declining orders from shipping companies and delayed deliveries. At 3.5 %, growth in total capacity of the container ship fleet is likely to be slower again than that of global demand in the forecasting period. 185 ships with a carrying capacity of around 1.2 million TEU are expected to be delivered in 2019. Of these, 21 ships will belong to the +18,000-TEU class.

In view of the steady increase in ship sizes and the resulting rise in container volumes per ship call, the pressure on terminals and hinterland transport systems will continue to grow. The most recent medium-term forecast for cargo and passenger transport in Germany issued by the Federal Ministry of Transport and Digital Infrastructure (BMVI) in September 2018 anticipates robust growth for the German freight market in 2019.

Expected freight traffic in Germany by modes of transport

Growth expectation in %	**2019**	Trend vs. 2018
Transport volumes	**2.3**	↗
Road traffic	2.3	→
Railway traffic	2.6	↗
Multi-modal traffic	5.7	↗
Traffic performance	**3.1**	↗
Road traffic	3.4	→
Railway traffic	3.4	↗
Multi-modal traffic	5.2	↗

Source: Floating medium-term forecast for freight and passenger transport on behalf of the Federal Ministry of Transport and Digital Infrastructure; September 2018

For all modes of freight traffic, experts expect a slight year-on-year increase in both transport volumes and traffic performance (transport volume multiplied by the distance travelled) of 0.3 percentage points. With regard to road freight, the increase in tolls is likely to result in similar growth rates to the previous year for transport volumes and traffic performance in 2019. Rail freight is expected to benefit from the increase in road tolls. As a result, 2.6 % more goods could be transported by rail during the forecasting period, more than doubling the growth in traffic performance from 1.6 % in the previous year to 3.4 %. Multi-modal traffic looks set to develop even more dynamically, with volume and performance likely to increase by 5.7 % and 5.2 %, respectively.

Expected Group performance

Comparison with the forecast of the previous year

The forecast published in the 2017 Annual Report was achieved and partially surpassed. In terms of container throughput, the guidance of last year's report was slightly exceeded due to the takeover of the container terminal in Tallinn. The figures for revenue and EBIT developed in line with expectations. Delays in delivery and order execution meant that capital expenditure budgeted for the reporting period was not utilised in full. Course of business and economic situation

Expected earnings position

The earnings forecast for the Group and the Port Logistics subgroup is primarily based on the anticipated macroeconomic and sector trends described above. Weaker global economic growth in general – caused in particular by the ongoing trade dispute between the US and China, the uncertain outcome of Brexit and the budget standoff between the Italian government and the European Union – and lower container throughput forecast by Drewry in particular will continue to be closely monitored.

Despite the restructuring of significant services and key clients on the Asia–Europe trades in 2017, there may be further changes in 2019, as well as temporary or structural shifts in services between the North Range ports. As a result of the takeover of North America services and the first full-year consolidation of throughput volumes of the TK Estonia container terminal (formerly Transiidikeskuse AS), HHLA expects a slight overall increase in **container throughput** in 2019. Slight year-on-year growth is also expected for **container transport**. At a Group level, this should lead to a slight increase in **revenue**.

The **operating result (EBIT) of the Port Logistics subgroup** is expected to rise significantly year-on-year in 2019, largely due to the changes in lease accounting (IFRS 16) as of 2019. Earnings for the subgroup will be shaped largely by the Container and Intermodal segments. Stable EBIT growth on a par with the previous year is expected for the Container segment, while significant growth is expected for the Intermodal segment.

The **operating result (EBIT) of the Real Estate subgroup** is expected to be around € 15 million due to scheduled, large-scale maintenance work that does not qualify for capitalisation. As a result of the effects described above, a substantial increase in the operating result (EBIT) is anticipated at **Group level**.

Earnings in the Port Logistics subgroup and at Group level may continue to be impacted by exchange rate effects reported below EBIT as part of the financial result.

The conditions determining infrastructure are vital to the competitiveness of the Port of Hamburg. In addition to the swift implementation of dredging work in the lower and outer stretches of the river Elbe, the modernisation and expansion of regional road and rail infrastructure is essential. Delays to these expansion measures may have a crucial impact on Hamburg's competitive advantage as a rail port. Risk and opportunity report

Expected financial position

In principle, HHLA's major investment activities can be scaled in line with demand. Due to the ongoing trend in ship sizes, the Group reserves the right to decide on investment activities that are not prompted purely by volume developments. Capital expenditure at Group level in 2019 is expected to be in the range of € 200 million, most of which will be attributable to the Port Logistics subgroup. In the Container segment, investments will primarily focus on the purchase of container gantry cranes, storage cranes and ground-handling vehicles for the container terminals in Hamburg. In the Intermodal segment, funds will be used to renew and expand the company's own transportation and handling capacities.

HHLA will continue to pursue its yield-orientated dividend distribution policy, which aims to pay out between 50 % and 70 % of net profit for the year after non-controlling interests in the form of dividends.

Based on available liquidity reserves and the positive cash flows generated by anticipated earnings, HHLA is confident that sufficient financial funds will continue to be available in future, which can be supplemented by borrowing where necessary.

Risk and opportunity report

Risk and opportunity management

All commercial activities inevitably entail both risks and opportunities. HHLA believes that the effective management of risks and opportunities is a significant success factor for the sustainable enhancement of enterprise value.

Managing risks and opportunities is a key component of the HHLA Group's management strategy. The planning and controlling process, the boards of the Group's affiliates and reporting are all cornerstones of this risk and opportunity management system. At regular business development meetings, HHLA's Executive Board discusses strategy, targets and control measures, with due consideration of the risk and opportunity profile.

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

Risk and opportunity management system

Key elements of the risk management system are: identifying, assessing, managing, monitoring and reporting risks; clear responsibilities for process participants (managers of affiliates, Internal audit, Group controlling); incorporating all majority shareholdings and companies consolidated using the equity method into the risk consolidation group. The Executive Board bears overall responsibility. Its members deal with and assess the risk management reports on a quarterly basis.

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

Categorisation of the probability of occurrence

< 25 %	≥ 25 %	≥ 50 %	≥ 75 %
unlikely	possible	likely	most likely

Categorisation of the damage amount

Equity of the Group				
< 1%	< 5 %	< 10 %	< 25 %	≥ 25 %
not significant	medium	significant	massiv	threatening

Risks are categorised by the likelihood of their occurrence and the scale of the potential damage. This reflects the anticipated reduction of the operating result or cash flow before taxes if the risk were to materialise.

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 planning can be used as a basis for assessment. The Group's affiliates, divisions and corporate staff departments regularly coordinate with the central risk management unit of the holding company to ensure that all identified risks are mapped and assessed consistently throughout the Group.

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. A distinction is made between the gross risk (excluding measures) and the net risk (including measures).

Risks are monitored continuously and any significant changes are reported and documented on a quarterly basis. Additional ad hoc reports are 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.

Opportunity management is comparable to the risk management process. Opportunities are systematically identified and measures developed in an annual planning process. When opportunities are identified, there is no requirement for them to be quantified. Opportunity management focuses on the monitoring and analysis of individual markets and on the early recognition and assessment of trends as a means of identifying opportunities. This includes developments affecting the overall economy or individual sectors as well as regional and local trends. The affiliates' responsibilities include identifying strategic opportunities in their core markets. HHLA's Executive Board defines the strategic framework for this objective. When planning, managing and controlling strategic projects for a specific segment or all segments, the Executive Board of HHLA primarily uses the proprietary resources of the holding company.

The most important elements of the risk and opportunity management system and risk and opportunity reporting are described in a corporate guideline. The system remains unchanged from the previous year.

Accounting-related internal control system

Structure of the internal control 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.

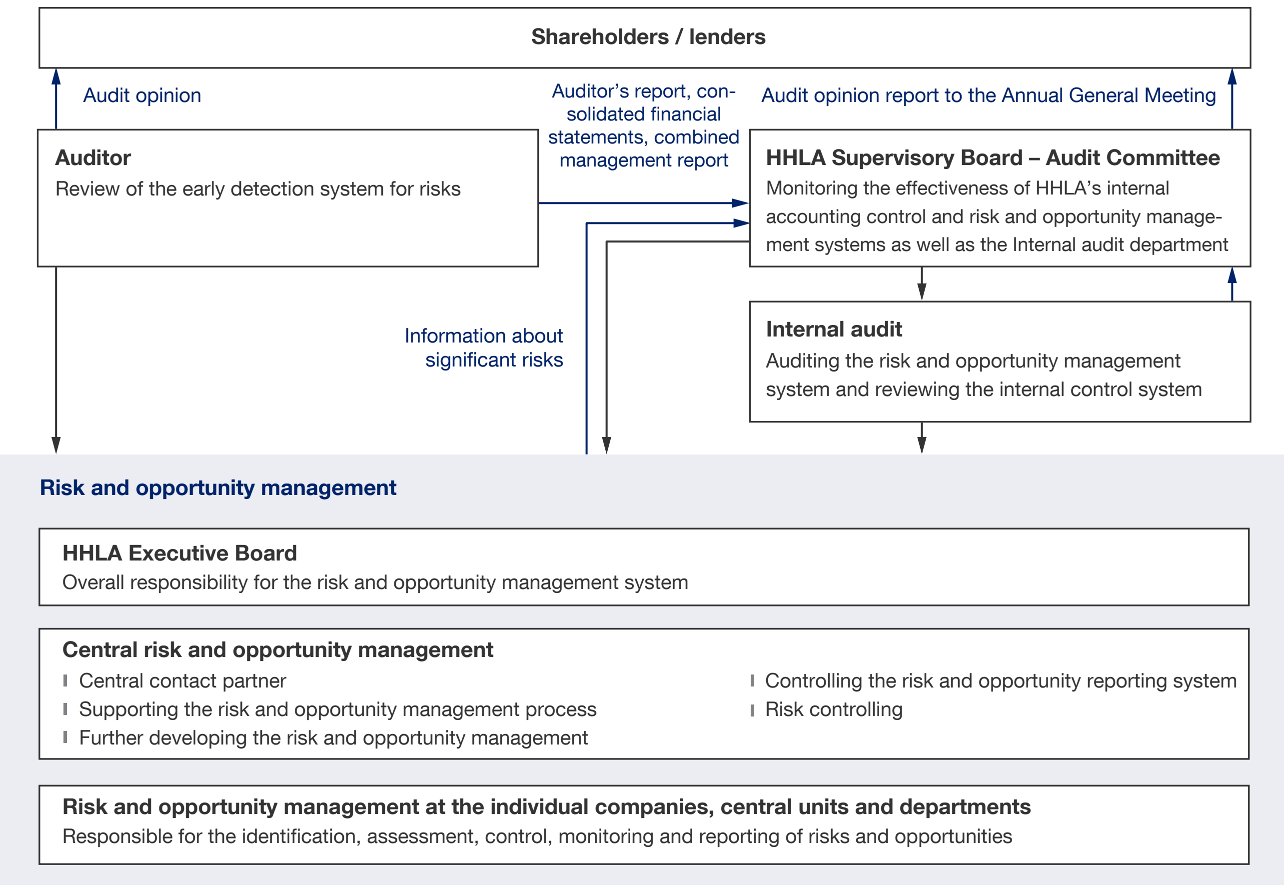
HHLA's internal accounting control and risk and opportunity management system is based on the criteria set out in the "Internal Control – Integrated Framework" working paper published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Accounting processes are assessed to determine whether there is a risk posed to the existence, completeness, 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.

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

The internal control and risk and opportunity management systems for accounting will always have certain limitations, regardless of how carefully they are designed. For this reason,

Risk and opportunity management and the internal control system for accounting



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

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 separate 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-checking principle. There is a single accounting manual that 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 purpose of preparing HHLA's consolidated financial statements, affiliates add more information to their separate financial statements to form standardised report packages, which are then fed into the SAP ECCS consolidation module for all Group companies.

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. The principles of function-related authorisations are defined in a set of SAP authorisation guidelines. These form part of a comprehensive IT security guideline, which regulates general access to the IT systems.

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 the consolidation process, 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 ECCS system or using system-based plausibility checks.

Independent monitoring

Internal audit is responsible for auditing the risk and opportunity management system and conducts regular checks to monitor compliance with the internal control system. HHLA's Supervisory Board monitors the effectiveness of the risk management system. The external auditors assess the early risk identification and monitoring system on behalf of the Supervisory Board as part of their audit of the annual financial statements.

Overall assessment of risks and opportunities

The risks and opportunities for the HHLA Group reflect possible positive or negative deviations from the reported forecast.

The HHLA Group's risk position is principally characterised by market risks. Major factors influencing the risk and opportunity profile are the global economic trend, ongoing geopolitical tensions, developments on the market and in the competitive environment as well as uncertainties regarding the implementation of infrastructure projects. The development of these factors is monitored closely, and controllable costs and capital expenditure – where scalable – are adjusted flexibly to foreseeable developments.

The overview below summarises the main individual risks faced by the HHLA Group, classifies them according to risk areas and lists them in order of decreasing significance.

Ranking of HHLA Group's material risks

	Damage amount	Probability of occurrence	Trend vs. previous year
Market risks	significant	unlikely	↗
Financial risks	medium	unlikely	↘
Other risks	medium	unlikely	↘
Strategical risks	medium	unlikely	↘
Legal risks	not significant	unlikely	→
IT risks (new)	not significant	unlikely	→
Risks from the provision of services	–	–	↓

Since the economic prospects, in particular, are unpredictable, this description of risks and opportunities merely serves as a snapshot. Changes in the HHLA Group's risk and opportunity profile are regularly reported in the half-yearly financial report and – where material – in the interim statements for the first and third quarters.

There are no discernible risks at present that could jeopardise HHLA's continued existence. The Executive Board of HHLA is confident that it will be able to exploit any future opportunities while avoiding exposure to unacceptably high risks. The following section describes the key risks and opportunities identified at Group level, taking into account any measures which have been put in place. No other significant risks have currently been identified, while those that do exist are largely insured against.

Risks and opportunities

1. Market environment

Developments in container throughput, transport volumes and logistics services

The pace of growth in those economies whose flows of goods HHLA serves is a key precondition for the future development of container throughput, transport volumes and logistics services. If demand for these services fails to materialise as expected, the high level of fixed costs associated with this business model means that it might not be possible to compensate fully for divergences in earnings caused by underutilised capacity in the short term. An economic trend that falls short of expectations may also require adjustments to the valuation of assets (mainly property, plant and equipment and financial assets). HHLA regularly checks for any impairment of its assets and makes adjustments where necessary. As a result of the stable forecast for volumes and earnings, the risk assessment remains unchanged for the subsequent year.

Research institutes continue to expect moderate global economic growth in the coming years, although the latest forecasts for 2019 have already been downgraded by most research institutes. The current global economic and political developments are thus already beginning to have an impact. In Europe, for example, the main source of uncertainty is the impact of a possible no-deal Brexit and the development of the Italian debt crisis. The direct impact of a possible Brexit are not significant for HHLA as both the proportion of containers handled by our Hamburg terminals coming from or going to the UK and the potential impact on earnings of HHLA's minority stake in CuxPort are very low. Due to protectionist tendencies already evident from the trade conflicts between the US and the EU and China, the future development of global trade flows is uncertain. Furthermore, the global economic climate will also be burdened by global geopolitical risks, such as the recent withdrawal from the INF Treaty, as well as financial risks resulting from – in some cases significant – interest rate increases. Further factors include additional or extended sanctions against Iran and Russia, as well as currency crises and the volatility of the oil price. Economic growth in China is expected to be slightly slower in 2019, albeit still at an average of around 6 %. More significantly, however, this growth will be primarily driven by domestic demand and will only support global trade to a minor extent.

On the other hand, there are opportunities for a stronger volume trend in connection with the growth potential of Central and Eastern European economies such as Poland, the Czech Republic, Slovakia and Hungary, which use the Port of Hamburg for a not insignificant proportion of their intercontinental trade. Should the economic trend exceed expectations, prompting stronger volume growth, this could present an opportunity to profit from higher earnings by achieving economies of scale in handling and enhancing volumes in downstream transport systems. A gradual lifting of the economic sanctions imposed on the Russian Federation could also have a positive impact on the volume trend.

The market research institute Drewry estimates that growth in container traffic will slow. Although Drewry anticipates an increase in global container throughput in 2019, it will be below the levels forecast for 2018. Following the marked slump in 2018, the North-West Europe shipping region is set to experience an upturn in throughput in 2019, although the figures are not expected to reach the throughput levels of 2017. Throughput forecasts for the Scandinavian and Baltic ports in 2019 have been dampened and the increase in transhipment volumes is now expected to be slower. The associated volume and capacity risks thus remain relevant for HHLA but are still classed as unlikely.

Throughput and transport volumes in the markets of relevance for HHLA are monitored closely to ensure trends are recognised at an early stage. Where scalable, controllable costs and investments – e.g. for the further expansion of the container terminals – are adjusted in line with the foreseeable level of demand.

Competitive environment

In the area of container handling, HHLA competes directly with other terminal operators in Northern Europe. Primary competitive factors – apart from pricing – are reliability and quayside productivity as well as the scope and quality of container handling services. Other factors affecting the terminal operators' competitive position are the ports' geographical location, the scope and quality of their hinterland links and their accessibility from the sea. The price sensitivity of shipping company customers, particularly for transhipment, may increase further, which could lead to a shift in volumes to competing ports.

Due to fierce competition for container transport by rail, HHLA's Intermodal subsidiaries also face the risk of volumes being rerouted with a resulting risk for revenue. However, these risks are countered by taking appropriate measures.

HHLA constantly improves its competitiveness by further enhancing its service quality and technological capabilities. Its ship handling activities focus primarily on increasing the efficiency of its handling services and addressing the increasing number of peak loads prompted by the handling of container mega-ships. HHLA is working on innovating its systems and optimising processes to further strengthen its position in handling technology. HHLA's rail companies also connect the European seaports with the Central and Eastern European hinterland via a growing number of highly frequent shuttle services and direct links. Investments in its own hub terminals further strengthen the performance of HHLA's hinterland network.

In addition to this, regulatory measures may increase the competitiveness of rail transportation in the intermodal marketplace.

Customer structure

HHLA's shipping company customers have operated in a tough competitive environment for container liner shipping for several years now. This is mainly due to structurally related idle capacities and low freight rates. Cost pressure and the resulting consolidation pressure on shipping companies will thus remain high in future.

Even after the restructuring of significant services and key clients on the Asia–Europe trades in 2017, there are still risks and opportunities for HHLA from temporary or structural shifts in services between the North Range ports. As volumes per service and ship call increase with the use of ever-larger vessels, the impact on capacity utilisation at the seaport terminals also grows. However, major changes in the service structure are considered unlikely at present.

In the field of ship handling, HHLA cooperates with many shipping companies on a neutral basis ("multi-user principle"). This enables HHLA to respond flexibly to changes in the container liner shipping sector. In addition, HHLA aims to further enhance added value for its customers by expanding its mega-ship handling activities, continuing to develop the quality of its services and its technological capabilities, and optimising client-specific processes.

Depending on the customer structure, smaller affiliates may become reliant on individual clients. Various steps are taken to counteract this reliance, such as optimising service quality. At the same time, efforts are made to attract new clients.

Market concentration in procurement

Some of the handling equipment used by HHLA is highly specialised and this may result in a reliance on suppliers for maintenance or the procurement of replacement parts. Under certain circumstances, this may lead to operational restrictions. The corresponding risks are reduced to some extent by involving suppliers at a strategic and collaborative level and optimising the supplier base.

Traction costs

The HHLA companies operating in the Intermodal segment pay track fees to the national railway companies or network operators for their rail network usage and also purchase traction services.

As the rail infrastructure in Germany is largely publicly owned, various authorities monitor non-discriminatory access and carrier-neutral track fees. These authorities include the Federal Network Agency and the Federal Railway Authority in Germany and corresponding bodies abroad at EU level. Nevertheless, as the national rail network owners and operators have a monopoly, the profitability of rail firms may be impaired by a track pricing policy that does not take a neutral approach to carriers and distorts competition. The subsidy for route prices in freight traffic (TraFöG) introduced in late 2018 by the Federal Ministry of Transport and Digital Infrastructure (BMVI) aims to subsidise rail freight by partly financing track prices. The subsidy applies retroactively from July 2018, with the programme initially set to last for five years. This will also result in opportunities for the HHLA companies in terms of volume and earnings growth.

To reduce the level of dependency on national railway companies for traction services and to enhance production quality, HHLA is expanding its own facilities, rolling stock and locomotives in line with demand. Providing end-to-end transport services using the company's own operating assets guarantees high quality throughout the process chain. HHLA's objective is to offer its customers a logistics chain of unparalleled quality and reliability. This will further strengthen Hamburg's appeal: high-performance seaport terminals promote higher volumes in the hinterland, while intelligent transport systems with low-cost structures boost container flows at the port.

2. Financial risks

Currency risks

As the bulk of HHLA's services are rendered within the eurozone, the majority of its invoices are issued in euros. HHLA therefore remains unaffected by the hyperinflation in Argentina. The Intermodal and Logistics segments operate internationally, and a container terminal is operated in Ukraine. Invoicing here is based primarily on euros or dollars. Currency or transfer risks therefore result primarily from exchange rate fluctuations affecting Central and Eastern European currencies. As a result, it is impossible to rule out risks such as a further significant devaluation of the Ukrainian currency, the hryvnia, which may exceed the budget estimate. It still remains to be seen whether the political situation in Ukraine will stabilise in the short term.

All HHLA companies that operate with foreign currencies reduce the risk of exchange rate fluctuations by monitoring rates regularly and, where possible, transferring free liquidity in local currency to hard-currency accounts.

Bad debt losses

Despite increased revenues, the liquidity and earnings position of shipping companies became slightly more strained in 2018 in comparison to the previous year. This was partly due to the high volatility of crude oil prices and higher cost pressure. Nevertheless, market research institutes such as Drewry still expect to see a positive result for the industry in 2018. Shipping companies are expected to increase their profitability in 2019. However, due to the ongoing disequilibrium between trading volumes and ship space, the risk of customers filing for insolvency – with the corresponding loss of throughput and receivables – remains relevant, especially in the Container segment. In view of the overwhelmingly positive earnings position of shipping companies, the risk assessment has been reduced as compared with the previous year and is still regarded as unlikely.

HHLA uses credit checks to reduce del credere collection risks. Active receivables management is used to enable the precise monitoring of receivables and payment patterns.

Pension obligations

The reference interest rate for measuring the necessary provisions for company pensions is expected to continue its return to normal levels, but only in the medium to long term. Any further reduction in historically low interest rates would prompt another increase in pension provisions and a resulting decline in the equity ratio. In view of the anticipated interest rate trend, the risk assessment largely corresponds to that of the previous year. HHLA monitors interest trends so that it can adjust its provisions as necessary.

Further rises in pension provisions may prove necessary if additional vested rights in excess of the current regulations are recognised by the courts. The corresponding court case continues. The risk of litigation is still deemed low at present.

Please see the report on financial instruments in the notes to the consolidated financial statements for further details of downstream default risks, liquidity risks, interest and exchange rate risks, including risk mitigation measures and the management of these risks. Notes to the consolidated financial statements, no. 47 Management of financial risks

3. Other risk and opportunity factors

Flooding

As a result of the existing structural situation and the fact that HHLA's Hamburg port facilities and buildings necessarily operate close to water, there is a fundamental risk of storm surges. However, flood protection work undertaken by HHLA and the Free and Hanseatic City of Hamburg in previous years has reduced this risk considerably.

Should this risk ever materialise, comprehensive emergency programmes have been put in place by public authorities and companies operating in the port to minimise the potential damage. In addition, the risk of damage to property is sufficiently covered by insurance policies.

Investment options

In addition to organic growth, HHLA systematically examines and evaluates acquisition opportunities. Potential equity investments focus on port projects in attractive growth markets. In addition to strategic aspects and synergies with HHLA's existing activities, key decision-making criteria include growth prospects, the anticipated return on capital employed, and the assessment of commercial opportunities and risks.

The acquisition of Transiidikeskuse AS (TK), Estonia's biggest container and multi-function terminal, incorporated as HHLA TK Estonia since September 2018, serves the strategic expansion of the HHLA network.

HHLA is in a sound financial position. It therefore has the financial means to make further acquisitions.

Digitalisation

HHLA has digital expertise, as exemplified by the introduction of the slot-booking process for trucks in 2017. Based on HHLA's ambition to drive the port's digital transformation process, further innovations in the field of digitalisation are to be initiated and implemented with the aim of enhancing the company's value. These include a Group-wide evaluation to identify digitalisation potential. Structured processes are being established in order to achieve this. Investments are also being made in accelerators such as the Next Logistics Accelerator and Next Commerce Accelerator, and direct equity stakes have been acquired in highly promising start-ups. This may result in opportunities to generate additional value added.

Technological innovations

One of HHLA's targets is to relieve the pressure on the transport infrastructure in and around the Port of Hamburg by seeking innovative and sustainable solutions and using the capacities of its terminals more efficiently. To this end, HHLA set up a joint venture with the US research and development company Hyperloop Transportation Technologies (HTT). The plan is to construct a transfer station at an HHLA container terminal, which can transport maritime containers – packed in the corresponding transportation pods – at high speed via a tube system (hyperloop). Research and Development The initiation of other projects will hopefully result in additional opportunities for boosting efficiency and value added.

4. Strategic environment

Infrastructure

HHLA's competitiveness largely depends on Hamburg's infrastructure as a port and logistics hub. Hamburg's offshore, onshore and regional transport networks must be able to cope with the flows of goods and their carriers. As an infrastructure-related operator, HHLA and its subsidiaries depend on prompt provision of the scheduled volume of public investments and services that are frequently necessary to support their own investments. Infrastructural deficits could make it impossible to handle peak workloads in ship handling – arising from the ongoing trend towards a growing number of ever-larger vessels – with the same level of reliability for all carriers. This in turn could cause throughput and transport volumes to bypass HHLA's sites.

The dredging of the lower and outer stretches of the river Elbe should enable ships with a draught of up to 14.50 m to use the Port of Hamburg, depending on the tide. Ships with a draught of up to 13.50 m should then be able to pass through the lower and outer stretches of the river Elbe regardless of the tide. This will play a major role in maintaining and boosting the competitiveness of the Port of Hamburg. Planning permission was obtained in August 2018, when the third supplementary planning decision was issued. The suit brought against the current planning decision by environmental associations in September 2018 has not delayed the project. The shipping companies may, however, continue to reschedule their mega-ship liner services during the construction phase and traffic could bypass the Port of Hamburg – possibly permanently. This would result in a corresponding loss in earnings. In the meantime, however, this is viewed as unlikely (previous year: possible).

As well as swiftly dredging the navigation channel, the regional road and rail infrastructure must be modernised and expanded if the Port of Hamburg wants to retain and enhance its competitiveness and optimise its processes for the in- and outbound flows of goods in its hinterland. Deficits and delays in the expansion of the rail network, for example, could lead to the weakening of Hamburg's competitiveness as a rail port. The short-term potential effects of this have been reassessed by the Hamburg container terminals but are still seen as unlikely. In the Intermodal segment, there may be additional costs or delays due to bottlenecks in the rail network. This may result from poor rail infrastructure or delays caused by construction work, for example. The flexibility offered by our own rolling stock helps to ensure that major impacts on our earnings are unlikely. Projects of special significance for HHLA include the future replacement of the Köhlbrand Bridge, whose useful life looks set to end in 2030, the construction of the port crossing (A 26) and the upgrading of the Kiel canal, including its locks.

HHLA cooperates closely with the relevant public institutions on these projects. It also safeguards its interests by participating in relevant committees and through lobbying and active public relations activities.

5. Legal risks

Compliance incidents

Well-trained, motivated employees are the foundation for responsible business activities. The Group's relationship with its employees is dominated by its sense of social responsibility. Staff representatives are closely and actively involved in Group decision-making and take their responsibilities seriously. This paves the way for a successful working relationship. However, it is impossible to completely rule out the risk of employees committing fraudulent acts or legal and competitive violations in the course of 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 that applies to all Group managers and staff. Training sessions are held regularly on the contents of the code of conduct, as well as on other issues such as the prevention of corruption and conduct in the competitive environment, in line with the current risk profile. All of these activities are supported by additional communication measures, for example via the HHLA intranet and the HHLA team app. There are also opportunities for both employees and third parties to report violations (whistle-blower hotline). Should compliance violations occur, specific process adjustments may be undertaken to prevent them in future. For instance, in cases of theft, corresponding security measures are reviewed and possibly introduced to prevent as far as possible any further disappearance of such items. The introduction of a system-based business partner screening is also being prepared in order to facilitate standardised, risk-oriented screening of HHLA's business partners across the Group.

New regulatory requirements

Changes to legislation, regulatory reforms or amended requirements may necessitate changes to HHLA's internal processes or existing equipment. By ensuring a steady flow of information and cooperating closely with the relevant authorities, HHLA is able to make timely internal preparations and forward-looking investments aimed at reducing the associated costs.

6. IT risks

In the event of a cyber attack, temporary restrictions or failures in IT applications, e.g. due to the destruction or ransoming of data, cannot be ruled out. However, extensive measures are in place to protect against attacks and/or significantly reduce any negative consequences. These include prevention measures using tools such as specific filter mechanisms, maintaining backup systems (above all for data and information sharing) and communicating closely with business partners.

7. Service provision risks

In the case of equipment-based companies, there is a risk that a failure of central technical equipment may restrict the ability of these companies to render their services. Depending on the length of the downtime, unavailable equipment leads to additional costs for providing services. Preventive maintenance or repair, contingency plans and breakdown services, regular inspections and tests are performed to help identify possible faults before they happen. This significantly lowers the risk.

The strategy of increasingly using our own locomotives and wagons has proven effective for HHLA's rail subsidiaries. For this reason, the potential losses from performance deficits caused by external service providers reported in the previous year are no longer regarded as significant. The focus of this risk has now been transferred to infrastructural risks (see above).

In contrast to the previous year, therefore, the risks relating to the provision of services are no longer considered as major risks for the HHLA Group but will continue to be tracked and observed.

Corporate governance

Combined corporate management declaration and corporate governance report

The following section contains the **combined corporate management declaration** for HHLA and the Group in accordance with Section 289f HGB and Section 315d in conjunction with Section 289f HGB, as well as the **corporate governance report** by the Executive Board and Supervisory Board in accordance with Section 3.10 of the German Corporate Governance Code (hereinafter "the Code" or "GCGC").

Implementation of the Code

Responsible and transparent corporate management geared towards creating sustainable value has always been a main foundation of HHLA's commercial success. HHLA therefore expressly supports the Code and the objectives and purposes that it pursues. The Executive Board and Supervisory Board once again took great care to ensure the recommendations and suggestions of the Code were met in the 2018 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG in December 2018. This confirms that the management and corporate culture of HHLA and the Group comply with the recommendations and most of the suggestions contained in the Code, with only a few exceptions. The current declaration of compliance is printed below. It can also be viewed by shareholders and the public on HHLA's website at www.hhla.de/corporategovernance together with the declarations of compliance relating to previous years.

Declaration of compliance in accordance with Section 161 AktG

The Executive and Supervisory Boards of HHLA submitted the following joint declaration of compliance in accordance with Section 161 AktG on the recommendations of the Government Commission on the German Corporate Governance Code on 7 December 2018: "The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that in the period starting 18 December 2017 (the date on which the previous declaration of compliance was issued), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 7 February 2017 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions:

In February 2017, sentence 2 was added to Section 4.2.3 (2) GCGC, which recommends that the long-term assessment basis used for variable executive remuneration should fundamentally be forward-looking. However, the variable remuneration policy which applies to HHLA's Executive Board is fundamentally based on the achievement of certain key figures and/or targets for a three-year average comprising the current financial year and the two previous financial years. The Supervisory Board is of the opinion that the variable remuneration of the HHLA Executive Board is already geared towards sustainable development in its current form. Regardless of this, the Supervisory Board will also address whether the variable remuneration of the Executive Board should be adjusted in future in its next review of the Executive Board remuneration system.

Hamburg, 7 December 2018
Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board
The Supervisory Board"

Information about corporate governance practices

Structure and management of the Group

HHLA acts as the strategic management holding company for the Group. Its operating business is primarily conducted by domestic and foreign subsidiaries and associated firms. Group Structure Operating activities are managed and monitored by the Executive Board of HHLA and its central departments, such as Purchasing, Finance, Legal and HR. Compliance with the management's corporate governance requirements is ensured by internal company guidelines and provisions in the articles of association and rules of procedure for the subsidiaries and associated firms. Most subsidiaries also have their own supervisory or advisory boards that monitor and advise the executive boards of the respective companies.

Compliance

Compliance with corporate guidelines and the statutory provisions relevant to the company's activities (hereinafter also referred to as "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 (CMS) is a code of conduct, which formulates overriding principles on topics with special relevance for compliance, such as fair competition, the prevention of corruption, discrimination and conflicts of interest, as well as the handling of sensitive corporate information, particularly insider information, and information subject to data privacy, see www.hhla.de/compliance. The code of conduct also offers the opportunity for employees and third parties to provide information about misconduct within the company. The code of conduct is supplemented by further Group guidelines on such matters as the prevention of corruption and fair conduct. A further element of the CMS is the systematic, ongoing analysis of compliance risks and the introduction of corresponding measures – such as staff training and process adjustments to minimise the respective risks. Overall coordination of the CMS is performed by the HHLA Group's Compliance Officer, who reports directly to the Executive Board and synchronises their activities with those of the Internal Audit and Risk Management departments, among others. There are also compliance managers or officers at the various corporate units in Germany and abroad. The responsibilities of compliance officers primarily include advising employees on all compliance-related issues and investigating any indications of breaches. The Audit Committee monitored the effectiveness of the CMS in the reporting period by means of regular reports from the Executive Board and the Compliance Officer. The system will continue to be optimised on an ongoing basis.

Sustainability

Sustainability has been an integral part of HHLA's business model since the company was established. Sustainability
www.hhla.de/nachhaltigkeit

Risk management

The HHLA Group's risk management system is described in detail in the risk and opportunity report, which forms part of the Group Management Report. Risk and opportunity report

Function and composition of 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 supervisory functions: the Executive Board manages the company on its own responsibility, while the Supervisory Board monitors the Executive Board and advises it on managing the company. HHLA's Executive Board and Supervisory Board work closely together for the company's benefit in an atmosphere of mutual trust.

Function of the Executive Board

Business at the company is managed by the Executive Board. 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. It is also responsible for appropriate risk management and controlling within the company.

The Executive Board assumes management responsibility as a **collegial body**. Regardless of the overall responsibility to manage the company, the individual members of the Executive Board also bear responsibility for the departments assigned to them by Executive Board resolutions. The **schedule of responsibilities** states which Executive Board members are responsible for which departments. Group Structure

The **Executive Board provides the Supervisory Board** with regular, timely and comprehensive information on all matters that are relevant for the company or the Group. These include, in particular, profitability, the current position and course of business, strategy, planning, the current risk position, risk management and compliance for both the Group and the company in each case. 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 company or the Group, including between meetings. These include, for example, operational malfunctions and illegal actions that disadvantage the company or a Group affiliate.

Conflicts of interest concerning members of the Executive Board must be immediately disclosed to the Supervisory Board. Other members of the Executive Board must also be informed. 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 and parties and companies related to them also require the approval of the Supervisory Board. All such transactions must be performed on an arm's length basis. There were no transactions of this nature in the reporting period. There were also no conflicts of interest in the year under review.

The Executive Board's work is outlined in more detail in the Executive Board's **rules of procedure**. Among other things, the rules state that decisions on fundamental organisational matters, business policy and corporate planning are to be made by the Executive Board as a whole. The rules also state that measures and transactions of considerable importance for the company must be discussed and decided upon together and that – in accordance with Section 111 (4) AktG – certain measures and transactions of fundamental importance require the prior approval of the Supervisory Board.

The company has taken out **D&O insurance** for the members of the Executive Board that meets the requirements of Section 93 (2) sentence 3 AktG.

Composition of the Executive Board and diversity

In accordance with Article 8 of the articles of association, HHLA's Executive Board must consist of at least two members. At present, there are four members of the Executive Board. Notes to the consolidated financial statements, no. 49 Board members and mandates The Executive Board's members are appointed by the Supervisory Board which, together with the Executive Board, ensures there is a long-term succession plan in place and that diversity considerations are taken into account in the Executive Board's composition. In the interests of outlining diversity aspects more precisely, the Supervisory Board approved a **diversity concept for the Executive Board** in December 2017.

Objective of the diversity concept

Along with the professional skills and experience of the Executive Board members, the Supervisory Board believes that diversity aspects play an important role in the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the work of the Executive Board. The objectives below serve as guidelines for long-term succession planning and the selection of suitable candidates.

Diversity aspects

The Supervisory Board strives to ensure that the Executive Board is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Executive Board as a whole can draw on the widest possible range of experience, knowledge and skills.

Proportion of women on the Executive Board

When appointing Executive Board members, the Supervisory Board is guided by the model of equal participation by women and men and actively pursues this objective, e.g. by specifically looking for female candidates to join the Executive Board. However, given that the Executive Board is small and there is usually a limited number of suitable candidates, it is not always possible to ensure that women and men are represented equally. With this in mind, the Supervisory Board has set a target quota of 25 % for women on the HHLA Executive Board. It has specified 30 June 2022 as the deadline for achieving this target.

Qualifications and professional background

Diversity in the Executive Board is also reflected by members with different qualifications and career paths who can draw on a wide range of different experiences (such as industry background). Members with different qualifications, professional backgrounds and experiences are therefore actively welcomed. However, each Executive Board member must have the personal and professional skills and experience necessary to fulfil the responsibilities of an Executive Board member at an international, listed company and protect the HHLA Group's public image. The members of the Executive Board should also have an in-depth understanding of HHLA's business activities and are usually required to have several years of managerial experience.

Furthermore, with a view to HHLA's business model, at least one member should have specialist expertise in each of the following areas:

- strategy and strategic management;
- the logistics business, including the relevant markets and client needs;
- sales;
- operations and technology, including IT and digitalisation;
- the real estate business;
- legal affairs, corporate governance and compliance;
- human resources, especially HR management and staff development, as well as experience of co-determined structures;
- finance, including financing, accounting, controlling, risk management and internal control processes.

International orientation

As the Group's activities are international by their very nature, at least some of the members should have considerable international experience.

Age

The age limit for Executive Board members is 67. There is no minimum age. However, Executive Board members are generally expected to have several years of managerial experience when they are appointed, which presupposes a certain amount of professional experience. Within this framework, a varied age structure within the Executive Board is targeted – in the interests of diversity and long-term succession planning – although age is deemed less important than the other criteria.

Progress to date and future applicability

The Executive Board's current composition – and its composition as of 1 April 2019 – fulfils the targets set out above. The Executive Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 25 % for female executives has also been met. The age limit is not exceeded by any member. The Supervisory Board and its Personnel Committee will continue to take the above objectives into account during their long-term succession planning and when searching for suitable candidates for HHLA's Executive Board.

Function of the Supervisory Board

The Supervisory Board decides on the composition of the Executive Board, oversees the Executive Board's management of the company, advises it on company management and is involved in fundamental and important decisions. Measures and transactions of fundamental importance require the approval of the Supervisory Board in accordance with the Executive Board's rules of procedure. Its other main tasks include the examination and adoption of the annual financial statements and the approval of the consolidated financial statements. The tasks and the internal organisation of the Supervisory Board and its committees are based on the law, the articles of association, which are available on HHLA's website at www.hhla.de/corporategovernance, and the Supervisory Board's rules of procedure. The Code also contains recommendations on the Supervisory Board's work.

The Supervisory Board carries out its work both in full council and in **committees**. The individual committees and their responsibilities are laid down in the Supervisory Board's rules of procedure. The chairpersons of the committees regularly report on the work of their respective committees at the following Supervisory Board meeting. There are currently six committees: the Finance Committee, Audit Committee, Personnel Committee, Nomination Committee, Arbitration Committee and Real Estate Committee.

- The **Finance Committee** prepares Supervisory Board meetings and resolutions of major financial importance, such as resolutions to be adopted concerning significant borrowing and lending, the assumption of 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, the accounting process and the effectiveness of the audit of the financial statements. It also prepares the Supervisory Board's resolution proposal to the Annual General Meeting on the election of the auditor. The Audit Committee is responsible for the selection procedure if there are plans to rotate the auditor. After the auditor has been elected by the Annual General Meeting, it awards the audit assignment for the consolidated financial statements and the annual financial statements. It also deals with the fee agreements and determines which areas the audits should focus on. It continually monitors the independence of the auditor and discusses the risks to the auditor's independence as well as the prevention measures taken to mitigate these risks. In this connection, the Audit Committee is also responsible for monitoring and approving the additional services provided by the auditor in addition to the audit of the financial statements (non-audit services). Other focus areas of its work include monitoring the effectiveness of the internal control system, the risk management system, the internal audit system and the compliance management system.
- The **Personnel Committee** prepares the personnel decisions to be taken by the Supervisory Board, ensures together with the Executive Board that a long-term succession plan is in place and takes account of diversity considerations in the Executive Board's composition. It prepares the Supervisory Board 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 the German Stock Corporation Act (AktG) does not require the full council of the Supervisory Board to handle these responsibilities.
- The Personnel Committee also fulfils the role of **Nomination Committee**, which consists solely of shareholders' representatives when performing this role. In line with the statutory requirements, the recommendations of the Code, the skills matrix agreed by the Supervisory Board for the Executive Board, and the targets adopted regarding its composition, the Personnel Committee proposes suitable candidates to the Supervisory Board to stand for election at the Annual General Meeting as shareholder representatives on the Supervisory Board.
- The **Arbitration Committee** performs the duties defined in Section 31 (3) of the German Co-Determination Act (MitbestG). This entails making 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 **Real Estate 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 (S division). It also decides on whether to grant Supervisory Board approval for all legal transactions that require such approval and all other Supervisory Board resolutions that affect the Real Estate subgroup, either primarily or in their entirety. In addition, the Real Estate Committee is responsible for examining and preparing the Supervisory Board's decision on the adoption of the annual financial statements and the approval of the consolidated financial statements, insofar as these relate to the affairs of the Real Estate subgroup. It is also responsible for preparing the Supervisory Board's decision on appropriating the distributable profit of the Real Estate division based on the Executive Board's proposal.

The company has arranged for **D&O insurance** for the members of the Supervisory Board, which complies with Section 3.8 of the Code.

Composition of the Supervisory Board and diversity

The **composition of the Supervisory Board** is based on the company's articles of association, as well as Sections 95 and 96 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.

In view of the various requirements and recommendations relating to the composition of the Supervisory Board, the Supervisory Board approved a **requirement profile for HHLA's Supervisory Board** in December 2017. In addition to key legal requirements and the recommendations of the Code concerning the Supervisory Board's composition, this includes the Supervisory Board's own objectives for its composition, the skills matrix for the Board as a whole as per Section 5.4.1 (2) GCGC, and the diversity concept for the Supervisory Board, including the disclosures pursuant to Section 289f (1) no. 6 of the German Commercial Code (HGB).

Objective of the requirement profile

The Supervisory Board strives for a composition which ensures it is capable of monitoring and advising the Executive Board professionally at all times. As well as ensuring its members fulfil professional and personal requirements, the Supervisory Board believes that diversity aspects play an important role for the effective work of the Supervisory Board, and thus for the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the Supervisory Board's work. The objectives below therefore serve as guidelines for long-term succession planning and the selection of suitable candidates. They also provide transparency with regard to the key appointment criteria.

Requirements for individual members

General requirements

Each Supervisory Board member should have the personal and professional skills and experience necessary to fulfil the responsibilities of a Supervisory Board member at an international, listed company and protect the HHLA Group's public image. In view of this, each Supervisory Board member should fulfil the following requirements:

- sufficient professional knowledge, i.e. the ability to perform the duties which are normally handled by the Supervisory Board;
- commitment, integrity and personality;
- a general understanding of HHLA's business activities, including the market environment and clients' needs;
- corporate or operational experience – for shareholder representatives, this should ideally take the form of experience from working in company management teams, occupying a managerial position or sitting on supervisory bodies;
- compliance with the limits on mandates set out in Section 100 AktG and Section 5.4.5 sentence 2 GCGC.

Available time

Each Supervisory Board member ensures that they have the time needed to properly fulfil a Supervisory Board mandate. In particular, it must be taken into account that there are usually four to six Supervisory Board meetings per annum, which each need adequate preparation – especially in the case of reviewing the documents relating to the Annual and consolidated financial statements. Membership of one or more of the committees requires additional time for preparation and attendance of committee meetings. Lastly, additional extraordinary meetings of the Supervisory Board or the committees may become necessary to deal with special topics.

Duration of membership and age limit

Candidates proposed for election to the Supervisory Board should be under the age of 70 at the time of the election. As a rule, members should not serve more than three full terms on the Supervisory Board.

Requirements and objectives for the Supervisory Board as a whole

With regard to the composition of the Supervisory Board as a whole, the Supervisory Board strives to ensure that it is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Supervisory Board as a whole can draw on the widest possible range of experience and specialist knowledge. This also serves to promote diversity.

General requirements
The Supervisory Board of HHLA must always be composed in such a way that its members have the necessary knowledge, skills and industry expertise to fulfil the Supervisory Board's responsibilities properly. Furthermore, the members of the Supervisory Board as a whole must be familiar with the logistics industry – especially the port logistics and intermodal sectors – and the real estate industry, and at least one member of the Supervisory Board must have expertise in the fields of accounting or the auditing of financial statements.

Specific knowledge and experience
The Supervisory Board of HHLA as a whole should cover all the areas of expertise necessary to perform its duties effectively. In line with the company's business model, this specifically includes in-depth knowledge and experience in:

- managing a large or medium-sized listed company which operates internationally;
- the logistics business, ideally in the port logistics and intermodal sectors, including the relevant markets and clients' needs;
- operations and technology, including IT systems and digitalisation;
- the real estate business, specifically letting office space in the Hamburg area;
- legal affairs, corporate governance and compliance;
- controlling and risk management;
- applying accounting principles and internal control processes.

The Supervisory Board strives for a composition whereby at least one member is qualified to provide advice on each of the aspects listed above.

Independence and conflicts of interest
Given HHLA's specific commercial situation and ownership structure, the Supervisory Board should have at least two independent members from amongst the shareholders, as defined in Section 5.4.2 GCGC. Furthermore, the Supervisory Board assumes that the fact employee representatives speak for the staff and are employed by the company does not as such jeopardise their independence and that employee representatives should not therefore be viewed as dependent per se. Instead, they are expected to consider the material circumstances in each case.

To prevent potential conflicts of interest, no more than two former Executive Board members should sit on the Supervisory Board. In addition, the Supervisory Board should not include anyone who holds a seat on an executive body or performs an advisory role at any organisation in direct competition with the company.

Should any conflicts of interest arise – especially as a result of an advisory role or seat on an executive body involving customers, suppliers, creditors or other third parties – the Supervisory Board member in question is obliged to disclose these to the Supervisory Board. The Supervisory Board provides information on conflicts of interest and their treatment in its yearly report to the Annual General Meeting. If a member of the Supervisory Board has significant conflicts of interest that are not merely temporary, this should result in the termination of their period of office.

Diversity
HHLA's Supervisory Board consists of at least 30 % women and 30 % men. Furthermore, the Supervisory Board has set itself the medium-term goal of ensuring at least 40 % of its shareholder representatives are women.

In addition to this, diversity in the Supervisory Board is reflected by shareholder representatives with different career paths and fields of activity who can draw on a wide range of different experiences (such as industry background). In the interests of diversity, the Supervisory Board strives for a composition whereby its members complement one another with their backgrounds, experience and expertise. It also strives to ensure that some members have international experience.

Progress to date and future applicability
The Supervisory Board's current composition fulfils the targets set out above. The Supervisory Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 30 % for female Supervisory Board members has been met. The age limit was not exceeded by any member at the time of their election. No member has served more than three terms of office on the Supervisory Board. The Supervisory Board currently has two independent members from amongst the shareholders: the Supervisory Board Chairman Prof. Dr. Grube and Dr. Kloppenburg. Dr. Kloppenburg also has expert knowledge and experience in the fields of accounting, auditing and internal control processes and therefore fulfils the requirements in Sections 100 (5) and 107 (4) AktG and Section 5.3.2 (3) GCGC.

The Nomination Committee and the Supervisory Board will take the above requirements and objectives into account during their succession planning and when searching for suitable candidates and proposing them to the Annual General Meeting for election to the Supervisory Board. At the same time, they will strive to fulfil the skills matrix for the Supervisory Board as a whole. This also applies to finding a successor for the position that has fallen vacant with the resignation of Mr. Westhagemann on 6 February 2019. The Supervisory Board will provide the Annual General Meeting with election proposals on 18 June 2019, following preparatory work by the Nomination Committee. However, the Annual General Meeting is under no obligation to observe the requirement profile or the Supervisory Board's election proposals when electing shareholder representatives. Furthermore, in the case of shareholder representatives, the Supervisory Board has no right to nominate candidates for election and the employees entitled to vote are also not obliged to observe the requirement profile.

Further information

Further information on the activities of the Supervisory Board and its committees, as well as on the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the Report of the Supervisory Board. Further information on the composition of the Supervisory Board and its committees can be found in the notes to the consolidated financial statements, no. 49 Board members and mandates. Lastly, curricula vitae for the current members of the Supervisory Board are published on the company's website, www.hhla.de. These are updated each year.

Additional information in accordance with Section 289f (2) nos. 4 and 5 HGB

In accordance with Section 96 (2) AktG, the **Supervisory Board** of HHLA consists of at least 30 % women and 30 % men. Since the Supervisory Board re-elections in June 2017, there have been four female members of the Supervisory Board, two of whom are shareholder representatives and two of whom are employee representatives. As of 31 December 2018, women therefore now account for 33.3 % of both the shareholder representatives and the employee representatives on the Supervisory Board. As such, the legal requirements are met.

The Supervisory Board set a quota of 25 % for women on the **Executive Board** by 30 June 2022. This target has been met.

The Executive Board has set a target quota of 30 % for women in **both management levels below the Executive Board** and established a deadline for achieving this by 30 June 2022. As of 31 December 2018, women accounted for 27 % of the first management level and 22 % of the second management level. In both cases, the main reason for the targets not being achieved was that insufficient positions became vacant during the comparatively short period prior to the deadline.

Shareholders and Annual General Meeting

Shareholders exercise their rights, in particular their voting rights, at the Annual General Meeting. The Annual General Meeting is held 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 proxies designated by the company. The articles of association also authorise the Executive Board to allow shareholders to cast their vote in writing or by means of electronic communication (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 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/hauptversammlung together with the agenda. 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.

Transparency

HHLA informs capital market participants and interested members of the general public about the position of the company and the Group and important company developments, particularly by means of its financial reporting (annual report, half-yearly financial report and interim statements), 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 provides an overview of the main events in line with Section 6.2 GCGC. Any enquiries over and above this from shareholders, investors and analysts should be addressed to the Investor Relations department.

Accounting and auditing

The separate financial statements of HHLA (parent company) are prepared in line with the accounting regulations of the German Commercial Code (HGB). The consolidated financial statements and the Interim Reports comply with the International Financial Reporting Standards (IFRS) that apply in the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. This Annual Report provides further information on IFRS in the notes to the consolidated financial statements, General notes. The appropriation of profits is based solely on the separate financial statements.

The choice and appointment of the auditing firm, the monitoring of its independence and the additional services it provides are all conducted in accordance with statutory provisions. In addition, arrangements have been made with the auditor of the separate financial statements and consolidated financial statements for the 2018 financial year – PricewaterhouseCoopers 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 that are of significance for the Supervisory Board's remit which come to its attention during the audit of the financial statements. Furthermore, the auditor is to inform the Supervisory Board and/or record in its report if – when conducting the audit – it identifies facts that indicate that the declaration of compliance as per Section 161 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.

Directors' dealings

In the 2018 financial year, the company did not receive any notifications regarding directors' dealings with HHLA shares or related financial instruments as defined in the Market Abuse Regulation (Regulation [EU] No. 596/2014 of the European Parliament and of the Council).

Remuneration report

Executive Board remuneration

The remuneration system used for HHLA's Executive Board is designed to foster successful and sustainable corporate development. The Supervisory Board is responsible for defining the Executive Board's remuneration system, regularly reviewing and adjusting the remuneration system if necessary, and setting the individual remuneration of executives following preparatory work by the Personnel Committee. When making such decisions, the Personnel Committee and the Supervisory Board take into account the recommendations of the German Corporate Governance Code, the responsibilities and performance of each member of the Executive Board, and in particular HHLA's size and activities, its financial and economic position, the amount and structure of executive board remuneration at comparable companies, and the relationship between the remuneration of the Executive Board and the remuneration of the upper levels of management and the work force.

In accordance with the current remuneration system for the members of the Executive Board, which was last modified slightly in the 2015 financial year and has applied in this version for all members of the Executive Board since 1 January 2017, remuneration for the members of the Executive Board comprises a non-performance-related fixed salary, a performance-related bonus, pension entitlements and fringe benefits.

Fixed remuneration amounts to € 350,000 p.a. for ordinary members of the Executive Board. This is paid in twelve monthly instalments. The chairperson of the Executive Board receives a higher basic salary. In addition, there are fringe benefits (non-monetary compensation) in the form of a right to use an appropriate company car (including for 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 set on the basis of a three-year assessment period and paid out once the annual financial statements have been approved. The calculation is based on the average earnings before interest and taxes (EBIT) for the past 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. Target ranges were set for each of the sustainability components. 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 total variable remuneration is capped at 100 % of the fixed salary.

Pension entitlements exist for Executive Board members who have served on the Executive Board for more than three years. These entitlements grant Executive Board members a pension if they leave the Executive Board after a minimum of five or eight years' service for reasons unrelated to their person or for which they are not responsible, or as a result of incapacity or reaching retirement age. Pensions consist of a percentage of the entitlement salary, which in turn is based on the annual basic salary. Depending on the Executive Board member's length of service, this percentage is between 35 and 50 %, whereby adjustments are made not on a linear basis over the contract term, but rather in the course of contract extensions. Several different forms of income are taken into account on an individual basis, 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 applies for a limited period on the basis of the fixed remuneration. During their first term (usually three years), Executive Board members do not generally accrue pension entitlements. Instead, individual arrangements are made, such as the payment of premiums for a direct insurance policy or the payment of a certain amount which is earmarked for a private pension.

The service contracts of the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause (including termination due to a change of control). In line with the recommendations of the German Corporate Governance Code, the compensation is limited to a maximum of two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

The members of the Executive Board were not granted any loans or similar payments. Total remuneration disbursed to the members of the Executive Board for their services in the 2018 financial year amounted to approximately € 3.0 million (previous year: € 2.93 million). Former members of the Executive Board and their surviving dependants received benefits totalling € 1,008,923 (previous year: € 931,633). Total provisions of € 23,239,497 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 24,241,804).

Level of remuneration for Executive Board members according to different scenarios

As of: 31 December 2018

	0 % minimum	← The payment level of the variable remuneration is capped at 100% of the basic salary. →		100 % maximum
Performance-related components Calculated based on a three-year assessment period		**Average EBIT** (before pension provisions, less extraordinary income)		
		Sustainability targets		
		Economy	Average return on capital employed (ROCE)	
		Environment	CO_2 reduction[1]	
		Social	Continuing education and training, health and employment	
Non-performance-related fixed salary Plus fringe benefits				

1 Per container handled and transported

Individual remuneration of the Executive Board

The following figures comply with the recommendations in Section 4.2.5 of the German Corporate Governance Code (GCGC).

Angela Titzrath, Chairwoman of the Executive Board

	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2018**	2018 Minimum	2018 Maximum	2017	**2018**	2017
Fixed remuneration	450,000	450,000	450,000	450,000	450,000	450,000
Other benefits	13,859	13,859	13,859	12,248	13,859	12,248
Total	**463,859**	**463,859**	**463,859**	**462,248**	**463,859**	**462,248**
One-year variable remuneration[1, 2]	406,450	0	450,000	350,940	400,391	392,230
Other	0	0	0	0	0	0
Total remuneration	**870,309**	**463,859**	**913,859**	**813,188**	**864,250**	**854,478**
Service cost[3]	355,898	355,898	355,898	354,032	355,898	354,032
Total expenses	**1,226,207**	**819,757**	**1,269,757**	**1,167,220**	**1,220,148**	**1,208,510**

Heinz Brandt, Executive Board member

	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2018**	2018 Minimum	2018 Maximum	2017	**2018**	2017
Fixed remuneration	350,000	350,000	350,000	350,000	350,000	350,000
Other benefits	13,359	13,359	13,359	13,215	13,359	13,215
Total	**363,359**	**363,359**	**363,359**	**363,215**	**363,359**	**363,215**
One-year variable remuneration[1, 2]	326,450	0	350,000	282,815	323,974	324,813
Other	0	0	0	0	0	0
Total remuneration	**689,809**	**363,359**	**713,359**	**646,030**	**687,333**	**688,028**
Service cost[3, 4]	269,655	269,655	269,655	265,932	269,655	265,932
Total expenses	**959,464**	**633,014**	**983,014**	**911,961**	**956,988**	**953,960**

Jens Hansen, Executive Board member (since 1 April 2017)

	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2018**	2018 Minimum	2018 Maximum	2017	**2018**	2017
Fixed remuneration	350,000	350,000	350,000	262,500	350,000	262,500
Other benefits	18,624	18,624	18,624	10,081	18,624	10,081
Total	**368,624**	**368,624**	**368,624**	**272,581**	**368,624**	**272,581**
One-year variable remuneration[1, 2]	350,000	0	350,000	230,393	350,000	257,048
Other	0	0	0	0	0	0
Total remuneration	**718,624**	**368,624**	**718,624**	**502,974**	**718,624**	**529,629**
Service cost[3]	35,000	35,000	35,000	26,250	35,000	26,250
Total expenses	**753,624**	**403,624**	**753,624**	**529,224**	**753,624**	**555,879**

Dr. Roland Lappin, Executive Board member

	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2018**	2018 Minimum	2018 Maximum	2017	**2018**	2017
Fixed remuneration	350,000	350,000	350,000	350,000	350,000	350,000
Other benefits	10,782	10,782	10,782	9,593	10,782	9,593
Total	**360,782**	**360,782**	**360,782**	**359,593**	**360,782**	**359,593**
One-year variable remuneration[1, 2]	326,450	0	350,000	282,815	323,974	324,813
Other	0	0	0	0	0	0
Total remuneration	**687,232**	**360,782**	**710,782**	**642,408**	**684,756**	**684,406**
Service cost[3]	207,878	207,878	207,878	205,008	207,878	205,008
Total expenses	**895,110**	**568,660**	**918,660**	**847,415**	**892,634**	**889,414**

1 Elements of the performance-related bonus (EBIT and sustainability components), calculated on the basis of a three-year assessment period.

2 A level of goal achievement of 100 % was assumed for each sustainability component and an average probability scenario was used for the EBIT figure (based on the forecasts announced on the capital market at the start of each year).

3 Service costs in accordance with IAS 19 “Service Cost Components for Entitlements, Payments for Direct Insurance Policies or Earmarked Contributions for Pensions” (according to the comments on model table 1 in the appendix to the GCGC)

4 As a result of Mr. Brandt's decision to leave the Executive Board at the end of March 31, 2019, additional actuarial losses of € 1,020,105 were incurred in the 2018 financial year.

Supervisory Board remuneration

In accordance with Article 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 Annual General Meeting held on 13 June 2013. The members of the Supervisory Board receive fixed remuneration of € 13,500 per financial year. The chairman receives three times this amount and the vice chairman is paid one-and-a-half times the basic figure. 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 one full financial 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. There are no plans for a variable remuneration component.

No loans or similar payments were granted to members of the Supervisory Board. Other than the customary remuneration payable to the employee representatives under their contracts of employment, Supervisory Board members did not receive any other payment for services rendered. The total remuneration paid to members of the Supervisory Board during the reporting period amounted to € 309,292 (previous year: € 303,938).

Individual remuneration of Supervisory Board members

	Fixed remuneration		Remuneration for committee work		Meeting fee		Total	
in €[1]	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Prof. Dr. Rüdiger Grube[2]	40,500	23,625	5,000	0	3,500	750	49,000	24,375
Prof. Dr. Peer Witten[3]	0	20,250	0	5,000	0	3,000	0	28,250
Berthold Bose[2]	20,250	11,813	2,500	0	3,500	750	26,250	12,563
Wolfgang Abel[3]	0	10,125	0	1,250	0	2,500	0	13,875
Torsten Ballhause[3]	0	6,750	0	3,750	0	3,000	0	13,500
Petra Bödeker-Schoemann[4]	6,750	13,500	3,750	6,250	1,000	2,750	11,500	22,500
Dr. Rolf Bösinger[5]	4,500	13,500	833	2,500	0	3,500	5,333	19,500
Dr. Bernd Egert[3]	0	6,750	0	3,750	0	1,500	0	12,000
Holger Heinzel[3]	0	6,750	0	1,250	0	1,000	0	9,000
Dr. Norbert Kloppenburg	13,500	13,500	7,500	6,250	3,750	3,250	24,750	23,000
Andreas Kummer[3]	0	6,750	0	3,750	0	3,250	0	13,750
Thomas Lütje[2]	13,500	7,875	2,500	833	2,000	1,000	18,000	9,708
Dr. Wibke Mellwig[6]	3,375	0	0	0	250	0	3,625	0
Thomas Mendrzik[2]	13,500	7,875	10,000	2,500	4,750	1,750	28,250	12,125
Thomas Nahr[3]	0	6,750	0	2,500	0	1,500	0	10,750
Dr. Isabella Niklas[7]	7,875	0	3,125	0	1,750	0	12,750	0
Norbert Paulsen	13,500	13,500	10,000	5,000	5,250	3,500	28,750	22,000
Sonja Petersen[2]	13,500	7,875	5,000	1,667	3,000	250	21,500	9,792
Dr. Sibylle Roggencamp	13,500	13,500	10,000	8,750	5,000	4,500	28,500	26,750
Maya Schwiegershausen-Güth[2]	13,500	7,875	0	0	1,750	250	15,250	8,125
Dr. Torsten Sevecke[7]	7,875	0	1,458	0	2,250	0	11,583	0
Michael Westhagemann[2]	13,500	7,875	7,500	2,500	3,250	2,000	24,250	12,375
Total	**199,125**	**206,438**	**69,166**	**57,500**	**41,000**	**40,000**	**309,292**	**303,938**

1 All figures exclude VAT
2 Since 21 June 2017 (Annual General Meeting 2017)
3 Until 21 June 2017 (Annual General Meeting 2017)
4 Until 12 June 2018 (Annual General Meeting 2018)
5 Until 20 April 2018
6 21 April 2018 until 12 June 2018 (Annual General Meeting 2018)
7 Since 12 June 2018 (Annual General Meeting 2018)

Additional information on takeover law and explanatory notes

1. The subscribed capital of the company amounts to € 72,753,334.00. It is divided into 72,753,334 registered no-par-value shares with a pro-rata share of the company's share capital of € 1.00. Of this amount, 70,048,834 are class A shares and 2,704,500 are class S shares (class of shares). The class S shares constitute only shareholdings in the net profit/loss and net assets of the S division, while the class A shares constitute only shareholdings in the net profit/loss and net assets of the A division. The S division consists of the part of the company that deals with the acquisition, holding, selling, letting, management and development of properties not specific to port handling (Real Estate subgroup). All other parts of the company make up the A division (Port Logistics subgroup). 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 (Article 4 [1] of the articles of association). Each share entitles the holder to one vote at the Annual General Meeting (Article 20 [1] of the articles of association) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG) and the articles of association. 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. Details on direct or indirect capital shareholdings which entitle the holder to more than 10 % of the voting rights can be found in the notes to the consolidated financial statements, no. 35 Equity and no. 48 Related party disclosures

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.

6.1 As per Article 8 sentence 1 of the company's articles of association, the Executive Board consists of two or more people. Members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 AktG in conjunction with Section 31 MitbestG and Article 8 of the articles of association.

6.2 Amendments to the articles of association can be made by means of a resolution of the Annual General Meeting. In line with Sections 179 and 133 AktG and Article 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 share capital represented when the resolution is passed is adequate. Where the law prescribes a larger voting or capital majority for specific amendments to the articles of association, the legally required majority applies. In accordance with Article 11 (4) of the articles of association, the Supervisory Board is authorised to carry out amendments to the articles of association that relate only to the wording. If an amendment to the articles of association in the event of a capital increase or steps taken in accordance with the German Reorganisation of Companies Act (UmwG) is designed to change the relationship between Class A and class S shares, special resolutions by the Class A and class S shareholders affected are required as per Section 138 AktG. Amendments to the articles of association become effective when they are recorded in the commercial register.

7.1 Subject to the approval of the Supervisory Board, the Executive Board was authorised by the Annual General Meeting on 21 June 2017 to increase the company's share capital until 20 June 2022 by up to € 35,024,417.00 by issuing up to 35,024,417 new registered class A shares for subscription in cash and/or kind in one or more stages (Authorised Capital I, see Article 3 [4] of the articles of association). The statutory subscription rights of class S shareholders shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of class A shareholders in those cases covered in more detail in the resolution, such as issue for contributions in kind or issue in return for cash, provided the issue price is not substantially lower than the stock exchange price of those class A shares which are already listed at the time of the issue, and provided the new class A shares do not account for more than 10 % of share capital. Furthermore, the issue of new class A shares while excluding the subscription rights of class A shareholders is limited to a total of 20 % of the share capital attributable to class A shares. All class A shares issued or that could be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit.

7.2 Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised under Article 3 (5) of the articles of association to increase the company's share capital until 20 June 2022 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, see Article 3 [5] of the articles of association). The statutory subscription rights of holders of class A shares shall be excluded. The Executive Board is 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 Annual General Meeting on 16 June 2016 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 16 June 2019 bearer or registered bonds with warrants or convertible bonds or combinations of these instruments (hereinafter known collectively as "debenture bonds") and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered class A shares in the company, each representing € 1.00 of the share capital, subject to the detailed terms of the debenture bonds. The total nominal amount of the debenture bonds issued under this authorisation may not exceed € 200,000,000.00. The debenture bonds are to be divided into partial debentures of the same class, each with equal rights. The respective terms of the debenture bonds may also provide for a warrant or conversion obligation as well as an issuer put option to provide class A shares in the company as of the end of the term or at an earlier date. Class S shareholders' subscription rights are excluded. Subject to the approval of the Supervisory Board, class A shareholders' subscription rights to the partial debentures can also be excluded in full or in part in order to equalise fractional amounts, to grant subscription rights to the holders or creditors of outstanding warrants and/or debenture bonds and to the extent that debenture bonds are issued for cash, whereby debenture bonds with rights, options or obligations to convert them into class A shares or an issuer put option for class A shares may account for no more than 10 % of the share capital attributable to class A shares. Furthermore, the issue excluding the subscription rights of class A shareholders is limited to a total of 20 % of the share capital attributable to class A shares. All class A shares issued or that could still be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit. Conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This allows up to 10,000,000 new registered class A shares to be issued (see Article 3 [6] of the articles of association).

7.4 The Annual General Meeting held on 16 June 2016 authorised the company to purchase class A treasury shares up to a maximum of 10 % of the company's share capital attributable to class A shares at the time of the resolution or, if lower, at the time that the authorisation is exercised, until 15 June 2021. This authorisation may be used for any legally permissible purpose, except for trading in treasury shares. At the discretion of the Executive Board, the purchase may be made via the stock exchange, by way of a public purchase offer made to all class A shareholders or by way of a public invitation to submit sales offers. In addition to selling class A shares in the company acquired under this authorisation via the stock exchange or offering them to all shareholders in proportion to their shareholdings, the Executive Board was also authorised – subject to the approval of the Supervisory Board – to use these shares for all legally permissible purposes. This includes in particular selling shares in exchange for cash consideration at a price that is not significantly lower than the market price of shares in the company of the same rights at the time of the sale, using shares to settle rights or obligations of bearers or creditors resulting from convertible bonds or bonds with warrants issued by the company or by companies in which the company holds a majority stake, issuing or offering shares for sale to employees of the company or to employees or members of the executive bodies of an associated company, the sale of shares to third parties in return for contributions in kind, as well as redeeming shares, even in a simplified process in accordance with Section 237 (3–5) AktG. In the above cases – excluding redemption – the rights of shareholders to subscribe for treasury shares are also excluded. With the exception of shares sold in return for contributions in kind or the redemption of shares, the class A shares sold or used while excluding subscription rights may not exceed 10 % of the share capital attributable to class A shares.

Further details of the authorisations stated in sections 7.1 to 7.4, particularly the conditions of purchase or issue, the possibilities to exclude subscription rights and their limits, can be found in the corresponding authorisation resolutions and – for the authorisations listed in sections 7.1 to 7.3 – in Article 3 of the articles of association.

7.5 Under Article 6 of the articles of association and Section 237 (1) AktG, the company is authorised to 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 following material agreements include regulations that apply in the case of a change of control, as may result from a takeover bid:

In September 2015, the company took out three promissory note loans with a total volume of € 53 million and issued a total of 44 registered bonds with a combined nominal value of € 22 million. Partial repayments will be due between 30 September 2022 and 30 September 2025 for the promissory note loans and between 30 September 2027 and 30 September 2030 for the registered bonds.

In October 2018, the company took out three more promissory note loans with a total volume of € 80 million and issued a further 40 registered bonds with a combined nominal value of € 20 million. The individual promissory note loans will be due for repayment between 5 October 2025 and 5 October 2028. The registered bonds are due for repayment on 5 October 2033.

In the event of a change of control at HHLA, the holders of registered bonds and the creditors of promissory note loans or relevant tranches thereof are entitled to demand early repayment. In the case of debenture bonds and loans or relevant tranches thereof from 2015, however, the relevant bondholder or loan creditor is only entitled to demand such early repayment if continuation is deemed unreasonable. A change of control can be said to have taken place if the Free and Hanseatic City of Hamburg directly or indirectly holds less than 50.1 % of the voting rights in HHLA.

The service contracts valid during the reporting period for Executive Board members also contain a regulation that states they have a right to severance pay if their membership of the Executive Board is terminated due to a change of control or comparable circumstances. Section 9

9. The service contracts of the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause – including termination due to a change of control which may happen, for instance, following a voluntary or mandatory takeover offer. In line with the recommendations of the German Corporate Governance Code, the compensation is limited to a maximum of two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

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.

Notes to the separate financial statements for HHLA prepared in line with the German Commercial Code (HGB)

Unlike the consolidated financial statements, the annual financial statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG) are not prepared in accordance with International Financial Reporting Standards (IFRS). Instead, they are based on the regulations contained in the German Commercial Code (HGB).

Company Overview

Structure and commercial activities

Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG) is a leading European port logistics group. HHLA AG is the parent company of the HHLA Group and runs the Group as a strategic management holding company. Its operations are carried out by the 27 domestic and 15 foreign subsidiaries that make up the consolidated group. In the 2018 financial year, HHLA AG acquired the Estonian terminal operator Transiidikeskuse AS, took over the remaining shares in METRANS a.s. in the Intermodal segment and restructured its Polish rail business. No other significant legal or organisational changes were made.

HHLA AG is a legally independent company and was split into two divisions – the A division and the S division – as part of the initial public offering on 2 November 2007.

The A division represents the Port Logistics subgroup. The class A shares, which are listed on the stock exchange, entitle shareholders merely to participate in the result and net assets of these commercial operations. The performance and economic result of the Real Estate subgroup are attributed to the S division. Class S shares are not traded on the stock exchange and are held solely by the Free and Hanseatic City of Hamburg (FHH). In the unlikely and unprecedented event of the Real Estate subgroup reporting a loss, this would be indirectly transferred to the Free and Hanseatic City of Hamburg in line with a separate agreement to assume losses.

Employees

HHLA AG had a total of 1,045 employees as of 31 December 2018 (previous year: 1,073). Of this number, 290 received wages (previous year: 303), 714 received a salary (previous year: 725) and 41 were apprentices (previous year: 45). Of the 1,045 staff members, 481 were assigned to companies within the HHLA Group in the reporting year.

Economic environment

Industry and macroeconomic developments are largely in line with those at the HHLA Group.

Earnings position

Key figures

in € million	2018	2017	Change
Revenue	122.8	127.6	- 3.7 %
Other income and expenses	- 156.1	- 164.9	5.4 %
Operating result	- 33.3	- 37.3	10.8 %
Financial result	- 27.2	- 22.4	- 21.5 %
Result from equity investments	125.6	93.1	34.9 %
Income taxes	- 8.9	- 9.3	4.4 %
Net profit	56.2	24.1	133.1 %

The **revenue** recorded by HHLA AG resulted mainly from the charging of personnel expenses for holding company staff assigned to the spun-off Container and Logistics segments and from billing administrative services for IT systems which are pooled with HHLA. Revenue totalled € 122.8 million in the reporting year (previous year: € 127.6 million). The decrease of € 4.8 million was mainly due to the reduced allocation of personnel expenses for holding company staff assigned to other segments.

Other income and expenses improved earnings by an additional € 8.8 million compared with the previous year. This was largely due to expenses in the previous year relating to the reorganisation of the Container segment.

The year-on-year decrease in the **financial result** was mainly attributable to interest rate-related changes to provisions.

The development of **income from equity investments** was mainly due to the performance of the Intermodal segment. The net profits of HHLA AG's affiliates and equity investments recognised in profit or loss rose year-on-year by € 32.5 million to € 125.6 million (previous year: € 93.1 million).

The € 0.4 million decline in **income taxes** stemmed mainly from the decrease in the operating and financial result.

The company's **annual net profit** amounted to € 56.2 million in the reporting period (previous year: € 24.1 million). The A division accounted for € 47.7 million of this amount (previous year: € 14.7 million) and the S division for € 8.5 million (previous year: € 9.4 million).

Forecast and actual figures

in € million	Actual 2017	Forecast 2018	Actual 2018
Net profit	24.1	Significantly improved	56.2

The company's annual net profit was therefore in line with guidance. Course of business and economic situation

Assets

Balance sheet structure

in € million	31.12.2018	31.12.2017
Assets		
Intangible assets and property, plant and equipment	29.8	23.2
Financial assets	424.8	376.5
Other assets	695.7	625.9
Balance sheet total	**1,150.3**	**1,025.6**
Equity and liabilities		
Equity	478.1	474.3
Pension provisions	323.9	309.6
Other liabilities	348.3	241.7
Balance sheet total	**1,150.3**	**1,025.6**
Equity ratio in %	41.6	46.2
Intensity of investments in %	2.6	2.3

The carrying values of **intangible assets** and **property, plant and equipment** amounted to € 29.8 million at the end of the reporting period (previous year: € 23.2 million). Capital expenditure totalled € 9.8 million in the reporting period (previous year: € 8.3 million). Capital expenditure focused mainly on expanding the IT landscape.

The increase in **financial assets** of € 48.3 million to € 424.8 million was primarily due to the above-mentioned takeover of the remaining shares in METRANS a.s.

Development in pension provisions

in € thousand	2018	2017
Carrying amount on 1 January	**309,575**	**303,327**
Transfer amount / Merger effect*	4,296	5,555
Expense recognised in profit and loss	29,210	19,891
Pension payments	- 19,193	- 19,198
Carrying amount on 31 December	**323,888**	**309,575**

* In the year under review, a transfer amount resulted from the harmonisation of the existing old-age provision systems. In the previous year, HHLA Container Terminals Gesellschaft mit beschränkter Haftung was merged with HHLA AG.

HHLA AG uses the projected unit credit method to value entitlements associated with existing **pension obligations**. Future obligations are projected based on past service and possible future service prior to the insured event occurring. Anticipated future pension and pay increases are also taken into account. An average market interest rate for the past ten years of 3.21 % set by Deutsche Bundesbank was applied for the reporting year (previous year: 3.68 %).

In accordance with Section 253 (2) sentence 2 HGB, a remaining term of 15 years is used as a basis. Pension provisions amounted to € 323.9 million at the end of the reporting period (previous year: € 309.6 million).

Financial position

Liquidity analysis

in € million	2018	2017
Financial funds as of 01.01.	**388.4**	**405.3**
Merger effect*	0.0	4.6
Cash flow from operating activities	38.2	32.3
Cash flow from investing activities	- 58.2	- 7.1
Cash flow from financing activities	47.7	- 46.7
Financial funds as of 31.12.	**416.1**	**388.4**
of which receivables from subsidiaries	192.3	166.4
of which cash and cash equivalents	223.8	222.0

* In the previous year, HHLA Container Terminals Gesellschaft mit beschränkter Haftung and HHLA Logistics GmbH were merged into HHLA AG.

Cash flow from operating activities totalled € 38.2 million in the reporting year (previous year: € 32.3 million). It was dominated by the operating result. Capital expenditure was funded by using cash flow from operating activities and by taking out a promissory note loan.

In connection with existing cash pooling agreements, financial funds comprised receivables from subsidiaries in the amount of € 192.3 million (previous year: € 166.4 million), cash and cash equivalents in the form of bank balances totalling € 128.8 million (previous year: € 147.9 million) – of which € 20.0 million (previous year: € 20.0 million) was short-term bank deposits – and clearing receivables of € 95.0 million (previous year: € 74.0 million) from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV). The S division of HHLA AG participates in the cash clearing system operated by HGV. The A division also utilises the option of investing surplus liquidity with HGV whenever this is advantageous for HHLA AG.

Risk and opportunity report

Business developments at HHLA AG are mostly subject to the same risks and opportunities as those of the HHLA Group. HHLA AG shares in the risks of its subsidiaries and equity investments in line with its respective shareholding.

As the parent company of the HHLA Group, HHLA AG is incorporated into the Group-wide risk and opportunity management system. The risk and opportunity report contained in the combined management report provides a description of the internal control system as required by Section 289 (5) HGB. Risk and opportunity report

Business forecast

Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for HHLA AG are reflected in the business forecast for the Group as a whole. It is anticipated that the statements made for the HHLA Group regarding market and revenue developments will largely be mirrored by the revenue of HHLA AG. Furthermore, the income from equity investments is expected to make a substantial contribution towards HHLA AG's earnings. Business forecast

Expected earnings position in 2019

Based on the expected developments, HHLA AG anticipates net profit for the year on a par with the previous year.

Expected financial position in 2019

HHLA AG expects its financial position to remain stable.

Dividend

As in the previous year, HHLA AG's appropriation of profits is oriented towards the development of earnings in the financial year ended. The distributable profit and stable financial position provide the foundation for a continuation of the company's consistent dividend 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 AktG were carried out or actions were committed or omitted, the company received adequate consideration for the transactions and was not disadvantaged by committing or refraining from said actions.

In accordance with Article 4 of the articles of association, and with corresponding application of the provisions of Section 312 AktG, the Executive Board 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 appropriate consideration. Any expenses and returns that 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, 1 March 2019

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

A. Titzrath M. Brandt

Angela Titzrath Heinz Brandt

J. Hansen R. Lappin

Jens Hansen Dr. Roland Lappin

Some of the disclosures in the management report – including statements on revenue and earnings trends 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 of 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.

Detailed index consolidated financial statements

Consolidated financial statements

Income statement – HHLA Group

in € thousand	Note	2018	2017
Revenue	8.	1,291,136	1,251,806
Changes in inventories	9.	448	- 254
Own work capitalised	10.	5,209	5,404
Other operating income	11.	41,414	39,433
Cost of materials	12.	- 367,103	- 370,491
Personnel expenses	13.	- 480,580	- 463,817
Other operating expenses	14.	- 172,072	- 166,298
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**318,452**	**295,783**
Depreciation and amortisation	15.	- 114,232	- 122,595
Earnings before interest and taxes (EBIT)		**204,220**	**173,188**
Earnings from associates accounted for using the equity method	16.	5,347	4,778
Interest income	16.	2,128	4,649
Interest expenses	16.	- 28,111	- 35,324
Other financial result	16.	0	0
Financial result	**16.**	**- 20,636**	**- 25,897**
Earnings before tax (EBT)		**183,584**	**147,291**
Income tax	18.	- 45,110	- 41,437
Profit after tax		**138,474**	**105,853**
of which attributable to non-controlling interests	19.	26,193	24,788
of which attributable to shareholders of the parent company		112,281	81,065
Earnings per share, basic and diluted, in €	**20.**		
HHLA Group		1.54	1.11
Port Logistics subgroup		1.47	1.02
Real Estate subgroup		3.46	3.65

Statement of comprehensive income – HHLA Group

in € thousand	Note	2018	2017
Profit after tax		**138,474**	**105,853**
Components which cannot be transferred to the income statement			
Actuarial gains/losses	36.	11,603	5,482
Deferred taxes	18.	- 3,747	- 1,768
Total		**7,856**	**3,714**
Components which can be transferred to the income statement			
Cash flow hedges	47.	33	-8
Foreign currency translation differences		1,625	- 5,430
Deferred taxes	18.	36	- 72
Other		- 124	145
Total		**1,571**	**- 5,365**
Income and expense recognised directly in equity		**9,427**	**- 1,651**
Total comprehensive income		**147,900**	**104,202**
of which attributable to non-controlling interests		26,247	24,637
of which attributable to shareholders of the parent company		121,653	79,565

Income statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2018 Group	2018 Port Logistics	2018 Real Estate	2018 Consolidation
Revenue	1,291,136	1,258,519	39,251	- 6,634
Changes in inventories	448	448	0	0
Own work capitalised	5,209	4,481	0	728
Other operating income	41,414	37,429	5,743	- 1,758
Cost of materials	- 367,103	- 359,903	- 7,848	648
Personnel expenses	- 480,580	- 478,365	- 2,215	0
Other operating expenses	- 172,072	- 164,841	- 14,247	7,016
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**318,452**	**297,768**	**20,684**	**0**
Depreciation and amortisation	- 114,232	- 109,350	- 5,225	343
Earnings before interest and taxes (EBIT)	**204,220**	**188,418**	**15,459**	**343**
Earnings from associates accounted for using the equity method	5,347	5,347	0	0
Interest income	2,128	2,240	50	- 162
Interest expenses	- 28,111	- 25,570	- 2,703	162
Other financial result	0	0	0	0
Financial result	**- 20,636**	**- 17,983**	**- 2,653**	**0**
Earnings before tax (EBT)	**183,584**	**170,435**	**12,806**	**343**
Income tax	- 45,110	- 41,332	- 3,693	- 85
Profit after tax	**138,474**	**129,103**	**9,113**	**258**
of which attributable to non-controlling interests	26,193	26,193	0	
of which attributable to shareholders of the parent company	112,281	102,910	9,371	
Earnings per share, basic and diluted, in €	**1.54**	**1.47**	**3.46**	

Statement of comprehensive income – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2018 Group	2018 Port Logistics	2018 Real Estate	2018 Consolidation
Profit after tax	**138,474**	**129,103**	**9,113**	**258**
Components which cannot be transferred to the income statement				
Actuarial gains/losses	11,603	11,809	- 206	
Deferred taxes	- 3,747	- 3,814	67	
Total	**7,856**	**7,995**	**- 139**	
Components which can be transferred to the income statement				
Cash flow hedges	33	33	0	
Foreign currency translation differences	1,625	1,625	0	
Deferred taxes	36	36	0	
Other	- 124	- 124	0	
Total	**1,571**	**1,571**	**0**	
Income and expense recognised directly in equity	**9,427**	**9,566**	**- 139**	**0**
Total comprehensive income	**147,900**	**138,669**	**8,973**	**258**
of which attributable to non-controlling interests	26,247	26,247	0	
of which attributable to shareholders of the parent company	121,653	112,421	9,231	

Income statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2017 Group	**2017 Port Logistics**	**2017 Real Estate**	2017 Consolidation
Revenue	1,251,806	1,220,262	37,896	- 6,352
Changes in inventories	- 254	- 254	0	0
Own work capitalised	5,404	4,815	0	589
Other operating income	39,433	34,958	5,556	- 1,081
Cost of materials	- 370,491	- 363,543	- 7,574	626
Personnel expenses	- 463,817	- 461,554	- 2,263	0
Other operating expenses	- 166,298	- 160,198	- 12,318	6,218
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**295,783**	**274,486**	**21,297**	**0**
Depreciation and amortisation	- 122,595	- 117,906	- 5,012	323
Earnings before interest and taxes (EBIT)	**173,188**	**156,580**	**16,285**	**323**
Earnings from associates accounted for using the equity method	4,778	4,778	0	0
Interest income	4,649	4,437	393	- 181
Interest expenses	- 35,324	- 32,642	- 2,863	181
Other financial result	0	0	0	0
Financial result	**- 25,897**	**- 23,427**	**- 2,470**	**0**
Earnings before tax (EBT)	**147,291**	**133,153**	**13,815**	**323**
Income tax	- 41,437	- 37,158	- 4,201	- 78
Profit after tax	**105,853**	**95,995**	**9,613**	**245**
of which attributable to non-controlling interests	24,788	24,788	0	
of which attributable to shareholders of the parent company	81,065	71,207	9,858	
Earnings per share, basic and diluted, in €	**1.11**	**1.02**	**3.65**	

Statement of comprehensive income – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2017 Group	**2017 Port Logistics**	**2017 Real Estate**	2017 Consolidation
Profit after tax	**105,853**	**95,995**	**9,613**	**245**
Components which cannot be transferred to the income statement				
Actuarial gains/losses	5,482	5,512	- 30	
Deferred taxes	- 1,768	- 1,778	10	
Total	**3,714**	**3,734**	**- 20**	
Components which can be transferred to the income statement				
Cash flow hedges	-8	-8	0	
Foreign currency translation differences	- 5,430	- 5,430	0	
Deferred taxes	- 72	- 72	0	
Other	145	145	0	
Total	**- 5,365**	**- 5,365**	**0**	
Income and expense recognised directly in equity	**- 1,651**	**- 1,631**	**- 20**	**0**
Total comprehensive income	**104,202**	**94,364**	**9,593**	**245**
of which attributable to non-controlling interests	24,637	24,637	0	
of which attributable to shareholders of the parent company	79,565	69,727	9,838	

Balance sheet – HHLA Group

in € thousand	Note	31.12.2018	31.12.2017
ASSETS			
Intangible assets	22.	89,753	69,679
Property, plant and equipment	23.	1,060,262	974,551
Investment property	24.	184,724	179,884
Associates accounted for using the equity method	25.	16,463	15,215
Financial assets	26.	13,618	21,579
Deferred taxes	18.	82,126	87,093
Non-current assets		**1,446,946**	**1,348,001**
Inventories	27.	22,997	21,340
Trade receivables	28.	179,824	149,115
Receivables from related parties	29.	100,244	81,527
Other financial receivables	30.	4,062	2,651
Other assets	31.	30,758	26,828
Income tax receivables	32.	6,656	4,302
Cash, cash equivalents and short-term deposits	33.	181,460	201,514
Non-current assets held for sale	34.	0	0
Current assets		**526,001**	**487,277**
Balance sheet total		**1,972,947**	**1,835,278**
EQUITY AND LIABILITIES			
Subscribed capital		72,753	72,753
Port Logistics subgroup		70,048	70,048
Real Estate subgroup		2,705	2,705
Capital reserve		141,584	141,584
Port Logistics subgroup		141,078	141,078
Real Estate subgroup		506	506
Retained earnings		512,369	469,672
Port Logistics subgroup		464,806	426,068
Real Estate subgroup		47,563	43,604
Other comprehensive income		- 103,053	- 112,439
Port Logistics subgroup		- 102,655	- 112,180
Real Estate subgroup		- 398	- 259
Non-controlling interests		-8,812	30,790
Port Logistics subgroup		-8,812	30,790
Real Estate subgroup		0	0
Equity	35.	**614,841**	**602,359**
Pension provisions	36.	448,930	448,925
Other non-current provisions	37.	110,138	112,893
Non-current liabilities to related parties	40.	104,999	105,470
Non-current financial liabilities	38.	429,886	304,721
Deferred taxes	18.	20,704	21,779
Non-current liabilities		**1,114,657**	**993,788**
Other current provisions	37.	28,045	34,585
Trade liabilities	39.	87,043	77,246
Current liabilities to related parties	40.	7,940	8,058
Current financial liabilities	38.	82,684	80,836
Other liabilities	41.	32,800	32,505
Income tax liabilities	42.	4,937	5,901
Current liabilities		**243,449**	**239,131**
Balance sheet total		**1,972,947**	**1,835,278**

Balance sheet – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	31.12.2018 Group	**31.12.2018 Port Logistics**	**31.12.2018 Real Estate**	31.12.2018 Consolidation
ASSETS				
Intangible assets	89,753	89,739	14	0
Property, plant and equipment	1,060,262	1,042,010	4,359	13,893
Investment property	184,724	30,444	179,710	- 25,430
Associates accounted for using the equity method	16,463	16,463	0	0
Financial assets	13,618	9,505	4,113	0
Deferred taxes	82,126	92,371	0	- 10,245
Non-current assets	**1,446,946**	**1,280,532**	**188,196**	**- 21,782**
Inventories	22,997	22,949	48	0
Trade receivables	179,824	178,624	1,200	0
Receivables from related parties	100,244	80,571	20,462	- 789
Other financial receivables	4,062	3,959	103	0
Other assets	30,758	29,483	1,275	0
Income tax receivables	6,656	6,869	612	- 825
Cash, cash equivalents and short-term deposits	181,460	180,312	1,148	0
Non-current assets held for sale	0	0	0	0
Current assets	**526,001**	**502,767**	**24,848**	**- 1,614**
Balance sheet total	**1,972,947**	**1,783,299**	**213,044**	**- 23,396**
EQUITY AND LIABILITIES				
Subscribed capital	72,753	70,048	2,705	0
Capital reserve	141,584	141,078	506	0
Retained earnings	512,369	464,806	56,231	- 8,668
Other comprehensive income	- 103,053	- 102,655	- 398	0
Non-controlling interests	-8,812	-8,812	0	0
Equity	**614,841**	**564,465**	**59,045**	**- 8,668**
Pension provisions	448,930	442,114	6,816	0
Other non-current provisions	110,138	107,724	2,414	0
Non-current liabilities to related parties	104,999	104,999	0	0
Non-current financial liabilities	429,886	317,968	111,918	0
Deferred taxes	20,704	14,382	19,435	- 13,113
Non-current liabilities	**1,114,657**	**987,187**	**140,583**	**- 13,113**
Other current provisions	28,045	27,846	199	0
Trade liabilities	87,043	82,560	4,483	0
Current liabilities to related parties	7,940	7,545	1,184	- 789
Current financial liabilities	82,684	77,509	5,175	0
Other liabilities	32,800	31,463	1,337	0
Income tax liabilities	4,937	4,724	1,038	- 825
Current liabilities	**243,449**	**231,647**	**13,416**	**- 1,614**
Balance sheet total	**1,972,947**	**1,783,299**	**213,044**	**- 23,396**

Balance sheet – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	31.12.2017 Group	**31.12.2017 Port Logistics**	**31.12.2017 Real Estate**	31.12.2017 Consolidation
ASSETS				
Intangible assets	69,679	69,666	13	0
Property, plant and equipment	974,551	955,575	4,660	14,316
Investment property	179,884	29,798	176,282	- 26,196
Associates accounted for using the equity method	15,215	15,215	0	0
Financial assets	21,579	17,549	4,030	0
Deferred taxes	87,093	96,762	0	- 9,669
Non-current assets	**1,348,001**	**1,184,565**	**184,985**	**- 21,549**
Inventories	21,340	21,266	74	0
Trade receivables	149,115	147,913	1,202	0
Receivables from related parties	81,527	75,945	9,575	- 3,993
Other financial receivables	2,651	2,613	38	0
Other assets	26,828	25,519	1,309	0
Income tax receivables	4,302	3,988	1,043	- 729
Cash, cash equivalents and short-term deposits	201,514	197,132	4,382	0
Non-current assets held for sale	0	0	0	0
Current assets	**487,277**	**474,376**	**17,623**	**- 4,722**
Balance sheet total	**1,835,278**	**1,658,941**	**202,608**	**- 26,271**
EQUITY AND LIABILITIES				
Subscribed capital	72,753	70,048	2,705	0
Capital reserve	141,584	141,078	506	0
Retained earnings	469,672	426,068	52,530	- 8,926
Other comprehensive income	- 112,439	- 112,180	- 259	0
Non-controlling interests	30,790	30,790	0	0
Equity	**602,359**	**555,803**	**55,482**	**- 8,926**
Pension provisions	448,925	442,058	6,867	0
Other non-current provisions	112,893	110,511	2,382	0
Non-current liabilities to related parties	105,470	105,470	0	0
Non-current financial liabilities	304,721	198,872	105,849	0
Deferred taxes	21,779	15,902	18,500	- 12,623
Non-current liabilities	**993,788**	**872,813**	**133,598**	**- 12,623**
Other current provisions	34,585	34,519	66	0
Trade liabilities	77,246	73,240	4,006	0
Current liabilities to related parties	8,058	10,036	2,015	- 3,993
Current financial liabilities	80,836	75,612	5,224	0
Other liabilities	32,505	31,180	1,325	0
Income tax liabilities	5,901	5,738	892	- 729
Current liabilities	**239,131**	**230,325**	**13,528**	**- 4,722**
Balance sheet total	**1,835,278**	**1,658,941**	**202,608**	**- 26,271**

Cash flow statement – HHLA Group

in € thousand	Note	2018	2017
1. Cash flow from operating activities			
Earnings before interest and taxes (EBIT)		204,220	173,188
Depreciation, amortisation, impairment and reversals on non-financial non-current assets		114,232	122,595
Increase (+), decrease (-) in provisions		- 6,042	13,000
Gains (-), losses (+) from the disposal of non-current assets		- 3,492	814
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities		- 30,149	22,820
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities		7,121	8,085
Interest received		1,623	2,248
Interest paid		- 12,192	- 12,836
Income tax paid		- 48,275	- 55,800
Exchange rate and other effects		5,665	1,351
Cash flow from operating activities		**232,711**	**275,465**
2. Cash flow from investing activities			
Proceeds from disposal of intangible assets, property, plant and equipment and investment property		5,324	1,983
Payments for investments in property, plant and equipment and investment property		-126,516	-126,490
Payments for investments in intangible assets	22.	-11,110	-5,472
Proceeds from disposal of non-current financial assets		4,154	0
Payments for investments in non-current financial assets		- 210	0
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)		- 72,562	- 5
Proceeds (+), payments (-) for short-term deposits		- 2,450	- 1,205
Cash flow from investing activities		**- 203,370**	**- 131,189**
3. Cash flow from financing activities			
Payments for equity repatriation		- 342	0
Payments for increasing interests in fully consolidated companies	3.	- 51,845	0
Dividends paid to shareholders of the parent company	21.	- 52,342	- 46,738
Dividends/settlement obligation paid to non-controlling interests	6.	- 31,183	- 25,923
Payments for the redemption of lease liabilities		- 4,827	- 5,869
Proceeds from the issuance of bonds and (financial) loans		136,924	0
Payments for the redemption of (financial) loans		- 27,867	- 40,494
Cash flow from financing activities		**- 31,482**	**- 119,024**
4. Financial funds at the end of the period			
Change in financial funds (subtotals 1.–3.)		- 2,141	25,252
Change in financial funds due to exchange rates		616	- 2,135
Financial funds at the beginning of the period		255,514	232,397
Financial funds at the end of the period		**253,989**	**255,514**

Cash flow statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2018 Group	**2018 Port Logistics**	**2018 Real Estate**	2018 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	204,220	188,418	15,459	343
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	114,232	109,350	5,225	- 343
Increase (+), decrease (-) in provisions	-6,042	- 5,810	- 232	
Gains (-), losses (+) from the disposal of non-current assets	-3,492	- 3,489	- 3	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	- 30,149	- 35,879	2,526	3,204
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	7,121	10,711	- 386	- 3,204
Interest received	1,623	1,735	50	- 162
Interest paid	- 12,192	- 9,759	- 2,595	162
Income tax paid	- 48,275	- 46,160	- 2,115	
Exchange rate and other effects	5,665	5,666	- 1	
Cash flow from operating activities	**232,711**	**214,783**	**17,928**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	5,324	5,288	36	
Payments for investments in property, plant and equipment and investment property	- 126,516	- 118,142	- 8,374	
Payments for investments in intangible assets	- 11,110	- 11,099	- 11	
Proceeds from disposal of non-current financial assets	4,154	4,154	0	
Payments for investments in non-current financial assets	- 210	- 210	0	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	- 72,562	- 72,562	0	
Proceeds (+), payments (-) for short-term deposits	- 2,450	- 2,450	0	
Cash flow from investing activities	**- 203,370**	**- 195,021**	**- 8,349**	**0**
3. Cash flow from financing activities				
Payments for equity repatriation	- 342	- 342	0	
Payments for increasing interests in fully consolidated companies	- 51,845	- 51,845	0	
Dividends paid to shareholders of the parent company	- 52,342	- 46,933	- 5,409	
Dividends/settlement obligation paid to non-controlling interests	- 31,183	- 31,183	0	
Payments for the redemption of lease liabilities	- 4,827	- 4,827	0	
Proceeds from the issuance of bonds and (financial) loans	136,924	126,924	10,000	
Payments for the redemption of (financial) loans	- 27,867	- 23,941	- 3,926	
Cash flow from financing activities	**- 31,482**	**- 32,147**	**665**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	-2,141	-12,385	10,244	0
Change in financial funds due to exchange rates	616	616	0	
Financial funds at the beginning of the period	255,514	244,631	10,883	
Financial funds at the end of the period	**253,989**	**232,862**	**21,127**	**0**

Cash flow statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2017 Group	**2017 Port Logistics**	**2017 Real Estate**	2017 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	173,188	156,580	16,285	323
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	122,595	117,906	5,012	- 323
Increase (+), decrease (-) in provisions	13,000	13,249	- 249	
Gains (-), losses (+) from the disposal of non-current assets	814	873	- 59	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	22,820	23,607	- 2,876	2,089
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	8,085	8,024	2,150	- 2,089
Interest received	2,248	2,036	393	- 181
Interest paid	- 12,836	- 10,322	- 2,695	181
Income tax paid	- 55,800	- 54,406	- 1,394	
Exchange rate and other effects	1,351	1,351	0	
Cash flow from operating activities	**275,465**	**258,898**	**16,567**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	1,983	1,865	118	
Payments for investments in property, plant and equipment and investment property	- 126,490	- 120,343	- 6,147	
Payments for investments in intangible assets	- 5,472	- 5,472	0	
Proceeds from disposal of non-current financial assets	0	0	0	
Payments for investments in non-current financial assets	0	0	0	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	- 5	- 5	0	
Proceeds (+), payments (-) for short-term deposits	-1,205	- 1,205	0	
Cash flow from investing activities	**- 131,189**	**- 125,160**	**- 6,029**	**0**
3. Cash flow from financing activities				
Payments for equity repatriation	0	0	0	
Payments for increasing interests in fully consolidated companies	0	0	0	
Dividends paid to shareholders of the parent company	- 46,738	- 41,329	- 5,409	
Dividends/settlement obligation paid to non-controlling interests	- 25,923	- 25,923	0	
Payments for the redemption of lease liabilities	- 5,869	- 5,869	0	
Proceeds from the issuance of bonds and (financial) loans	0	0	0	
Payments for the redemption of (financial) loans	- 40,494	- 36,388	- 4,106	
Cash flow from financing activities	**- 119,024**	**- 109,509**	**- 9,515**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	25,252	24,229	1,023	0
Change in financial funds due to exchange rates	- 2,135	- 2,135	0	
Financial funds at the beginning of the period	232,397	222,537	9,860	
Financial funds at the end of the period	**255,514**	**244,631**	**10,883**	**0**

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 December 2016	**70,048**	**2,705**	**141,078**	**506**	**435,345**	**- 64,595**
Dividends					- 46,738	
Settlement obligation to shareholders with non-controlling interests						
Total comprehensive income					81,065	- 5,446
Balance as of 31 December 2017	**70,048**	**2,705**	**141,078**	**506**	**469,672**	**- 70,041**
Balance as of 31 December 2017	**70,048**	**2,705**	**141,078**	**506**	**469,672**	**- 70,041**
Adjustment due to first-time adoption of IFRS 9					68	
Balance as of 1 January 2018	**70,048**	**2,705**	**141,078**	**506**	**469,740**	**- 70,041**
Dividends					- 52,342	
Settlement obligation to shareholders with non-controlling interests						
Acquisition of non-controlling interests in consolidated companies					- 17,311	
Deconsolidation of interests in related parties						
Total comprehensive income					112,281	1,617
Other changes					1	14
Balance as of 31 December 2018	**70,048**	**2,705**	**141,078**	**506**	**512,369**	**- 68,410**

					Parent company interests	**Non-controlling interests**	**Total consolidated equity**
Other comprehensive income							
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Other			
412	**- 85,995**	**27,733**	**11,507**	**538,744**	**32,094**	**570,838**
				- 46,738	- 3,321	- 50,059
				0	- 22,620	- 22,620
-7	5,747	- 1,920	126	79,565	24,637	104,202
405	**- 80,248**	**25,813**	**11,633**	**571,570**	**30,790**	**602,359**
405	**- 80,248**	**25,813**	**11,633**	**571,570**	**30,790**	**602,359**
				68	34	102
405	**- 80,248**	**25,813**	**11,633**	**571,638**	**30,823**	**602,461**
				- 52,342	- 283	- 52,625
				0	- 32,645	- 32,645
				- 17,311	- 32,597	- 49,908
				0	- 342	- 342
33	11,523	- 3,688	- 114	121,653	26,247	147,900
				15	- 15	0
438	**- 68,725**	**22,125**	**11,519**	**623,653**	**- 8,812**	**614,841**

Statement of changes in equity – HHLA Port Logistics subgroup (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 December 2016	**70,048**	**141,078**	**396,191**	**- 64,595**
Dividends			- 41,329	
Settlement obligation to shareholders with non-controlling interests				
Total comprehensive income subgroup			71,206	- 5,446
Balance as of 31 December 2017	**70,048**	**141,078**	**426,068**	**- 70,041**
Balance as of 31 December 2017	**70,048**	**141,078**	**426,068**	**- 70,041**
Adjustment due to first-time adoption of IFRS 9			70	
Balance as of 1 January 2018	**70,048**	**141,078**	**426,138**	**- 70,041**
Dividends			- 46,933	
Settlement obligation to shareholders with non-controlling interests				
Acquisition of non-controlling interests in consolidated companies			- 17,311	
Deconsolidation of interests in related parties				
Total comprehensive income subgroup			102,910	1,617
Other changes			1	14
Balance as of 31 December 2018	**70,048**	**141,078**	**464,805**	**- 68,410**

	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
	412	- 85,645	27,620	11,507	496,616	32,094	528,710
					- 41,329	- 3,321	- 44,650
					0	- 22,620	- 22,620
	- 7	5,778	- 1,930	126	69,727	24,637	94,364
	405	- 79,867	25,690	11,633	525,014	30,790	555,803
	405	- 79,867	25,690	11,633	525,014	30,790	555,803
					70	34	103
	405	- 79,867	25,690	11,633	525,084	30,823	555,907
					- 46,933	- 283	- 47,216
					0	- 32,645	- 32,645
					- 17,311	- 32,597	- 49,908
					0	- 342	- 342
	33	11,729	- 3,755	- 114	112,421	26,247	138,669
					15	- 15	0
	438	- 68,138	21,935	11,519	573,276	- 8,812	564,465

Statement of changes in equity – HHLA Real Estate subgroup (S division)

in € thousand; annex to the notes

Balance as of 31 December 2016
Dividends
Total comprehensive income subgroup
Balance as of 31 December 2017
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2017
Balance as of 31 December 2017
Adjustment due to first-time adoption of IFRS 9
Balance as of 1 January 2018
Dividends
Total comprehensive income subgroup
Balance as of 31 December 2018
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2018

Subscribed capital	Capital reserve	Retained consolidated earnings	Other comprehensive income: Actuarial gains/losses	Other comprehensive income: Deferred taxes on changes recognised directly in equity	Total subgroup consolidated equity
2,705	**506**	**48,325**	**- 350**	**113**	**51,299**
		- 5,409			- 5,409
		9,613	- 30	10	9,593
2,705	**506**	**52,530**	**- 381**	**123**	**55,482**
		245			245
		- 9,170			- 9,170
		- 8,926			**- 8,926**
2,705	**506**	**43,604**	**- 381**	**123**	**46,557**
2,705	506	52,530	- 381	123	55,482
		- 2			- 2
2,705	**506**	**52,528**	**- 381**	**123**	**55,480**
		- 5,409			- 5,409
		9,113	- 206	67	8,973
2,705	**506**	**56,231**	**- 587**	**189**	**59,045**
		258			258
		- 8,926			- 8,926
		- 8,668			**- 8,668**
2,705	**506**	**47,563**	**- 587**	**189**	**50,376**

Segment report – HHLA Group

in € thousand; business segments; annex to the notes	Port Logistics subgroup					
	Container		Intermodal		Logistics	
	2018	2017	2018	2017	2018	2017
Segment revenue						
Segment revenue from non-affiliated third parties	751,687	740,560	432,398	412,399	53,370	46,067
Inter-segment revenue	7,222	6,003	1,363	1,579	6,469	4,773
Total segment revenue	**758,909**	**746,563**	**433,761**	**413,978**	**59,839**	**50,840**
Earnings						
EBITDA	209,767	194,725	112,735	94,983	10,008	6,950
EBITDA margin	27.6 %	26.1 %	26.0 %	22.9 %	16.7 %	13.7 %
EBIT	131,574	109,398	89,104	69,910	5,614	2,552
EBIT margin	17.3 %	14.7 %	20.5 %	16.9 %	9.4 %	5.0 %
Assets						
Segment assets	888,926	810,785	436,082	408,062	41,984	40,852
Other segment information						
Investments in property, plant and equipment and investment property	61,187	79,590	54,793	45,497	413	1,285
Investments in intangible assets	1,463	1,605	279	174	951	72
Total investments	**62,650**	**81,195**	**55,072**	**45,671**	**1,364**	**1,357**
Depreciation of property, plant and equipment and investment property	71,895	75,179	23,433	24,812	4,336	4,345
of which impairment	2	0	0	0	0	0
Amortisation of intangible assets	6,299	10,148	198	260	59	53
Total amortisation and depreciation	**78,194**	**85,327**	**23,631**	**25,072**	**4,395**	**4,398**
Earnings from associates accounted for using the equity method	929	874	0	0	4,418	3,904
Non-cash items	19,583	30,901	655	1,652	845	1,088
Container throughput in thousand TEU	7,336	7,196	–	–		
Container transport in thousand TEU	–	–	1,480	1,480		

1) The total investments do not include the acquisition of shares in HHLA TK Estonia AS.

		Real Estate subgroup		Total		Consolidation and reconciliation with Group		Group[1]	
Holding/Other		Real Estate							
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
16,859	17,279	36,822	35,501	1,291,136	1,251,806	0	0	1,291,136	1,251,806
127,584	129,951	2,429	2,395	145,067	144,700	- 145,067	- 144,700	0	0
144,443	**147,230**	**39,251**	**37,896**	**1,436,203**	**1,396,506**				
- 34,538	- 21,917	20,684	21,297	318,655	296,037	- 204	- 255	318,452	295,783
- 23.9 %	- 14.9 %	52.7 %	56.2 %						
- 39,475	- 26,839	15,459	16,285	202,275	171,306	1,945	1,882	204,220	173,188
- 27.3 %	- 18.2 %	39.4 %	43.0 %						
189,891	180,814	207,072	190,632	1,763,955	1,631,145	208,992	204,133	1,972,947	1,835,278
5,382	4,573	8,374	6,146	130,149	137,091	0	0	130,149	137,091
8,714	3,797	11	0	11,419	5,648	- 309	- 176	11,110	5,472
14,096	**8,370**	**8,385**	**6,146**	**141,568**	**142,739**	**- 309**	**- 176**	**141,259**	**142,563**
3,585	3,790	5,215	4,999	108,463	113,125	- 1,729	- 1,590	106,734	111,536
0	0	0	0	2	0	0	0	2	0
1,352	1,132	10	13	7,918	11,606	- 420	- 547	7,498	11,059
4,937	**4,922**	**5,225**	**5,012**	**116,381**	**124,731**	**- 2,149**	**- 2,137**	**114,232**	**122,595**
0	0	0	0	5,347	4,778	0	0	5,347	4,778
16,726	12,487	607	447	38,416	46,575	44	59	38,460	46,634

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 or the Group), registered in the Hamburg Commercial Register under HRB 1902. The holding company above the Group is HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV).

Since 1 January 2007, the Group has consisted of the Port Logistics subgroup (A division) and the Real Estate subgroup (S division). The part of the Group that deals with the property in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH is allocated to the Real Estate subgroup (S division). All other parts of the company are allocated together to the Port Logistics subgroup (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 annual financial statements of the parent company.

Information concerning the segments in which the HHLA Group operates is provided in Note 44.

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

HHLA's consolidated financial statements for the 2018 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and applicable in the European Union. The provisions contained in Section 315e (1) of the German Commercial Code (HGB) and additional commercial law regulations were also taken into account. The IFRS requirements have been met in full and result in a true and fair view of the earnings, net assets and financial position of the Group.

For the most part, the accounting and valuation policies, notes and disclosures about the consolidated financial statements for the 2018 financial year are based on the same accounting and valuation principles used for the 2017 consolidated financial statements. Exceptions are the effects of new IFRS accounting standards stated in Note 5. Use of the latter became mandatory for the Group on 1 January 2018. 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 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 2018 were approved by the Executive Board on 1 March 2019 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.

2. Consolidation principles

The consolidated financial statements include the financial statements of HHLA and its significant subsidiaries as of 31 December of each financial year. The assets and liabilities of the domestic and foreign companies consolidated in full or using the equity method are recognised in accordance with the uniform accounting and valuation 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 by the subsidiaries. Previously unreported intangible assets, which can be included in the accounts under IFRS 3 in conjunction with IAS 38, and contingent liabilities are recognised at fair value.

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 is posted to profit and loss. For a detailed explanation of the impairment testing procedure used, please refer to Note 6 and Note 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, see also Note 3 and Note 35.

The acquisition of additional non-controlling interests in consolidated companies is treated as an equity transaction in line with the entity concept and therefore set off directly against equity, taking into account the reduction in interests.

Gains or losses from the disposal of non-controlling 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 or, if applicable, using the equity method.

The effects of intragroup transactions are eliminated in full.

3. Make-up of the Group

Group of consolidated companies

The group of consolidated companies at HHLA comprises a total of 27 domestic and 15 foreign companies. For a complete list of equity investments in accordance with Section 313 (2) HGB, see also Note 48. The information provided here about the equity and annual net profit recorded by the various companies is taken from the respective annual financial statements, which were prepared in line with national accounting regulations. Information required under IFRS 12.10 and IFRS 12.21 is also included in the details of shareholdings.

Consolidated companies

	Domestic	Foreign	**Total**
HHLA AG and fully consolidated companies			
1 January 2018	20	14	34
Additions	1	1	2
Disposals	1	0	1
Mergers	1	0	1
31 December 2018	**19**	**15**	**34**
Companies reported using the equity method			
1 January 2018	8	0	8
31 December 2018	**8**	**0**	**8**
Total 31 December 2018	**27**	**15**	**42**

Subsidiaries

The consolidated financial statements comprise the financial statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) and its significant subsidiaries. Subsidiaries are companies controlled by the Group. The Group is deemed to control a company if it has a risk exposure or right to fluctuating returns resulting from its involvement in the investee and if it can also use its power over the investee to affect these returns. In particular, HHLA controls an investee if – and only if – all of the characteristics listed in IFRS 10.7 apply. Subsidiaries' financial statements are included in the consolidated financial statements from the time control begins until the time control ends.

Non-controlling interests are valued at the time of acquisition using the relevant share of the acquired company's identifiable net assets. Changes in the Group's shareholding in a subsidiary which do not lead to a loss of control are recorded in the balance sheet as equity transactions.

Subsidiaries with substantial non-controlling interests

Subsidiary	Headquarters	Segment	Equity stake	
			2018	2017
HHLA Container Terminal Altenwerder GmbH	Hamburg, Germany	Container	74.9 %	74.9 %
METRANS a.s.	Prague, Czech Republic	Intermodal	100.0 %	90.0 %

HHLA has held all shares in Metrans a.s. since the end of the first quarter of 2018. For further details, please refer to this Note under Company acquisitions, disposals and other changes to the group of consolidated companies.

Financial information about the subsidiaries with substantial non-controlling interests

	HHLA Container Terminal Altenwerder GmbH	
in € thousand	**2018**	2017
Percentage of non-controlling interests	25.1 %	25.1 %
Non-current assets	83,638	81,535
Current assets	186,990	180,120
Non-current liabilities	61,336	53,938
Current liabilities	131,189	131,106
Net assets	**78,103**	**76,611**
Book value of non-controlling interests	**- 14,117**	**- 4,466**
Revenue	260,624	275,022
Annual net profit	1,413	828
Other comprehensive income	124	- 506
Total comprehensive income	**1,537**	**322**
of which attributable to non-controlling interests	386	81
of which attributable to shareholders of the parent company	1,151	241
Cash flow from operating activities	108,616	108,708
Settlement obligation to holders of non-controlling interests	- 28,656	- 30,900

Interests in joint ventures

The Group holds interests in joint ventures. As per IFRS 11, a joint venture is subject to a joint contractual agreement between two or more parties to carry on an economic activity which is subject to joint control. Joint control is the contractually agreed division of managerial responsibilities for this arrangement. It only exists if the decisions associated with this business activity require the unanimous consent of the parties involved in joint management.

The HHLA Group holds more than half of the voting rights in the companies HHLA Frucht, STEIN and Hamburg Vessel Coordination Center, yet has no controlling influence as the companies are effectively jointly managed. This is due primarily to the equal representation of the essential corporate bodies (management and/or Supervisory Board).

Aggregate financial information about individually not material joint ventures

in € thousand	2018	2017
Group share of profit or loss	4,443	3,917
Group share of other comprehensive income	77	5
Group share of comprehensive income	**4,520**	**3,922**

No unrecorded losses relating to joint ventures were incurred either in the reporting year or on a cumulative basis.

Aggregate book value of joint ventures

in € thousand	31.12.2018	31.12.2017
Aggregate book value	**12,212**	**11,243**

Interests in associated companies

Companies designated as associated companies are those over which 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.

HHLA does not provide information on associated companies as per IFRS 12 because the relevant companies are of minor importance overall for the Group. HHLA does not believe that this has a negative impact on the statement concerning the nature of interests in other companies and the associated risks. The effects of these interests on the HHLA Group's earnings, net assets and financial position are likewise insignificant.

Accounting for interests in joint ventures and associates

Interests in joint ventures and associates are accounted for using the equity method. With the equity method, the share in each joint venture and/or associated company is first stated at acquisition cost. Instead of being amortised, any goodwill recognised within the carrying amount of the investment when it is reported in the balance sheet for the first time is subject to 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 results of the joint venture or associated company is recorded in the consolidated income statement, while its interest in changes in equity is recorded directly in consolidated equity. These cumulative changes affect the carrying amount of the interest in the joint venture or 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 joint venture or associated company.

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

Company acquisitions, disposals and other changes to the group of consolidated companies

With the share purchase agreement dated 28 December 2017 and the agreement on the transfer of company shares dated 22 January 2018, Metrans a.s., Prague, Czech Republic, acquired 100 % of the shares in POLZUG Intermodal Polska sp. z.o.o., Warsaw, Poland, and renamed the acquired company Metrans (Polonia) Sp. z.o.o. This transaction has no material impact on HHLA's consolidated financial statements.

With share purchase and transfer agreements dated 2 March 2018, HHLA acquired further shares in Metrans a.s., Prague, Czech Republic, thus increasing its stake from 90.0 % to 100 %. The purchase price for these shares was taken directly to equity in accordance with the entity concept with a corresponding reduction in non-controlling interests.

HHLA signed a contract dated 26 March 2018 for the acquisition of 100 % of the shares in terminal operator Transiidikeskuse AS, headquartered in Tallinn, Estonia, in order to further expand its existing transport and logistics network in Estonia. Upon the various conditions precedent being met, HHLA took control of the company on 27 June 2018 (acquisition date within the meaning of IFRS 3 [9]). The purchase price (transferred consideration) has been paid in euros. The company was renamed HHLA TK Estonia AS as of 24 September 2018.

Fair value of assets and liabilities

in € thousand	adjusted	preliminary
Cash and cash equivalents	**2,190**	**2,190**
Property, plant and equipment	66,050	62,301
Customer relationships	7,361	6,775
Other intangible assets	647	647
Short-term assets	3,044	3,044
Long-term liabilities	- 9,199	- 9,199
Short-term liabilities	- 3,480	- 3,480
Acquired identifiable net assets	**66,613**	**62,278**
Plus goodwill	7,587	11,922
Sum of transferred consideration	**74,200**	**74,200**

The derived goodwill amounting to € 7,587 thousand comprises the value of the workforce of the acquired company and the opportunities arising from the business model, such as expansion of operations in the Baltic region, operations in Russia and the establishment of RoRo services. The goodwill has been allocated to the Container segment. Customer-related intangible assets (customer relations) include an amount of € 7,361 thousand relating to the acquired company's simplified access to an existing customer base. It is not anticipated that a portion of the recorded goodwill will be tax deductible.

The fair value of current assets is € 3,044 thousand and includes trade receivables of € 2,590 thousand. The gross amount of due contractual trade receivables totals € 3,875 thousand, with € 1,285 thousand of this figure expected to be irrecoverable.

Due to the proximity of the acquisition date to the balance sheet date of 30 June 2018, no interim financial statements were prepared as of 27 June 2018. Had the acquisition taken place as of 1 January 2018, the Executive Board estimates that Group revenue would have been € 10.8 million higher and that Group profit after tax would have been € 1.5 million higher. When calculating these amounts, the Executive Board assumed that the adjustments to fair values performed as of the acquisition date would still have remained valid in the event of an acquisition on 1 January 2018.

HHLA set up the company HHLA Sky GmbH, based in Hamburg, on 24 July 2018. The company was included in the group of consolidated companies at HHLA as of the end of the financial year. The primary purpose of the company is to develop, organise, manage, operate, monitor and distribute air-assisted logistics services.

With the submission of the application for its removal from the commercial register on 25 May 2018, the company HCC Hanseatic Cruise Centers GmbH i. L., Hamburg, was deconsolidated as of 30 June 2018 and is therefore no longer included in HHLA's group of consolidated companies.

The company POLZUG Intermodal GmbH, Hamburg, was merged with HHLA International GmbH, Hamburg, as of 1 January 2018 upon entry into the commercial register on 31 August 2018. The merger had no impact on HHLA's consolidated financial statements.

The Czech company JPFE-07 INVESTMENTS s.r.o., Ostrava, Czech Republic, which did not previously fall within the group of consolidated companies at HHLA, was merged with Metrans a.s., Prague, Czech Republic, as of 1 January 2018 upon entry into the commercial register on 12 December 2018. The merger had no material impact on HHLA's consolidated financial statements.

There were no other significant acquisitions, purchases or disposals of shares in subsidiaries, or changes to the group of consolidated companies.

4. Foreign currency translation

Monetary assets and liabilities in the 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.

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 fair value 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 profit of € 35 thousand in the financial year, largely due to the exchange rate movements of the Czech koruna and the Polish zloty (previous year: profit of € 2,604 thousand, largely due to the appreciation of the Czech koruna).

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 when they occur. 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.

The proportion of equity attributable to shareholders of the parent company rose, with the change recognised directly in equity, by € 1,617 thousand (previous year: a reduction of € 5,446 thousand), largely due to the appreciation of the Ukrainian currency in the amount of € 1,761 thousand (previous year: depreciation of € 5,831 thousand).

Foreign currency translation

		Spot rate = 1€		Average annual rate = 1€	
Currency	ISO-Code	**31.12.2018**	31.12.2017	**2018**	2017
Czech crown	CZK	25.724	25.535	25.664	26.345
Georgian lari	GEL	3.070	3.104	3.003	2.855
Hungarian forint	HUF	320.980	310.330	319.097	309.321
Polish zloty	PLN	4.301	4.177	4.260	4.256
Ukrainian hryvnia	UAH	31.714	33.495	32.350	30.087

5. Effects of new accounting standards

Revised and new IASB/IFRIC standards and interpretations that were mandatory for the first time in the financial year under review.

Standard	Content and significance
Amendments to IAS 40 Transfers of Investment Property	The IASB published amendments to IAS 40 Investment Property in December 2016. The amendments clarify transfers of investment property to or from the portfolio in the case of a change of use. They are expected to be applicable for financial years beginning on or after 1 January 2018. Earlier adoption is permitted, provided they are first enacted in EU legislation. First-time application had no impact on the consolidated financial statements.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	The IASB published amendments to IFRS 2 Share-based Payment in June 2016. The amendments relate to the inclusion of vesting conditions in the measurement of cash-settled share-based payment transactions and amendments relating to the classification of share-based payments that provide for net settlement for taxes to be withheld. The standard also deals with the accounting treatment of the amendments. The amendments were adopted into EU law with Commission Regulation (EU) 2018/289 on 26 February 2018. These amendments apply to financial years beginning on or after 1 January 2018. Application had no impact on the consolidated financial statements.
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments was finalised by the IASB in July 2014. This standard aims to simplify the requirements for reporting financial instruments in the balance sheet. IFRS 9 amends the reporting standards for the classification and measurement of financial assets, impairments of financial assets and the reporting of hedging relationships. The amendments were enacted in EU law with Commission Regulation (EU) 2016/2067 dated 22 November 2016. The amendments apply to financial years beginning on or after 1 January 2018. In accordance with the transition guidance of IFRS 9, HHLA declined to adjust the prior-year figures and recognised the transition effects on a cumulative basis in revenue reserves as of 1 January 2018. The main financial assets reported by the Group include cash, cash equivalents, trade receivables and receivables from related parties (public-sector companies). Cash and cash equivalents are generally only invested with counterparties with very good credit ratings. The actual default risk associated with these investments is very low, see Note 47. The new impairment model does not have any material impact on the financial assets. The effects arising from first-time application of IFRS 9 are shown at the end of this table.
IFRS 15 Revenue from Contracts with Customers	The IASB adopted the standard IFRS 15 Revenue from Contracts with Customers in May 2014. This stipulates the amount and timing of revenue reporting and what information must be disclosed. It replaces the existing guidelines on revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The EU enacted this standard in its legislation with Commission Regulation (EU) 2016/1905 dated 22 September 2016. Adoption is mandatory for financial years beginning on or after 1 January 2018. There are no effects on the opening balance sheet values as of 1 January 2018 as a result of first-time application of IFRS 15. Comparative figures from the prior-year period have not been restated. With its first-time application, revenue from customer-specific ancillary transport services is no longer recognised with the corresponding expenses in the income statement, a change from the prior-year period. This approach resulted in a reduction of € 1,348 thousand in revenue and cost of materials in the 2018 financial year. Without the offsetting described in the reporting year, revenue would amount to € 1,292,484 thousand (previous year: € 1,251,806 thousand) and cost of materials would amount to € 368,451 thousand (previous year: € 370,491 thousand). Furthermore, there were no differences between the revenue recognised pursuant to IFRS 15 and the revenue recognised pursuant to IAS 18 and IAS 11. HHLA has no contract assets. The contractual liabilities identified play a subordinate role and are not shown separately. Overall, the effects on the Group's earnings, net assets and financial position are immaterial.
Amendments to IFRS 15 Clarifications	The final amendments to IFRS 15 were published by the IASB in April 2016. For the most part, the amendments to this standard are clarifications and additional simplifications for the transition to IFRS 15. The amendments were enacted in EU law with Commission Regulation (EU) 2017/1987 dated 31 October 2017. The effective date is 1 January 2018.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	In December 2016, the IASB published its interpretation IFRIC 22 clarifying at what point in time the exchange rate should be established for translating foreign currency transactions containing incoming or outgoing payments on account. IFRIC 22 is applicable as of 1 January 2018. Early adoption is permitted. The impact on HHLA's consolidated financial statements is immaterial.
Improvements to IFRS 2014–2016 Cycle	The 2014–2016 annual round of improvements to IFRS was published by the IASB in December 2016. Three standards are affected in total. The amendment to IAS 28 Investments in Associates and Joint Ventures clarifies that a different valuation option can be used for each interest in a joint venture or an associated company. Temporary provisions were deleted from IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendments to IFRS 12 Investment Entities clarify that the regulations contained in the standard also apply to interests covered by IFRS 5. The amendments were enacted in EU law with Commission Regulation (EU) 2018/182 dated 7 February 2018. The effective date for IFRS 1 and IAS 28 is 1 January 2018. The amendments had no effect on the present consolidated financial statements.

The following table shows the reconciliation of financial assets from IAS 39 to IFRS 9:

Reconciliation of carrying amounts from IAS 39 to IFRS 9

in € thousand	Carrying amounts according to IAS 39 as at 31.12.2017	Reclassifications	Valuation effects	Carrying amounts according to IFRS 9 as at 01.01.2018
Financial assets measured at cost				
Financial assets	11,834			11,834
Trade receivables	149,115		- 291	148,824
Receivables from related parties	81,527			81,527
Other financial receivables	1,974			1,974
Cash, cash equivalents and short-term deposits	201,514			201,514
Total	**445,964**	**0**	**- 291**	**445,673**
Financial assets available for sale				
Financial assets (securities)	6,227	- 6,227		0
Financial assets	3,518	- 3,518		0
Other financial receivables	677	- 677		0
Total	**10,422**	**- 10,422**	**0**	**0**
Financial assets at fair value through other comprehensive income				
Financial assets (securities)	0	6,227		6,227
Financial assets	0	2,901	302	3,203
Total	**0**	**9,128**	**302**	**9,430**
Financial assets at fair value through profit or loss				
Financial assets	0	617		617
Other financial receivables	0	677		677
Total	**0**	**1,294**	**0**	**1,294**

Initial application effects of IFRS 9 on Group equity

in € thousand	Retained consolidated earnings of the parent company	Non-controlling interests
Equity in accordance with IAS 39 as of 31 December 2017	**469,672**	**30,790**
Increase in valuation allowances on trade receivables	- 273	- 18
Reclassification of financial assets from “available for sale” to “through other comprehensive income”	257	45
Deferred taxes on initial effects	84	7
Equity in accordance with IFRS 9 as of 1 January 2018	**469,740**	**30,823**

The following balance sheet table shows the impacts of the amended IFRS 9 financial reporting standard on the opening balance sheet values, as well as the measurement categories pursuant to IAS 39 and IFRS 9:

Valuation categories and reconciliation of the carrying amounts from IAS 39 to IFRS 9

in € thousand	Valuation categories according to IAS 39	Valuation categories according to IFRS 9	Carrying amount according to IAS 39 for 31.12.2017	Adjustment effects	**Carrying amount according to IFRS 9 as of 01.01.2018**
Financial assets	Available for sale	Fair value (through other comprehensive income)	9,128	302	9,430
Financial assets	Available for sale	Fair value (profit or loss)	617		617
Financial assets	Loans and receivables	At cost	11,834		11,834
Trade receivables	Loans and receivables	At cost	149,115	- 291	148,824
Receivables from related parties	Loans and receivables	At cost	81,527		81,527
Other financial receivables	Available for sale	Fair value (profit or loss)	677		677
Other financial receivables	Loans and receivables	At cost	1,974		1,974
Cash, cash equivalents and short-term deposits	Loans and receivables	At cost	201,514		201,514
Deferred taxes (assets)			87,093	91	87,184
Equity			602,359	102	602,461
thereof retained consolidated earnings of the parent company			469,672	68	469,740
thereof non-controlling interests			30,790	34	30,823

Amendments to standards that can be applied on a voluntary basis for the financial year under review which were not adopted by HHLA:

Standard	Content and significance
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The aim of the amendments, which were published in October 2017, is to clarify that an entity must apply IFRS 9 Financial Instruments to all long-term interests in an associate or joint venture, irrespective of the accounting method. The EU enacted this clarification in its legislation with Commission Regulation (EU) 2019/237 dated 8 February 2019. The amendments take effect for reporting periods that begin on or after 1 January 2019. Early adoption is permitted.
IFRS 16 Leases	The IASB published IFRS 16 Leases in January 2016. This standard supersedes the previously valid IAS 17 Leases and introduces significant accounting changes for lessees. In general, all leases are now to be recognised as rights of use for accounting purposes. Under IFRS 16, lessors will continue to classify leases as operating or finance in line with IAS 17. The new rules aim to help improve the transparency of financial reporting and break down existing information imbalances. The EU enacted this standard in its legislation with Commission Regulation (EU) 2017/1986 dated 31 October 2017. The effective date is 1 January 2019. The HHLA Group will apply the standard for the financial year beginning on 1 January 2019 using the modified retrospective approach. With this method, the comparative prior-year figures are not adjusted; changeover effects must therefore be recognised as adjustments to revenue reserves as of 1 January 2019. As part of the modified retrospective approach, an incremental borrowing rate as of 1 January 2019 has been used to calculate the lease liability. In respect of many of the contracts, HHLA will recognise the usage rights for leased assets in the amount of the corresponding lease liabilities at first-time application, meaning that no equity effects will arise at this time. Due to their material importance, usage rights for rental agreements for space at the Port of Hamburg, which were previously recognised as operating leases, will be recognised at their carrying amounts, as though IFRS 16 had applied since the start of the lease. This results in significant changeover effects as of 1 January 2019, which are shown as adjustments to revenue reserves. As a lessee, HHLA takes the opportunity not to recognise usage rights and lease liabilities for short-term leases or leases where the underlying asset is of low value. For these leases, lease payments are recorded as expenses instead. The new lease standard was implemented via a Group-wide project. **Balance sheet total and equity ratio** The increase in the balance sheet total triggered by the new rules of IFRS 16 will be largely prompted by capitalising the right of use. On the liabilities side, this is countered by the adjustments to revenue reserves and the recognition of the leasing liability. On the basis of the contracts currently concluded and what is still a provisional valuation, the HHLA Group expects the balance sheet total to increase by approx. € 0.6 billion as of 1 January 2019. Given this increased balance sheet total and taking into account the changeover effects in equity, the current status of contracts will lead to a reduction in the equity ratio in the upper single-digit range as of 1 January 2019. **Income statement** Until now, expenses from operating leases had always been recognised under other operating expenses on the income statement. In future, however, depreciation and amortisation on the right of use and interest expenses will be shown for the lease liability. In the 2019 financial year, this change in terms of recognition will result in an increase in EBIT in the mid-single-digit percent range as compared with the 2018 financial year. **Cash flow statement** In the cash flow statement, there will be a shift between cash flow from operating activities and cash flow from financing activities. While EBIT and thus operating cash flow will increase, the capital outflows from financing activities will also rise because higher redemptions of lease liabilities will have to be accounted for.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	The IASB published these amendments to IFRS 9 in October 2017. They are designed to facilitate measurement at amortised cost/at fair value through other comprehensive income even for financial assets that do not meet the SPPI criterion. These relate to financial assets with prepayment features that involve one party receiving or paying appropriate compensation in the event of termination (appropriate negative fee). The EU enacted this standard in its legislation with Commission Regulation (EU) 2018/498 dated 22 March 2018. The amendments are to apply to financial years beginning on or after 1 January 2019. Early adoption is permitted.
IFRIC 23 Accounting for Uncertainties in Income Taxes	The interpretation published in June 2017 clarifies the accounting treatment of uncertainties relating to income tax treatment under IAS 12. The interpretation is to be applied to taxable profit (tax loss), unused tax losses, unused tax credits and tax rates. The EU enacted this standard in its legislation with Commission Regulation (EU) 2018/1595 dated 23 October 2018. The provisions will come into force for financial years starting on 1 January 2019. Early adoption is permitted.

Standards and interpretations that have been passed by the IASB but not yet adopted by the EU and are not applied by HHLA.

Standard	Content and significance
Amendments to IAS 1 and IAS 8 Definition of Materiality	In October 2018, the IASB published amendments with regard to the definition of the materiality of information in financial statements in IAS 1 Presentation of Financial Statements and in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. With these changes, a consistent and precisely defined understanding of the materiality of information in financial statements has been created and supplemented with examples. The amendments are to be observed as of 1 January 2020. Early adoption is permitted.
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	In accordance with IAS 19, pension obligations are to be measured based on updated assumptions in the event of a plan amendment, curtailment or settlement. This amendment clarifies that, after such an event, the past service cost and net interest for the remainder of the period must be taken into account based on updated assumptions. The amendments are to be applied with effect from 1 January 2019. Early adoption is permitted.
Amendments to IFRS 3 Definition of a Business	In October 2018, the IASB published an amendment to IFRS 3 Business Combinations with regard to the definition of a business. With this amendment, the IASB clarifies that a business consists of a group of activities and assets that covers at least one resource input and a substantial process that, together, result in output. Furthermore, with regard to performance (output), the definition is narrowed to focus on goods and services provided to customers and excludes the reference to cost reductions. The new provisions also include an optional “concentration test”, which aims to facilitate the identification of a business. The amendment is applicable to business combinations where the date of acquisition is either on or after 1 January 2020. Early adoption is permitted.
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IASB approved amendments to IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures in September 2014. These clarify how unrealised gains from transactions between an investor and a joint venture or an associate should be reported. The EFRAG announced in February 2015 that the process of endorsing these amendments had been suspended for the time being because inconsistencies had been identified between the amended standard and the existing IAS 28. The effective date – previously 1 January 2016 – has been postponed indefinitely until the inconsistencies have been resolved.
Amendments to References to the Conceptual Framework in IFRS standards	In March 2018, the IASB published its revised conceptual framework for financial reporting. The revised version contains extensive amendments to the earlier conceptual framework. The standards affected by the amendments are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Amendments to the references within the IFRS listed above are particularly affected by the endorsement process, which has an editorial character. The endorsement is not expected to have any effect on the consolidated financial statements.
Improvements to IFRS 2015–2017 Cycle	These clarifications were published in December 2017 and apply to four standards. Based on the amendments to IFRS 3 Business Combinations, the principles governing successive business combinations are to be applied when an entity obtains control over a business operation in which it previously held an interest as part of a joint operation. Based on the amendments to IFRS 11 Joint Arrangements, a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments to IAS 12 Income Taxes deal with the income tax consequences of dividend payments. The amendments to IAS 23 Borrowing Costs clarify that, in connection with the calculation of the capitalisation rate, the cost associated with debt taken out specifically in connection with the acquisition of the qualifying assets is not to be included until the asset is completed if a company has generally borrowed funds to purchase qualifying assets. The amendments are to be applied with effect from 1 January 2019. Early adoption is permitted.

Standards and interpretations that have no relevance for HHLA’s consolidated financial statements.

Standard	Content and significance
Amendments to IFRS 4	Insurance Contracts
IFRS 17	Insurance Contracts

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 acquisition cost. Intangible assets with a finite useful life are amortised over their useful life on a straight-line basis. The Group reviews the underlying amortisation methods and the useful lives of its intangible assets with a finite useful life as of each balance sheet date.

Intangible assets with an indefinite useful life are subjected to an impairment test at least once a year. If necessary, value adjustments are made in line with 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.

Useful life of intangible assets

in years	**2018**	2017
Software	3 – 7	3 – 7

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. The carrying amounts for property, plant and equipment are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

Depreciation is carried out on a straight-line basis over an asset's useful life.

During the reporting period, the useful lives of certain assets in the asset classes "Technical equipment and machinery" and "Other plant, operating and office equipment" were remeasured. The range of useful lives shown in the following table only changed in respect of the asset class "Other plant, operating and office equipment". The positive effect arising from the adjustment of useful lives amounts to € 3,399 thousand for "Technical equipment and machinery" and € 3,216 thousand for "Other plant, operating and office equipment". These adjustments do not have a material impact on the Group's earnings, net assets and financial position.

The following table shows the principal useful lives which are assumed:

Useful life of property, plant and equipment

in years	**2018**	2017
Buildings	10 – 70	10 – 70
Technical equipment and machinery	5 – 25	5 – 25
Other plant, operating and office equipment	3 – 20	3 – 15

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 accumulated depreciation and accumulated impairment losses. Subsequent expenses are capitalised if they result in an increase in the investment property's value in use. The useful lives applied are the same as those for property, plant and equipment used by the Group.

The fair values of these 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. This is ascertained as the higher of the fair value of the asset 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 (CGU) 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 recoverable amount is generally calculated based on the fair value less selling costs of the cash-generating unit or asset 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 4.8 and 5.8 % p.a. (previous year: 4.7 to 5.4 % p.a.). The cash flow forecasts in the Group's current plans for the next five years are used to determine future cash flows. If new information is available when the financial statements are produced, it is taken into account. Growth factors of 1.0 % (previous year: 1.0 %) were applied in the reporting year. When forecasting cash flows, the Group takes future market and sector expectations as well as past experience into account in its planning. Cash flows are primarily determined on the basis of anticipated volumes and income along with the cost structure arising from the level of capacity utilisation and the technology used.

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 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

HHLA is applying IFRS 9 for the first time on the financial year beginning 1 January 2018. Depending on the business model under which assets are held and the composition of related payment flows, financial assets are classified at amortised costs, at fair value through other comprehensive income or at fair value through profit and loss.

Business models

IFRS 9 distinguishes between three kinds of business model:

Hold to collect

The objective of this business model is to hold debt instruments, generate contractual cash flows (e.g. interest income) and, upon maturity, to collect the nominal value. In this business model, subsequent measurement is performed at amortised cost, applying the effective interest rate method.

Hold to collect and sell

If debt instruments are held under this business model, the objective is to collect contractual cash flows or to sell the debt instruments. The debt instruments are measured at fair value, with market value fluctuations recorded in equity.

Hold for trading

If debt instruments are held primarily to generate short-term price gains, they are to be assigned to this business model. This category also includes financial assets that do not meet the requirements of the two business models outlined above. Consequently, the debt instruments are measured at fair value through profit and loss.

Nature of payment flows

Alongside the business model, the nature of the contractual cash flows is material. These should only reflect the time value of money and the credit risk of the counterparty. If the interest payments do not meet these criteria, the related debt instruments are assigned to the business model “Other”.

Classification of financial assets

Classification in accordance with IFRS 9

	Business model	Measurement categories
Financial assets (securities)	Hold to collect and sell	Fair value through profit or loss (no recycling)
Financial assets	Hold for trading	Fair value through profit or loss
Financial assets	Hold to collect	Amortised cost
Trade receivables	Hold to collect	Amortised cost
Receivables from related parties	Hold to collect	Amortised cost
Other financial receivables	Hold for trading	Fair value through profit or loss
Other financial receivables	Hold to collect	Amortised cost
Cash, cash equivalents and short-term deposits	Hold to collect	Amortised cost

Impairment of financial assets

As a result of IFRS 9, there will be a change in reporting on the impairment all financial assets that are measured either at amortised cost or at fair value through other comprehensive income. As a result, losses will not only be recorded once they occur, but also as soon as they are expected, depending on whether the default risk of financial assets has worsened significantly since their acquisition. If there is a significant deterioration and if the default risk is not to be classified as “low” on the balance sheet date, all expected losses over the entire term are to be recorded from this point. Otherwise, only the expected losses over the term of the instrument need to be taken into account that result from potential future loss events within the next twelve months.

Exceptions apply in respect of trade receivables and leasing receivables. For these assets, all expected losses over the entire term must (i.e. without a significant financing component) or may (i.e. with a significant financing component) be taken into account, regardless of the change in the default risk.

On each balance sheet date, the Group determines whether a financial asset or a portfolio is impaired. For a detailed description of this method, please see Note 47.

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. 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 estimated costs until completion and sale.

Liabilities

All financial liabilities are to be measured at amortised cost, applying the effective interest rate method. As soon as HHLA becomes a contracting party, financial liabilities are to be recognised. A liability is derecognised as a result of repayment, buy-back or debt relief. The liability is measured at fair value at the time of acquisition, with acquisition costs constituting the most suitable valuation benchmark. Subsequent measurement of financial liabilities is performed at amortised cost, applying the effective interest rate method.

Throughput-dependent share of earnings attributable to non-controlling interests

Background

In the 2010 financial year, profit and loss transfer agreements were signed between the subsidiaries HHLA Container-Terminal Altenwerder GmbH, Hamburg (CTA), and HHLA CTA Besitzgesellschaft mbH, Hamburg (CTAB), on the one hand and HHLA Container Terminals GmbH, Hamburg (HHCT), on the other. In the profit and loss transfer agreements, HHCT pledges to pay a financial settlement to the non-controlling interest in the above-mentioned companies for the duration of the agreement. The amount of the financial settlement is based largely on earnings and the throughput handled. Should throughput reach a certain level, it is possible for the proportion of earnings allocated to the financial settlement to exceed the share which would result from the non-controlling shareholder's stake in the companies. Unless the profit and loss transfer agreement is terminated, it will be extended for a further year at a time. CTA merged with CTAB with retroactive effect as of 1 January 2014 based on a merger agreement dated 5 August 2014. As a result, there is now just one profit and loss transfer agreement. On the same date, CTA Besitzgesellschaft mbH was renamed HHLA Container Terminal Altenwerder GmbH. As a result of the merger of HHTC with Hamburger Hafen und Logistik Aktiengesellschaft (HHLA), a profit and loss transfer agreement with effect as of 1 January 2017 was transferred to HHLA in August 2017.

Classification as a compound financial instrument

As profit and loss transfer agreements have been concluded, the interest held by the non-controlling shareholder is classified as a compound financial instrument as per IAS 32.28 because it contains both debt and equity components. These components must be split and entered as either equity or borrowed capital depending on their classification.

Initial measurement

When it was first entered in 2010, the amount of equity to be reported for the non-controlling interests was calculated by deducting the fair value of the debt component. The fair value of the debt component in the form of these financial settlements was established by discounting the anticipated resulting cash outflows during the five-year term of the profit and loss transfer agreement.

When this debt component was first recorded under other financial liabilities Note 38, it was recognised directly in equity and reduced non-controlling interests within equity as a result Note 35.

From the 2014 financial year onwards, extending the profit and loss transfer agreement gives rise to an obligation to pay a financial settlement for the following year. The profit and loss transfer agreement was not terminated in 2018. This means the company has a further obligation to pay a financial settlement for the 2019 financial year. This obligation must also be reported at fair value directly in equity within other financial liabilities by discounting the anticipated cash outflows in the year under review. It reduces non-controlling interests within equity accordingly.

Subsequent measurement

From 2011 onwards, other financial liabilities arising from the obligation to pay this financial settlement are recorded in the balance sheet at amortised cost. Changes resulting from the expected cash outflows are recognised in profit and loss. The changes result from adjustments to reflect the actual shares in the CTA Group's earnings and changes in the anticipated future development of the CTA Group. An interest rate of 5.48 % is used for recognising the expected financial settlement for the 2019 financial year in the reporting year (previous year for the 2018 financial year: 5.44 %). Expenses recognised through profit and loss totalling € 6,036 thousand (previous year: € 12,855 thousand) are recorded in financial income Note 16 and only impact non-controlling interests in the

CTA Group. This figure includes expenses of € 4,805 thousand (previous year: € 11,870 thousand) from an adjustment to reflect the actual share of earnings, and expenses of € 1,231 thousand arising from the discounting of the payment obligation recognised in the previous year (previous year: € 985 thousand).

Development in non-controlling interests held in the CTA Group

in € thousand

As of 31 December 2009 prior to conclusion of the profit and loss transfer agreement	**44,617**
As of 31 December 2016, taking actual share of earnings and adjustments to settlement obligation into account	**172**
Actual share in the CTA Group's earnings for 2017	30,900
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 12,855
Other adjustments	9
Comprehensive income reported in equity	18,054
Reclassification of the settlement obligation for 2018 to other financial obligations	- 22,620
As of 31 December 2017, taking actual share of earnings and adjustments to settlement obligation into account	**- 4,394**
Actual share in the CTA Group's earnings for 2018	28,656
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 6,036
Other adjustments	495
Comprehensive income reported in equity	23,115
Reclassification of the settlement obligation for 2019 to other financial obligations	- 32,645
As of 31 December 2018, taking actual share of earnings and adjustments to settlement obligation into account	**- 13,924**

Development in other financial liabilities arising from settlement obligations

in € thousand

As of 31 December 2016 with continuation of settlement obligation	**40,647**
Payment of actual share of earnings for 2016	- 22,603
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	12,855
Reclassification of settlement obligation for 2018 from non-controlling interests	22,620
As of 31 December 2017 with continuation of settlement obligation	**53,519**
Payment of actual share of earnings for 2017	- 30,900
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	6,036
Reclassification of settlement obligation for 2019 from non-controlling interests	32,645
As of 31 December 2018 with continuation of settlement obligation	**61,300**

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 at least a partial reimbursement of an amount made as a provision (e.g. in the case of an insurance contract), the reimbursement is recognised as a separate asset only if it is virtually certain. The expenses arising from recognising 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 (revised 2011) using the projected unit credit method. Actuarial gains and losses are taken directly to equity and recognised in other comprehensive income, after accounting for deferred taxes. 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 measure pension obligations.

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. Since 1 January 2013 and in accordance with IAS 19 (revised 2011), provisions for supplementary amounts have only been accrued pro rata over the required service period, which regularly ends when the passive phase begins.

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 remaining carrying amount of the lease liability at a constant rate. Financing expenses are recognised through 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 the income statement 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

HHLA is applying IFRS 15 for the first time on the financial year beginning 1 January 2018. A five-step model – in which the contract with a customer, the performance obligation and the transaction price are identified – is used to determine the time and amount at which revenue is to be recorded. The model stipulates that revenue is to be recorded at the time control over goods or services passes from the company to the buyer and at the amount to which the company is expected to be entitled (acquisition of power of disposal).

Provision of services

Income from services is recognised in accordance with the extent to which the service has been provided over time or, if not applicable, at a point in time. If recorded over time, 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.

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. 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.

There is sufficient certainty that all the conditions have been or will be fulfilled for the grants totalling € 49,740 thousand which were paid to HHLA in the period between 2001 and 2018. These grants have been deducted from the cost of purchasing the subsidised investments. The HHLA Group received € 6,311 thousand in government grants in the reporting year.

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.

Derivative financial instruments and hedging transactions

During the reporting period, the Group did not conduct any hedging transactions to hedge fair value or net investments in a foreign operation. Furthermore, no effective exchange rate transactions were concluded or conducted.

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 generally used at HHLA less selling costs of the cash-generating units to which the goodwill has been allocated. To estimate the fair value, 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 could be incurred as a result. For more information, please refer to Note 22.

Investment property

The fair value of investment property must be disclosed in the notes. 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. Detailed information is available in Note 24.

Pension provisions

Actuarial opinions are commissioned annually to determine the expenses for pensions and similar obligations. 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. More detailed information is available in 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. 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 in the Speicherstadt historical warehouse district. The calculations are based on assumptions concerning the amount of demolition work necessary, interest rates and inflation. For more information, please refer to Note 37.

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. For more information, please refer to Note 37.

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 exist because HHLA has concluded a profit and loss transfer agreement with a subsidiary, which entitles non-controlling interests to receive financial settlements, see Note 6. The parameters used to calculate this amount are subject to significant uncertainties which can cause figures to fluctuate accordingly. More detailed information is available in Note 38.

Calculating fair value

The fair value measured for financial and non-financial assets and liabilities is regularly reviewed by the Group.

The Group also regularly reviews key unobservable input factors and valuation adjustments. When the fair value of an asset or liability is calculated, the Group uses observable market data whenever possible. Based on the input factors used during valuation, the fair values calculated are classified as belonging to different levels of the fair value hierarchy:

Fair value hierarchy

	Content and significance
Level 1	Listed prices (non-adjusted) on active markets for identical assets or liabilities
Level 2	Valuation parameters which do not involve the listed prices included in level 1 but which are observable for the asset or liability either directly (i.e. as a price) or indirectly (i.e. as determined through prices)
Level 3	Valuation parameters for assets or liabilities which are not based on observable market data

The Group records any transfers between the various levels of the fair value hierarchy at the end of the reporting period in which the amendment was made.

For details of the valuation methods and input parameters used to measure the fair value of the various assets and liabilities, please see Note 24 and Note 47.

Notes to the income statement

8. Revenue

Revenue for the HHLA Group amounts to € 1,291,136 thousand (previous year: € 1,251,806 thousand) and includes € 1,224,722 thousand (previous year: € 1,185,532 thousand) from services rendered at a point in time (mainly handling and transport services) and € 66,414 thousand (previous year: € 66,274 thousand) from earnings generated over time. Of the earnings generated over time, € 59,611 thousand (previous year: € 58,676 thousand) relates to rental income.

In the segment report, the revenue is broken down by segment, including inter-segment revenue. The revenue is broken down by region in Note 44 in the notes to the segment report. This Note also contains segment-specific details on the type of revenue.

9. Changes in inventories

Changes in inventories

in € thousand	**2018**	2017
	448	- 254

Changes in inventories relate to changes in the inventories of finished products and work in progress.

10. Own work capitalised

Own work capitalised

in € thousand	**2018**	2017
	5,209	5,404

As in the previous year, own work capitalised results mainly from development activities and from technical work capitalised in the course of construction work.

11. Other operating income

Other operating income

in € thousand	**2018**	2017
Income from other accounting periods	8,310	6,255
Income from reimbursements	8,269	8,745
Income from reversal of other provisions	6,609	4,745
Proceeds on disposal of property, plant and equipment	3,626	357
Income from compensation	1,682	1,992
Income from exchange rate differences	1,057	1,923
Other	11,861	15,416
	41,414	**39,433**

As in the previous year, income from reimbursements relates primarily to costs which were passed on in connection with leases.

As in the previous year, income from other accounting periods includes income from the reversal of other liabilities from previous periods.

Proceeds from the disposal of property, plant and equipment in the reporting year mainly relate to the sale of wagons.

Other operating income includes income from the outsourcing of personnel of € 4,115 thousand (previous year: € 4,158 thousand) and, in the 2017 financial year, income from the harmonisation of the existing pension schemes in the amount of € 1,617 thousand.

12. Cost of materials

Cost of materials

in € thousand	2018	2017
Raw materials, consumables and supplies	94,263	90,125
Purchased service	272,840	280,366
	367,103	**370,491**

The expenses for purchased services mainly consist of rail services purchased by the Intermodal segment.

13. Personnel expenses

Personnel expenses

in € thousand	2018	2017
Wages and salaries	332,089	314,181
Staff deployment	73,353	66,233
Social security contributions and benefits	67,717	77,216
Service expense	6,898	5,674
Other retirement benefit expenses	523	513
	480,580	**463,817**

The direct remuneration paid to members of the Executive Board totalled € 2,955 thousand for the 2018 financial year (previous year: € 2,936 thousand). More details on the remuneration paid to the Executive Board and the Supervisory Board can be found in Note 48.

Social security contributions include payments towards the public pension scheme amounting to € 28,286 thousand (previous year: € 27,636 thousand) and payments to the German pension insurance scheme. The increase in personnel expenses in the year under review is due to increases in union wage rates, the higher number of employees and increased demand for external staff. The previous year's social security contributions and benefits include expenses for the organisational restructuring in the Container segment.

Service expense includes payments from defined benefit pension commitments and similar obligations.

Average number of employees of fully consolidated companies

	2018	2017
Employees receiving wages	3,048	2,879
Salaried staff	2,665	2,595
Trainees	65	79
	5,778	**5,553**

In addition, the Group used an annual average of 760 employees (previous year: 710) of Gesamthafenbetriebs Gesellschaft m.b.H., Hamburg (GHB).

14. Other operating expenses

Other operating expenses

in € thousand	**2018**	2017
Leasing costs	58,295	53,829
External maintenance services	41,755	37,294
Consultancy, services, insurance and auditing expenses	39,789	37,027
Travel expenses, advertising and promotional costs	4,375	3,663
Other personnel expenses	4,239	2,380
Other taxes	3,125	2,703
Other venture expenses	2,608	610
External and internal cleaning costs	2,230	1,977
Expenses from other accounting periods	2,125	645
Postage and telecommunications costs	1,568	1,449
Impairment losses on financial assets	998	532
Expenses from exchange rate differences	912	1,271
Losses on the disposal of property, plant and equipment	134	1,171
Expenditure for the harmonisation of existing pension schemes	0	10,762
Other	9,919	10,985
	172,072	**166,298**

Further information on leasing expenses can be found in Note 45.

The HHLA Group regards the impairment losses on financial assets listed above as immaterial and has therefore decided not to show them separately in the income statement.

The previous year's figure included expenses for the harmonisation of existing pension schemes, see Note 37.

15. Depreciation and amortisation

Depreciation and amortisation

in € thousand	**2018**	2017
Intangible assets	7,498	11,059
Property, plant and equipment (without finance lease)	90,939	94,873
Assets classified as finance lease	7,740	7,082
Investment property	8,056	9,581
	114,232	**122,595**

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule, see Note 22, Note 23 and Note 24.

16. Financial result

Financial result

in € thousand	2018	2017
Earnings from associates accounted for using the equity method	**5,347**	**4,778**
Interest income from non-affiliated companies and non-consolidated affiliated companies	1,228	1,330
Income from exchange rate differences	837	3,256
Interest income from bank balances	63	63
Interest income	**2,128**	**4,649**
Interest portion of pension provisions	6,512	6,340
Expenses from the adjustment of settlement obligations to shareholders with non-controlling interests	6,036	12,855
Interest included in lease payments	5,336	5,383
Interest expenses on bank liabilities	5,312	6,064
Interest portion of other provisions	1,789	1,631
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,310	1,747
Expenses from exchange rate differences	947	1,304
Expenses from currency hedging instruments at fair value	869	0
Interest expenses	**28,111**	**35,324**
Net interest income	**- 25,983**	**- 30,675**
Income from other equity investments	0	0
Other financial result	**0**	**0**
	- 20,636	**- 25,897**

Earnings from companies accounted for using the equity method relate to the pro rata annual earnings of the joint ventures and associates, see also Note 25.

Income and expenses from exchange rate differences in the reporting period are mainly due to the performance of the Ukrainian hryvnia.

Please refer to Note 6 for details of expenses from the adjustment of settlement obligations to non-controlling interests, which totalled € 6,036 thousand (previous year: € 12,855 thousand).

See Note 38 for information about the interest expenses associated with amounts due to banks.

17. Research and development costs

Research costs of € 1,648 thousand were incurred in the 2018 financial year (previous year: € 277 thousand). These primarily related to research for software development.

18. Income tax

Paid or outstanding income taxes and deferred taxes are shown under the item income taxes. Income taxes are made up of corporation tax, a solidarity surcharge and trade tax. Limited 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 legal form of limited partnerships are also liable for trade tax, which is imposed at different local rates. Trade tax does not reduce the amount of a limited company's profits on which corporation tax is payable.

Components of income tax expenses

Deferred taxes and current income tax in € thousand	**2018**	2017
Deferred taxes on temporary differences	1,752	- 4,262
of which domestic	1,750	- 4,177
of which foreign	2	- 85
Deferred taxes on losses carried forward	- 1,436	- 18
of which domestic	0	0
of which foreign	- 1,436	- 18
Total deferred taxes	316	- 4,280
Current income tax expense	44,794	45,717
of which domestic	26,424	28,176
of which foreign	18,370	17,541
Income tax expense recognised in the income statement	**45,110**	**41,437**

Current income tax expenses include tax income from other accounting periods amounting to € 517 thousand (previous year: € 1,131 thousand).

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards.

Deferred taxes

	Deferred tax assets		Deferred tax liabilities	
in € thousand	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Intangible assets	0	0	3,168	2,421
Property, plant and equipment and finance leases	0	0	17,809	16,746
Investment property	0	0	10,136	10,304
Financial assets	0	0	2,496	2,272
Inventories	963	750	0	0
Receivables and other assets	1,876	965	1,008	358
Pension and other provisions	89,174	91,051	858	2,090
Liabilities	7,270	9,707	3,822	2,986
Tax losses carried forward	1,436	18	0	0
	100,719	**102,491**	**39,297**	**37,177**
Netted amounts	- 18,593	- 15,398	- 18,593	- 15,398
	82,126	**87,093**	**20,704**	**21,779**

Reconciliation between the income tax expenses and hypothetical tax expenses based on the IFRS result and the Group's applicable tax rate

in € thousand	2018	2017
Earnings before tax	**183,584**	**147,291**
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	59,261	47,546
Tax income (-), tax expenses (+) for prior years	-455	3,256
Tax-free income	48	- 301
Non-deductible expenses	1,398	1,923
Trade tax additions and reductions	70	- 1,423
Permanent differences	1,113	4,129
Differences in tax rates	- 14,565	- 13,592
Impairment losses in deferred tax assets	-1,824	304
Other tax effects	64	- 405
Actual income tax expenses	**45,110**	**41,437**

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 2018 and 2017. This is made up of corporation tax at 15.0 %, a solidarity surcharge of 5.5 % of the corporation tax, 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. 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 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 no domestic corporation tax loss carry-forwards and no domestic trade tax loss carry-forwards. Deferred taxes of € 1,436 thousand (previous year: € 18 thousand) are recognised on foreign tax loss carry-forwards of € 7,560 thousand (previous year: € 96 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 515 thousand (previous year: € 1,374 thousand), domestic trade tax loss carry-forwards of € 7,969 thousand (previous year: € 5,383 thousand) and foreign tax loss carry-forwards of € 11,244 thousand (previous year: € 22,238 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 21,538 thousand (previous year: € 25,249 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.

Deferred taxes recognised in the statement of comprehensive income

	Gross		Taxes		Net	
in € thousand	**2018**	2017	**2018**	2017	**2018**	2017
Actuarial gains/losses	11,603	5,482	- 3,747	- 1,768	7,856	3,714
Cash flow hedges	33	- 8	- 11	2	22	- 6
Unrealised gains/losses on available-for-sale financial assets	- 124	145	47	- 74	- 77	71
	11,512	**5,619**	**- 3,711**	**- 1,840**	**7,801**	**3,779**

19. Share of results attributable to non-controlling interests

Profits attributable to non-controlling interests amounting to € 26,193 thousand (previous year: € 24,788 thousand) mainly relate to non-controlling shareholders of the CTA Group. This share of earnings increased, mainly because of the year-on-year decline in interest expenses arising from the measurement of the settlement obligation that were attributable to the non-controlling shareholder. This was offset by a lower actual share of earnings attributable to the CTA Group and a lower share of earnings attributable to the Metrans Group due to a reduction in non-controlling interests from 10.0 % to 0 % in the first quarter of the reporting year.

20. Earnings per share

Basic earnings per share in €

	Group		Port Logistics subgroup		Real Estate subgroup	
	2018	2017	**2018**	2017	**2018**	2017
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	112,281	81,065	102,910	71,207	9,371	9,858
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	1.54	**1.11**	**1.47**	**1.02**	**3.46**	**3.65**

Basic earnings per share are calculated in accordance with IAS 33 by dividing the profit after tax and minority interests attributable to the shareholders of the parent company by the average number of shares.

The diluted earnings per share are identical to the basic EPS as there were no conversion or option rights in circulation during the financial year.

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 12 June 2018 to distribute a dividend of € 52,342 thousand to holders of common shares in the reporting year for the 2017 financial year (previous year: € 46,738 thousand). At the time of the distribution, the number of shares entitled to dividends amounted to 72,753,334, of which 70,048,834 are to be attributed to the Port Logistics subgroup (A division) and 2,704,500 to the Real Estate subgroup (S division). This resulted in dividends of € 0.67 per class A share and € 2.00 per class S share. The remaining undistributed profit was carried forward to new account.

In 2019, dividends per share of € 0.80 for the Port Logistics subgroup and € 2.10 for the Real Estate subgroup are due to be paid. Based on the number of dividend-entitled shares as of 31 December 2018, this is equivalent to a distribution amount of € 56,039 thousand for the Port Logistics subgroup and of € 5,679 thousand for the Real Estate subgroup.

Notes to the balance sheet

22. Intangible assets

Development of intangible assets

in € thousand	Goodwill	Software	Internally developed software	Other intangible assets	Payments made on account	Total
Carrying amount as of 1 January 2017	**38,930**	**9,722**	**24,691**	**860**	**1,510**	**75,713**
Acquisition or production cost						
1 January 2017	38,930	64,334	62,938	2,263	1,510	169,975
Additions		643	4,461		368	5,472
Disposals		- 29	- 760		-109	- 898
Reclassifications		212	-115		- 312	- 215
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates		- 290		- 2		- 292
31 December 2017	**38,930**	**64,870**	**66,524**	**2,261**	**1,457**	**174,042**
Accumulated depreciation, amortisation and impairment						
1 January 2017	0	54,612	38,247	1,403	0	94,262
Additions		4,713	6,346			11,059
Disposals		- 702	- 82			- 784
Reclassifications						0
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates		- 174				- 174
31 December 2017	**0**	**58,449**	**44,511**	**1,403**	**0**	**104,363**
Carrying amount as of 31 December 2017	**38,930**	**6,421**	**22,013**	**858**	**1,457**	**69,679**
Carrying amount as of 1 January 2018	**38,930**	**6,421**	**22,013**	**858**	**1,457**	**69,679**
Acquisition or production cost						
1 January 2018	38,930	64,870	66,524	2,261	1,457	174,042
Additions	7,587	1,901	7,676	93	1,440	18,697
Disposals		- 4,456	- 18		- 6	- 4,480
Reclassifications		366		1,160	- 366	1,160
Changes in scope of consolidation/ consolidation method		3		8,004		8,007
Effects of changes in exchange rates		91		- 39		52
31 December 2018	**46,517**	**62,775**	**74,182**	**11,479**	**2,525**	**197,478**
Accumulated depreciation, amortisation and impairment						
1 January 2018	0	58,449	44,511	1,403	0	104,363
Additions		3,505	3,605	388		7,498
Disposals		- 4,456				- 4,456
Reclassifications				267		267
Changes in scope of consolidations/ consolidation method						0
Effects of changes in exchange rates		56		- 3		53
31 December 2018	**0**	**57,554**	**48,116**	**2,055**	**0**	**107,725**
Carrying amount as of 31 December 2018	**46,517**	**5,221**	**26,066**	**9,424**	**2,525**	**89,753**

In the Container segment, goodwill of € 35,525 thousand is attributable to the cash-generating unit (CGU) CTT/Rosshafen and further goodwill of € 1,893 thousand is attributable to the CGU HCCR. Of the CGU CTT/Rosshafen's goodwill, € 30,929 thousand was generated by the acquisition of all the shares in HHLA Rosshafen Terminal GmbH, Hamburg, in 2006. Goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites let long-term by the company.

Also included in the Container segment is the goodwill amounting to € 7,587 thousand derived from the acquisition of HHLA TK Estonia AS, Tallinn, Estonia, which comprises the value of the workforce of the acquired company and the opportunities arising from the business model, such as expansion of operations in the Baltic region, operations in Russia and the establishment of RoRo services. For further details, please refer to Note 3.

Carrying amounts for goodwill by segments

in € thousand	**31.12.2018**	31.12.2017
Container	45,005	37,418
Intermodal	1,512	1,512
	46,517	**38,930**

The changes in the scope of consolidation of other intangible assets mainly include customer-related intangible assets (customer relations) in the amount of € 7,361 thousand relating to the simplified access of HHLA TK Estonia AS to an existing customer base.

23. Property, plant and equipment

Development of property, plant and equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2017	**423,046**	**219,342**	**191,413**	**117,135**	**950,936**
Acquisition or production cost					
1 January 2017	767,638	758,286	498,701	117,135	2,141,760
Additions	9,600	71,694	23,376	26,912	131,582
Disposals	- 11,546	- 8,409	- 10,895	- 1,102	- 31,952
Reclassifications	31,788	57,506	1,838	- 90,917	215
Changes in scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 2,597	- 2,020	- 284	5	- 4,896
31 December 2017	**794,883**	**877,057**	**512,736**	**52,033**	**2,236,709**
Accumulated depreciation, amortisation and impairment					
1 January 2017	344,592	538,944	307,288	0	1,190,824
Additions	30,892	39,866	31,197		101,955
Disposals	- 11,223	- 7,953	- 10,132		- 29,308
Reclassifications	- 50	50			0
Changes to scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 280	- 888	- 145		- 1,313
31 December 2017	**363,931**	**570,019**	**328,208**	**0**	**1,262,158**
Carrying amount as of 31 December 2017	**430,952**	**307,038**	**184,528**	**52,033**	**974,551**
Carrying amount as of 1 January 2018	**430,952**	**307,038**	**184,528**	**52,033**	**974,551**
Acquisition or production cost					
1 January 2018	794,883	877,057	512,736	52,033	2,236,709
Additions	8,984	16,341	28,274	66,415	120,014
Disposals	- 1,818	- 6,130	- 16,651	- 168	- 24,767
Reclassifications	13,760	- 4,665	37,161	- 47,416	- 1,160
Changes in scope of consolidation/consolidation method	32,395	23,010	62	10,583	66,050
Effects of changes in exchange rates	608	553	117	57	1,335
31 December 2018	**848,812**	**906,166**	**561,699**	**81,504**	**2,398,181**
Accumulated depreciation, amortisation and impairment					
1 January 2018	363,931	570,019	328,208	0	1,262,158
Additions	31,261	39,409	28,009		98,679
Disposals	- 1,670	- 5,368	- 15,921		- 22,959
Reclassifications	2,060	- 4,229	1,902		- 267
Changes to scope of consolidation/consolidation method					0
Effects of changes in exchange rates	30	240	37		307
31 December 2018	**395,612**	**600,071**	**342,235**	**0**	**1,337,919**
Carrying amount as of 31 December 2018	**453,200**	**306,095**	**219,464**	**81,504**	**1,060,262**

Additions result largely from investments in resurfacing, the procurement of handling equipment and storage capacities at the container terminals in Hamburg and the acquisition of wagons and locomotives in the Metrans Group.

Disposals in the financial year under review mainly relate to resurfacing and to the sale/scrapping of technical equipment and machinery.

Changes to the consolidated group in the financial year relate solely to the subsidiary HHLA TK Estonia AS, Tallin, Estonia, which was included in the consolidated financial statements for the first time.

The effects of changes in exchange rates mainly include the opposing exchange rate changes of the Polish and Ukrainian currencies.

Impairment losses on property, plant and equipment totalling € 2 thousand (previous year: € 0 thousand) were recognised in the reporting year.

Buildings, surfacing and movable non-current assets with a carrying amount of € 7,333 thousand (previous year: € 1,997 thousand) have been pledged as collateral in connection with loans taken up by the Group.

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties from the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in Note 45.

As of the balance sheet date, the Group had obligations of € 69,550 thousand (previous year: € 77,299 thousand) from outstanding purchase commitments attributable to investments in property, plant and equipment.

Development of assets which are classified as finance lease and are included in property, plant and equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Total
Carrying amount as of 1 January 2017	**95,686**	**193**	**38,639**	**134,518**
Acquisition or production cost				
1 January 2017	108,244	6,338	45,319	159,901
Additions		1,603	2,646	4,249
Disposals			- 2,026	- 2,026
Reclassifications		- 156		- 156
Changes in scope of consolidation				0
Effects of changes in exchange rates	- 68	225	30	187
31 December 2017	**108,176**	**8,010**	**45,969**	**162,155**
Accumulated depreciation, amortisation and impairment				
1 January 2017	12,558	6,145	6,680	25,383
Additions	2,182	692	4,208	7,082
Disposals			- 1,349	- 1,349
Reclassifications		- 6,391		- 6,391
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 14	221	14	221
31 December 2017	**14,726**	**667**	**9,553**	**24,946**
Carrying amount as of 31 December 2017	**93,450**	**7,343**	**36,416**	**137,209**
Carrying amount as of 1 January 2018	**93,450**	**7,343**	**36,416**	**137,209**
Acquisition or production cost				
1 January 2018	108,176	8,010	45,969	162,155
Additions		332	2,071	2,403
Disposals			- 2,422	- 2,422
Reclassifications		612		612
Changes in scope of consolidation		7,906		7,906
Effects of changes in exchange rates	21			21
31 December 2018	**108,197**	**16,860**	**45,618**	**170,675**
Accumulated depreciation, amortisation and impairment				
1 January 2018	14,726	667	9,553	24,946
Additions	2,181	1,597	3,962	7,740
Disposals			- 2,422	- 2,422
Reclassifications				0
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	5			5
31 December 2018	**16,912**	**2,264**	**11,093**	**30,268**
Carrying amount as of 31 December 2018	**91,285**	**14,596**	**34,525**	**140,407**

24. Investment property

Development of investment property

in € thousand	Investment property	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2017	**182,317**	**1,677**	**183,994**
Acquisition or production cost			
1 January 2017	324,773	1,677	326,450
Additions	141	5,369	5,510
Disposals	- 96		- 96
Reclassifications			0
31 December 2017	**324,818**	**7,046**	**331,864**
Accumulated depreciation, amortisation and impairment			
1 January 2017	142,456	0	142,456
Additions	9,581		9,581
Disposals	- 57		- 57
Reclassifications			0
31 December 2017	**151,980**	**0**	**151,980**
Carrying amount as of 31 December 2017	**172,838**	**7,046**	**179,884**
Carrying amount as of 1 January 2018	**172,838**	**7,046**	**179,884**
Acquisition or production cost			
1 January 2018	324,818	7,046	331,864
Additions	10,537	2,359	12,896
Disposals			0
Reclassifications	5,740	- 5,740	0
31 December 2018	**341,095**	**3,665**	**344,760**
Accumulated depreciation, amortisation and impairment			
1 January 2018	151,980	0	151,980
Additions	8,056		8,056
Disposals			0
Reclassifications			0
31 December 2018	**160,036**	**0**	**160,036**
Carrying amount as of 31 December 2018	**181,059**	**3,665**	**184,724**

The properties held as investment property are mainly warehouses converted to office space and other commercial real estate in Hamburg's Speicherstadt historical warehouse district, as well as logistics warehouses and surfaced areas.

The additions relate mainly to conversion costs in connection with changes of use.

Rental income from investment property at the end of the financial year was € 50,870 thousand (previous year: € 50,986 thousand). The direct operating expenses for investment property, which are fully attributable to rental income, amounted to € 17,082 thousand (previous year: € 17,033 thousand).

Fair value is calculated and measured annually by HHLA's Real Estate segment. The associated inputs are classified as level 3 in the fair value hierarchy, see Note 7.

Fair value reconciliation

in € thousand	2018	2017
As of 1 January	651,292	662,172
Change in fair value (not realised)	- 32,676	-10,880
As of 31 December	**618,616**	**651,292**

The valuation method used to measure the fair value of investment property as well as the key unobservable input factors applied

Valuation method	Key unobservable input factors	Relationship between key unobservable input factors and measurement at fair value The estimated fair value would increase (fall) if
Fair values are measured by applying the discounted cash flow method (DCF method) to the forecast net cash flows from managing the properties. This method is based on 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. The cash flows are discounted using standard market interest rates. Property-specific fair value is determined on the basis of property-specific measurement criteria.	contractually agreed rental income	the contractually agreed rental income was (higher) lower
	expected rent increases	the expected rent increases were higher (lower)
	vacancy periods	the vacancy periods were shorter (longer)
	level of occupancy	the level of occupancy was higher (lower)
	rent-free periods	the rent-free periods were shorter (longer)
	possible termination of the tenancy agreement	tenancy agreements were not terminated (were terminated)
	re-leasing	the property was re-leased sooner (later)
	operating, management and maintenance costs	operating, management and maintenance costs were lower (higher)
	rent for the land	the rent was lower (higher)
	discount rate (4.02 to 7.25 % p.a.)	the risk-adjusted discount rate was lower (higher)

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties from the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in Note 45.

25. Associates accounted for using the equity method

Associates accounted for using the equity method

in € thousand	31.12.2018	31.12.2017
Interests in joint ventures	12,211	11,243
Interests in associates companies	4,252	3,972
	16,463	**15,215**

Interests in joint ventures comprise Hansaport, HHLA Frucht, STEIN, ARS-UNIKAI, Kombi-Transeuropa and Hamburg Vessel Coordination Center. Interests in associated companies include the shares in CuxPort and the shares in DHU.

The interests reported are higher than in the previous year due largely to the earnings recorded in financial income for the various companies at equity less the dividends received, see Note 16.

For more information, please refer to Note 3.

26. Financial assets

Financial assets

in € thousand	31.12.2018	31.12.2017
Securities	2,414	6,227
Shares in affiliated companies	59	2,660
Other equity investments	661	241
Other financial assets	10,484	12,451
	13,618	**21,579**

In the reporting year – as in the previous year – 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 (revised 2011). The securities portfolio recognised as plan assets in the financial year amounted to € 316 thousand (previous year: € 392 thousand), see Note 37. Before offsetting, this results in a securities portfolio of € 2,730 thousand (previous year: € 6,619 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 earnings, net assets and financial position and are therefore not consolidated. The year-on-year decline resulted from the merger of JPFE-07 INVESTMENTS s.r.o., Ostrava, Czech Republic, which did not previously fall within the group of consolidated companies at HHLA, with Metrans a.s., Prague, Czech Republic.

Other financial assets primarily include receivables from a graduated rent totalling € 4,079 thousand (previous year: € 3,910 thousand), receivables from relief funds totalling € 2,441 thousand (previous year: € 2,530 thousand) and receivables from HPA amounting to € 287 thousand (previous year: € 317 thousand). The previous year's figure includes receivables from bank guarantees in the amount of € 2,352 thousand.

27. Inventories

Inventories

in € thousand	31.12.2018	31.12.2017
Raw materials, consumables and supplies	20,026	18,816
Work in progress	2,554	2,072
Finished products and merchandise	417	452
	22,997	**21,340**

Impairment losses on inventories recognised as an expense amount to € 991 thousand (previous year: € 1,860 thousand). This expense is reported under cost of materials, see Note 12.

28. Trade receivables

Trade receivables

in € thousand	31.12.2018	31.12.2017
	179,824	149,115

Trade receivables are receivables from customers that are fulfilled in connection with normal business operations. In respect of the overwhelming majority of customers, they are usually due within 30 days and are therefore classed as current. Trade receivables are initially recognised at fair value in the amount of the unconditional consideration unless they contain significant financing components. The Group holds trade receivables for the purpose of generating the contractually agreed cash flows and therefore subsequently measures them at amortised cost, applying the effective interest rate method.

Due to the short-term nature of the recognised trade receivables, the carrying amount is the same as the fair value.

No trade receivables were assigned as collateral for financial liabilities, either in the year under review or in the previous year. 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 47.

29. Receivables from related parties

Receivables from related parties

in € thousand	31.12.2018	31.12.2017
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV)	95,000	74,000
Receivables from HHLA Frucht- und Kühl-Zentrum GmbH	1,748	4,580
Receivables from Free and Hanseatic City of Hamburg (FHH)	1,402	1,262
Receivables from Kombi-Transeuropa Terminal Hamburg GmbH (KTH)	1,331	1,317
Other receivables from related parties	763	368
	100,244	**81,527**

Receivables from HGV include € 95,000 thousand from existing cash clearing (previous year: € 74,000 thousand).

30. Other financial receivables

Other financial receivables

in € thousand	31.12.2018	31.12.2017
Current receivables from employees	1,366	1,354
Current reimbursement claims against insurers	115	82
Other	2,581	1,215
	4,062	**2,651**

The increase in other financial receivables is chiefly attributable to the introduction of the HHLA capital plan.

31. Other assets

Other assets

in € thousand	31.12.2018	31.12.2017
Current tax credit	19,914	15,699
Payments on account	3,034	3,130
Other	7,810	7,999
	30,758	**26,828**

Current tax credits were higher than in the previous year. This was largely because value added tax receivables were up.

32. Income tax receivables

Income tax receivables

in € thousand	31.12.2018	31.12.2017
	6,656	4,302

Income tax receivables consist of tax receivables resulting from tax assessments and advance tax payments.

33. Cash, cash equivalents and short-term deposits

Cash, cash equivalents and short-term deposits

in € thousand	31.12.2018	31.12.2017
Cash and cash equivalents with a maturity of up to 3 months	25,683	49,953
Short-term deposits with a maturity of 4–12 months	22,450	20,000
Bank balances and cash in hand	133,327	131,561
	181,460	**201,514**

Cash, cash equivalents and short-term deposits are made up of cash in hand and various bank balances in different currencies. The previous year's figure includes funds that are not freely available of € 11,215 thousand were used to secure working lifetime accounts.

Cash and short-term deposits of € 14,507 thousand (previous year: € 10,438 thousand) are subject to foreign exchange outflow restrictions.

As of the balance sheet date, the Group had unused lines of credit amounting to € 2,713 thousand (previous year: € 3,207 thousand) and had met all the conditions for their use. HHLA is confident that the Group has sufficient credit lines at its disposal whenever required.

34. Non-current assets held for sale

There were no non-current assets held for sale either in the reporting period or in the previous year.

35. Equity

Changes in the individual components of equity for the 2018 and 2017 financial years are shown in the statements of changes in equity.

Subscribed capital

As of the balance sheet date, HHLA's share capital consists of two different classes of share: class A shares and class S shares. Subscribed capital totals € 72,753 thousand, divided into 70,048,834 class A shares and 2,704,500 class S shares; each no-par-value share represents € 1.00 of share capital on paper.

The share capital has been fully paid in.

In the course of the stock flotation on 2 November 2007, 22,000,000 class A shares were placed on the market. This corresponds to a free float of approx. 30 % of HHLA's share capital.

As of the balance sheet date, the Free and Hanseatic City of Hamburg holds 69.58 % of the voting rights through the company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

Authorised capital

As of the balance sheet date, the company has Authorised Capital I for the issue of class A shares and Authorised Capital II for the issue of class S shares.

Using Authorised Capital I (cf. 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 share capital until 20 June 2022 by up to € 35,024,417.00 by issuing up to 35,024,417 new registered class A shares for subscription in cash and/or in kind in one or more stages. The statutory subscription rights of the holders of class S shares shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of class A shares in those cases covered in more detail in the resolution, such as issue for contributions in kind. Furthermore, the issue of new class A shares while excluding the subscription rights of class A shareholders is limited to a total of 20 % of the share capital attributable to class A shares. All class A shares issued or that could be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit.

Using Authorised Capital II (cf. Section 3 (5) of the articles of association), the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until 20 June 2022 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered class S shares for subscription in cash and/or in kind in one or more stages. The statutory subscription rights of the holders of class A shares shall be excluded. The Executive Board is 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.

Other authorisations

The Annual General Meeting of HHLA held on 16 June 2016 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 16 June 2019 bearer or registered bonds with warrants and/or convertible bonds or combinations of these instruments (hereinafter known collectively as "debenture bonds") with a total nominal value of up to € 200,000,000.00 and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered class A shares in the company, each representing € 1.00 of the share capital, subject to the detailed terms of the bonds with warrants and/or convertible bonds. The respective terms may also provide for a warrant or conversion obligation as well as an issuer put option to provide class A shares in the company as of the end of the term or at an earlier date. The detailed terms of the resolution state that shareholders' subscription rights may also be excluded when the debenture bonds are issued. As per Article 3 (6) of the articles of association, conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This is made up of 10,000,000 new registered class A shares.

The Annual General Meeting held on 16 June 2016 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 share capital accounted for by class A shares at the time of the resolution or, if lower, at the time the authorisation is exercised. In addition to being sold on the stock exchange or offered to all shareholders in line with their shareholdings, the Class A treasury shares acquired under this authorisation or previous authorisations may – subject to the approval of the Supervisory Board – be used in the cases stipulated by the resolution excluding other shareholders' subscription rights and/or be redeemed either in whole or in part without the need for an additional resolution by the Annual General Meeting. This authorisation expires on 15 June 2021. This authorisation may be used for any legally permissible purpose, except for trading in treasury shares.

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 non-controlling interests and a reserve increase from an employee stock purchase plan.

As of the reporting date, the HHLA Group had capital reserves of € 141,584 thousand (previous year: € 141,584 thousand).

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 (revised 2011), the HHLA Group's other comprehensive income includes all actuarial gains and losses from defined benefit pension plans. 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 € - 8,812 thousand at the end of the financial year (previous year: € 30,790 thousand).

Non-controlling interests are reduced by the reclassification as per IAS 32 of a minority shareholder's future estimated entitlements to financial settlements as other financial liabilities for the term of the profit and loss transfer agreement, see Note 6 and Note 38. They were further reduced by the acquisition of the minority interests in Metrans a.s., Prague, Czech Republic, by HHLA. This was offset by the inclusion of current earnings.

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 reasonably participate in its success. Balance sheet equity is the primary benchmark in this regard. The key value-oriented performance indicator 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.

Equity ratio

in %	**31.12.2018**	31.12.2017
Equity in € thousand	614,841	602,359
Total assets in € thousand	1,972,947	1,835,278
	31.2 %	**32.8 %**

The increase in equity is primarily attributable to the development in comprehensive income less dividend distributions. As the relative increase in the balance sheet total outweighs the increase in equity, the equity ratio was down slightly in a year-on-year comparison.

External minimum capital requirements were fulfilled at all agreed audit points throughout the reporting year. See Note 38 for more information.

36. 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 current 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, this is primarily the collective company pension agreement (BRTV). As part of the harmonisation of existing pension schemes, the "HHLA capital plan" labour agreement has also been introduced with effect from 1 January 2018.

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 the applicable social security data contribution levels for the year 1999. The current contribution assessment ceiling is always taken into account.

As part of the harmonisation of existing pension schemes, which was completed in 2018, the pension obligations attributable to the company's active employees (which originally comprised so-called "port pensions") were transferred to the HHLA capital plan.

The HHLA capital plan provides employees with a uniform and transparent pension scheme that offers a high degree of flexibility, both in terms of paying in and in the payout/benefit phase. Payments made into the HHLA capital plan are funded from gross income (deferred compensation). As such, the employees forgo a part of their untaxed income at the time they pay into the scheme, in favour of future retirement savings. 27.50 % is added to the contributions paid in as part of the deferred compensation scheme. Furthermore, an annual interest rate of 3.00 % is guaranteed in respect of the contributions. The resulting initial components as of 1 January 2018 result from the aforementioned transfer of port pensions and the transfer of existing funds from working lifetime accounts.

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 and/or savings for future retirement and surviving dependants. External actuaries calculate the amount of the obligation using the projected unit credit method.

Amounts recognised for benefit commitments

in € thousand	31.12.2018	31.12.2017
Present value of pension commitments	448,161	426,943
Obligations from working lifetime accounts	769	21,982
	448,930	**448,925**

Pension commitments

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.

Development of the present value of pension obligations

in € thousand	2018	2017
Present value of pension obligations as of 1 January	**426,943**	**442,608**
Transfer capital plan	36,513	0
Contributions of capital plan participants	2,416	0
Current service expense	6,887	5,526
Interest expense	6,532	6,056
Pension payments	- 19,762	- 19,790
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 5,708	- 7,457
Actuarial gains (-), losses (+) due to amendments in financial assumptions	- 10,865	0
Actuarial gains (-), losses (+) due to amendments in demographic assumptions	5,205	0
Present value of pension obligations as of 31 December	**448,161**	**426,943**

Present value of the defined benefit pension obligations split by various groups of beneficiaries

in %	2018	2017
Current employees	37.9	33.9
Former employees	1.4	1.8
Pensioners	60.7	64.3
	100.0	**100.0**

As of 31 December 2018, the weighted average term of the defined benefit obligation was 14.1 to 19.2 years (previous year: 13.4 years).

In addition, there are reimbursement rights of € 2,441 thousand (previous year: € 2,530 thousand) which were concluded to cover the corresponding pension obligations. The expected income from these reimbursement rights amounts to € 35 thousand in the year under review, whereas the actual income amounts to € 39 thousand.

Pension obligations recognised in the income statement

in € thousand	2018	2017
Current service expense	6,887	5,526
Interest expenses	6,532	6,056
	13,419	**11,582**

Development of actuarial gains / losses from pensions obligations

in € thousand	2018	2017
Actuarial gains (+), losses (-) as of 1 January	**- 75,424**	**- 82,881**
Transfer capital plan	- 4,638	0
Changes in the financial year due to amendments in experience-based assumptions	5,708	7,457
Changes in the financial year due to amendments in financial assumptions	10,865	0
Changes in the financial year due to amendments in demographic assumptions	- 5,205	0
Actuarial gains (+), losses (-) as of 31 December	**- 68,694**	**- 75,424**

Actuarial assumptions to determine pension obligations

in %	31.12.2018	31.12.2017
Discount rate (capital plan)	1.80	n/a
Discount rate (others)	1.60	1.40
Projected salary increase	3.00	3.00
Adjustment of social security pension according to pension insurance report of the year	2018	2017

The biometric data is drawn from the 2018 G mortality tables (previous year: 2005 G mortality tables) by Professor Dr. Klaus Heubeck. The change in mortality tables resulted in the aforementioned actuarial differences due to demographic assumptions.

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.

Sensitivity analysis: pension obligations

	Change in parameter			Effect on present value		
		31.12.2018	31.12.2017	in € thousand	31.12.2018	31.12.2017
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	27,762	27,145
	Decrease of	0.5 %	0.5 %	Increase of	30,828	30,319
Payment trend	Increase of	0.5 %	0.5 %	Increase of	2,858	3,724
	Decrease of	0.5 %	0.5 %	Decrease of	- 2,809	3,653
Adjustment to social security	Decrease of	20.0 %	20.0 %	Increase of	1,251	1,628
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	11,064	17,553
Contributions of capital plan participants	Increase of	50.0 %	n/a	Increase of	2,189	n/a
	Decrease of	50.0 %	n/a	Decrease of	2,198	n/a

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Payments for pension obligations

In the 2018 financial year, HHLA made pension payments for plans totalling € 19,762 thousand (previous year: € 19,790 thousand). HHLA anticipates the following payments for pension plans over the next five years.

Expected pension payments

in years in € thousand	
2019	20,272
2020	20,383
2021	20,397
2022	20,388
2023	20,279
	101,719

Obligations from working lifetime accounts

In the 2006 financial year, the affiliated companies in Germany undertook to set up working lifetime accounts due to collective labour agreements. Staff could elect to have time and remuneration components deposited in money market or investment funds by the Group until 31 December 2013. Capital has been invested within the company since 1 January 2014. The funds saved in the employee's account are used to give them paid leave before they enter 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 – based on the model for contributions up to 31 December 2013 and taking the 3.00 % return guaranteed in the collective labour agreement into account for contributions as of 1 January 2014 – plus other contractually agreed social benefits during the early retirement phase.

The portion of the obligation covered by the funds saved is reported at the funds' fair value. The additional benefits arising from collective labour agreements which are not covered by the funds saved are reported at the full present value of the obligation including actuarial gains and losses.

As part of the harmonisation of existing pension schemes, which was completed in 2018, the existing funds from working lifetime accounts were largely transferred to the HHLA capital plan. The obligations arising from the remaining existing funds will fall steadily over time.

Allocation of benefit commitments

in € thousand	**31.12.2018**	31.12.2017
Present value of obligations	1,124	35,272
Present value of plan assets (fund shares)	- 355	- 13,290
Uncovered allocations	**769**	**21,982**

Development of the present value of the obligations from working lifetime accounts

in € thousand	**2018**	2017
Present value of the obligations from working lifetime accounts as of 1 January	**35,272**	**30,832**
Transfer capital plan	- 33,462	0
Contributions of plan participants	0	1,846
Current service expense	11	148
Interest expenses	26	536
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 304	2,318
Actuarial gains (-), losses (+) due to amendments in financial assumptions	28	0
Actuarial gains (-), losses (+) due to amendments in demographic assumptions	19	0
Capital payments	- 466	- 408
Present value of the obligations from working lifetime accounts as of 31 December	**1,124**	**35,272**

As of 31 December 2018, the weighted average term of the defined benefit obligation was 5.0 years (previous year: 18.8 years).

Development of the fair value of plan assets from working lifetime accounts

in € thousand	2018	2017
Fair value of plan assets from working lifetime accounts as of 1 January	**13,290**	**12,910**
Release due to transfer capital plan	- 12,419	0
Expected income from plan assets	11	217
Actuarial gains (+), losses (-) due to amendments in financial assumptions	- 105	402
Capital payments	- 422	- 239
Fair value of plan assets from working lifetime accounts as of 31 December	**355**	**13,290**

The plan assets consist solely of shares in money market and investment funds. Gains of € 140 thousand were recorded on the plan assets in the financial year (previous year: € 384 thousand).

Obligations from working lifetime accounts recognised in the income statement

in € thousand	2018	2017
Current service expense	11	148
Interest expenses	26	536
Expected income from the plan assets	- 11	- 217
	26	**467**

Development of actuarial gains/losses of obligations from working lifetime accounts

in € thousand	2018	2017
Actuarial gains (+), losses (-) as of 1 January	**- 4,879**	**- 2,963**
Transfer capital plan	4,638	0
Changes in the financial year due to amendments in experience-based assumptions	199	- 1,916
Changes in the financial year due to amendments in financial assumptions	- 28	0
Changes in the financial year due to amendments in demographic assumptions	- 19	0
Actuarial gains (+), losses (-) as of 31 December	**- 89**	**- 4,879**

Actuarial assumptions to determine obligations from working lifetime accounts

in %	31.12.2018	31.12.2017
Discount rate	0.70	1.70
Projected salary increase	3.00	3.00

The biometric data is drawn from the 2018 G mortality tables (previous year: 2005 G mortality tables) by Professor Dr. Klaus Heubeck, taking into account age-related fluctuation. The change in mortality tables resulted in the aforementioned actuarial differences due to demographic assumptions.

Sensitivity analysis: obligations from working lifetime accounts

	Change in parameter			Effect on present value			
		31.12.2018	31.12.2017	in € thousand	**31.12.2018**		31.12.2017
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	15	Decrease of	1,663
	Decrease of	0.5 %	0.5 %	Increase of	16	Increase of	1,890
Payment trend	Increase of	0.5 %	0.5 %	Increase of	0	Increase of	86
	Decrease of	0.5 %	0.5 %	Decrease of	1	Decrease of	95
Expected mortality	Decrease of	10.0 %	10.0 %	Decrease of	19	Increase of	35

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Until 31 December 2013, the obligations from working lifetime accounts were financed by paying a portion of employees' remuneration into the unit-linked pension plan. Capital has been invested within the company since 1 January 2014.

Portfolio for obligations from working lifetime accounts

in %	2018	2017
Money market funds/Annuity funds	99	100
Mixed funds	1	0
	100	**100**

Payments for obligations from working lifetime accounts

In the financial year under review, HHLA made payments for plans totalling € 466 thousand (previous year: € 408 thousand). In return, the company acquired corresponding securities holdings worth € 422 thousand (previous year: € 239 thousand). The outflow of funds therefore amounted to € 44 thousand in the year under review (previous year: € 169 thousand).

Expected payments for obligations from working lifetime accounts related to the existing pension scheme which are not hedged by securities

in years in € thousand	
2019	257
2020	94
2021	50
2022	56
2023	25
	482

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 € 4,639 thousand in the reporting year (previous year: € 4,488 thousand).

HHLA paid € 28,286 thousand (previous year: € 27,636 thousand) into the state pension system as its employer's contribution.

37. Other non-current and current provisions

Other non-current and current provisions

	Non-current provisions		Current provisions		Total	
in € thousand	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Demolition obligations	74,417	72,515	0	0	74,417	72,515
Restructuring reserve	14,167	17,529	7,456	7,098	21,623	24,627
Bonuses and single payments	0	0	8,036	7,631	8,036	7,631
Provisions for contingent losses	5,919	6,609	371	397	6,290	7,006
Expected increases in rents	0	0	3,808	2,328	3,808	2,328
Insurance excesses	0	0	3,156	3,570	3,156	3,570
Anniversaries	2,808	2,885	281	290	3,089	3,175
Legal fees and litigation expenses	620	631	0	0	620	631
Phased early retirement	149	490	308	719	457	1,209
Harmonisation of existing pension schemes	0	0	0	9,145	0	9,145
Other	12,058	12,234	4,629	3,407	16,687	15,641
	110,138	**112,893**	**28,045**	**34,585**	**138,183**	**147,478**

Demolition obligations

The demolition obligations relate to HHLA's Container, Logistics and Real Estate segments and are discounted at a rate of 2.0 % p.a. (previous year: 2.0 % p.a.). In the reporting year, an anticipated price increase of 2.0 % (previous year: 2.0 %) was used to calculate the provisions shown. This rate is derived from the German construction cost index. The outflow of these resources is expected in the period 2025–2036.

Restructuring provisions

The restructuring provisions relate to reorganising the Logistics segment and organisational restructuring in the Container segment. The outflow of funds will take place between 2019 and 2025.

Bonuses and single payments

Provisions for bonuses and one-off payments largely consist of provisions for Executive Board members and other senior staff. The funds will become payable in the 2019 financial year.

Provisions for impending losses

The provisions for impending losses relate to expenses arising from an onerous lease for a terminal site. The outflow of these resources is expected to take place in the period 2019–2039.

Expected increases in rents

The provision for expected increases in rents was formed for future changes in rents. The funds will become payable in the 2019 financial year.

Insurance excesses

This obligation relates to provisions largely created by the Group's parent company to allow for potential cases of damage or loss which go beyond the existing insurance cover. The funds will become payable in the 2019 financial year.

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 1.60 % p.a. (previous year: 1.40 % p.a.) was used for the calculation. The outflow of these resources is expected to take place in the period 2019–2057.

Legal fees and litigation expenses

As of the balance sheet date and as in the previous year, the obligations reported consisted mainly of provisions for legal risks associated with pending proceedings. The outflow of these resources is due between 2020 and 2021.

Phased early retirement

Provisions for phased early retirement consist of HHLA's obligations from the entitlements accrued during the beneficiaries' working period, plus a supplementary amount added pro rata temporis.

The securities holdings acquired in connection with phased early retirement contracts are classified as plan assets under IAS 19 (revised 2011). They were therefore offset against the phased early retirement obligations included in the provisions. The corresponding figure of € 316 thousand (previous year: € 392 thousand) therefore reduces the provisions reported, see Note 26. In addition to this, pledged bank balances serve to cover the obligations in existence as of the balance sheet date. The amount of the provision was determined using a discount rate of 0.0 % p.a. (previous year: 0.0 % p.a.). The outflow of these resources is expected to take place in the period 2019–2025.

Harmonisation of existing pension schemes

The provision formed in the previous year comprises obligations arising from the harmonisation of existing pension schemes and was set up for the planned replacement of part of the existing pension obligations in the year under review and the transfer of existing funds from working lifetime accounts to the HHLA capital plan. The outflow of funds and the transfer to pension obligations took place in the 2018 financial year, see Note 36.

Other

Other provisions relate largely to obligations arising from individual contractual agreements with members of staff. The main outflow of funds will take place between 2019 and 2028.

Development of other non-current and current provisions

in € thousand	01.01.2018	Additions	Transfer capital plan	Accured interest	Used	Reversed	Currency translation effects	31.12.2018
Demolition obligations	72,515	883		1,469	248	202		74,417
Restructuring reserve	24,627	3,719		64	3,225	3,562		21,623
Bonuses and single payments	7,631	8,036			7,166	465		8,036
Provisions for contingent losses	7,006			188	389	317	- 198	6,290
Expected increases in rents	2,328	2,034			360	194		3,808
Insurance excesses	3,570	1,911			2,245	80		3,156
Anniversaries	3,175	169		44	299			3,089
Legal fees and litigation expenses	631				11			620
Phased early retirement	1,209	764			1,516			457
Harmonisation of existing pension schemes	9,145		- 3,114		4,323	1,708		0
Other	15,641	4,822		24	3,728	81	9	16,687
	147,478	**22,338**	**- 3,114**	**1,789**	**23,510**	**6,609**	**- 189**	**138,183**

38. Non-current and current financial liabilities

Non-current and current financial liabilities as of 31 December 2018

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	**Total**
Liabilities from bank loans	26,386	125,504	217,766	369,656
Finance lease liabilities	5,124	10,839	22,946	38,909
Other loans	0	374	17,250	17,624
Liabilities towards employees	10,858	0	0	10,858
Other financial liabilities	40,316	34,958	249	75,523
	82,684	**171,675**	**258,211**	**512,570**

Non-current and current financial liabilities as of 31 December 2017

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	**Total**
Liabilities from bank loans	25,910	96,806	134,163	256,879
Finance lease liabilities	3,800	9,141	24,481	37,422
Other loans	0	471	14,250	14,721
Liabilities towards employees	10,172	0	0	10,172
Other financial liabilities	40,954	25,350	59	66,363
	80,836	**131,768**	**172,953**	**385,557**

Amounts due to banks include interest of € 1,077 thousand accrued up to the balance sheet date (previous year: € 808 thousand). Transaction costs of € 71 thousand (previous year: € 72 thousand), incurred by taking out loans, only increase the amounts due to banks for the duration of the loan.

The liabilities from finance leases represent the discounted value of future payments for movable non-current assets.

Other loans comprise a € 7.8 million loan granted by a minority shareholder (previous year: € 9.3 million) as well as promissory note loans of € 9.5 million (previous year: € 5.0 million) issued to other creditors.

Buildings, surfacing and movable non-current assets with a carrying amount of € 7,333 thousand (previous year: € 1,997 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 liabilities towards employees consist primarily of wages and salaries.

The other financial liabilities include a settlement obligation to other shareholders. This entitlement to a financial settlement amounts to € 61,300 thousand for the financial years 2018 and 2019 (previous year: € 53,519 thousand for the financial years 2017 and 2018), see also Note 6 and Note 35.

Terms of liabilities from bank loans

Interest condition	Interest rate	Currency	Remaining fixed interest period	Nominal value in TCU[1]	**Carrying amount as of 31.12.2018 in € thousand**
fixed	0.78 – 2.36%	EUR	2023 and later	192,093	186,260
fixed	1.28 – 4.22%	EUR	2022	102,926	54,604
fixed	2.83 %	EUR	2021	34,257	16,443
fixed	2.76%	EUR	2020	16,873	8,099
fixed	3.55 – 3.80%	EUR	2019	20,890	13,802
floating	floating + margin	EUR	2019	144,122	87,632
floating	floating + margin	USD	2019	36,000	1,810
					368,650

1 TCU = Thousand Currency Units

The floating interest rates are EURIBOR or LIBOR rates with maturities of one to six months.

Financial liabilities for which fair value is not equivalent to the carrying amount

	Carrying amount		Fair value	
in € thousand	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Fixed interest bearing loans	279,209	158,779	280,893	162,769

Interest rates of 1.0 to 2.3 % p.a. (previous year: 1.2 to 2.4 % 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 1.7 % in the reporting year (previous year: 1.9 %).

The variable interest rates were partly hedged by interest rate hedges until October 2016, see also Note 47. As a result of borrowing, certain affiliates have covenants linked to key balance sheet figures and collateral. 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 € 84,861 thousand (previous year: € 52,477 thousand).

Maturity of bank loans

in € thousand	
Up to 1 year	25,380
1 year to 2 years	23,004
2 years to 3 years	26,375
3 years to 4 years	43,458
4 years to 5 years	32,667
Over 5 years	217,766
	368,650

39. Trade liabilities

Trade liabilities

in € thousand	**31.12.2018**	31.12.2017
	87,043	77,246

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.

40. Non-current and current liabilities to related parties

Non-current and current liabilities to related parties as of 31 December 2018

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	**Total**
Liabilities to HPA (finance leases)	471	2,796	102,203	105,470
Other liabilities to related parties	7,469	0	0	7,469
	7,940	**2,796**	**102,203**	**112,939**

Non-current and current liabilities to related parties as of 31 December 2017

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	**Total**
Liabilities to HPA (finance leases)	444	2,500	102,970	105,914
Other liabilities to related parties	7,614	0	0	7,614
	8,058	**2,500**	**102,970**	**113,528**

The finance lease liabilities to HPA involve leased mega-ship berths at both the Container Terminal Burchardkai and the Container Terminal Tollerort in Hamburg. The amount recognised in the balance sheet is equivalent to the present value of finance lease liabilities and is based on a lease term up to and including 2062, see also Note 45 and Note 47.

Financial liabilities to related parties for which the fair values do not correspond to the book values

	Carrying amount		Fair value	
in € thousand	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Liabilities to HPA (finance leases)	105,470	105,914	140,337	141,722

41. Other liabilities

Other liabilities

in € thousand	31.12.2018	31.12.2017
Liabilities to employees	11,837	9,020
Tax liabilities	9,221	9,192
Employers' liability insurance premiums	4,466	4,376
Advance payments received for orders	2,316	2,119
Social security payables	1,963	1,431
Port workers' welfare fund (Hafenfonds)	1,281	1,344
Other	1,716	5,023
	32,800	**32,505**

The liabilities towards employees largely include liabilities arising from holiday entitlements, which have risen compared to the previous year.

The decline in other liabilities chiefly results from a subsequent purchase price payment in the previous year for the acquisition of shares in an already fully consolidated company.

All other liabilities have a remaining term of up to one year.

42. Income tax liabilities

Income tax liabilities

in € thousand	31.12.2018	31.12.2017
	4,937	5,901

Income tax liabilities result from expected additional payments for corporation tax, solidarity surcharge and trade tax.

When preparing the annual 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.

Notes to the cash flow statement

43. Notes to the cash flow statement

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 distribution or the redemption of existing loans. The free cash flow fell as against the previous year from € 144,276 thousand to € 29,341 thousand. The drop is mainly due to the increased cash outflow for investing activities. Operating cash flow also declined due to the increase in trade receivables and other assets and the decrease in provisions. This was offset by a higher operating result (EBIT) over the previous year.

Change in liabilities from financing activities

The balance of the proceeds from the issuance of bonds and (financial) loans and payments for the redemption of (financial) loans produces the change in liabilities from financing activities pursuant to IAS 7. In the reporting year, the Group made payments for the redemption of (financial) loans in the amount of € 27,867 thousand (previous year: € 40,494 thousand). There were € 136,924 thousand (previous year: € 0 thousand) in proceeds from the issuance of bonds and (financial) loans. This change in the liabilities from financing activities is reflected in the increase in liabilities to banks in the amount of € 112,777 thousand (previous year: reduction of € 41,471 thousand) see also Note 38. Furthermore, the first-time consolidation of HHLA TK Estonia AS in the reporting year led to an increase in liabilities to banks of € 6,276 thousand. The balance of the proceeds from the issuance of bonds and (financial) loans and payments for the redemption of (financial) loans to other lenders has been recognised as a change in the liabilities from financing activities in the amount of € - 2,897 thousand. Furthermore, exchange rate effects of € 72 thousand (previous year: € - 2,255 thousand) and other effects of € 269 thousand (previous year: € 1,278 thousand) changed liabilities to banks.

Financial funds

Financial funds include cash in hand and bank balances with a remaining term of up to three months and receivables and liabilities relating to HGV. Receivables from HGV are overnight deposits available on demand. They are recognised at nominal value.

Financial funds

in € thousand	**31.12.2018**	31.12.2017
Cash and cash equivalents with a maturity up to 3 months	25,683	49,953
Short-term deposits with a maturity of 4–12 months	22,450	20,000
Bank balances and cash in hand	133,327	131,561
Cash, cash equivalents and short-term deposits	**181,460**	**201,514**
Receivables from HGV	95,000	74,000
Overdrafts	- 21	0
Short-term deposits with a maturity of 4–12 months	- 22,450	- 20,000
Financial funds at the end of the period	**253,989**	**255,514**

Notes to the segment report

44. Notes to the segment report

The Group's segment report is prepared in accordance with the provisions of IFRS 8 and requires reporting on the basis of the internal reports to the Executive Board for the purpose of controlling 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 internal control.

The accounting and valuation principles applied for internal reporting comply with the principles applied by the Group described in Note 6.

In line with the Group's reporting structure for management purposes and in accordance with the definition in IFRS 8, the following four independent segments were identified:

Container

The Container segment pools the Group's container handling operations. The Group's services 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) and further container terminals in Odessa, Ukraine, and Tallinn, Estonia. The portfolio is rounded off by supplementary container services, such as maintenance and repairs provided by its subsidiary HCCR.

The Container segment mainly generates handling revenue at points in time. It also generates storage fee and rental income over time. Furthermore, individual HHLA customers have contractual rebate entitlements arising from income generated at points in time.

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 company Metrans and the trucking firm CTD complete HHLA's range of services in this field.

As transport income, the revenue of this segment is classed as income generated at points in time. There are also rebate obligations in respect of individual customers.

Logistics

The Logistics segment encompasses specialist handling services and consulting. Its service portfolio comprises stand-alone logistics services and entire process chains for the international procurement and distribution of merchandise. The segment also provides consulting and management services for clients in the international port and transport sectors.

The revenue generated from special handling services are classed as revenue generated at points in time. This segment also generates income over time, chiefly from consultancy and letting services. Immaterial rebate obligations apply in respect of individual customers.

Real Estate

This segment is equivalent to the Real Estate subgroup. Its business activities encompass services such as the development, letting and management of properties. These include real estate in the Speicherstadt historical warehouse district and on the northern banks of the river Elbe (fish market area). Furthermore, industrial logistics properties and land in and around the Port of Hamburg are managed by the Holding/Other division.

The revenue from this segment is rental income generated over time.

The Holding/Other division used for segment reporting does not represent an independent business segment as defined by IFRS 8. However, it has been allocated to the segments within the Port Logistics subgroup in order to provide a complete and clear picture.

Due to the structure of the 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, workshop services and staff provided by the holding company. As a rule, services are valued at cost price. Transfer prices may not exceed the market price of the service in question. If the company providing the service predominantly sells the relevant service on the market outside the Group, it may charge the market price, even if the cost price is lower.

The details of the reconciliation of the segment variables with the corresponding Group variables are as follows:

Earnings

The reconciliation of the segment variable EBIT to 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 EBIT with consolidated earnings before taxes (EBT)

in € thousand	**2018**	2017
Total segment earnings (EBIT)	**202,275**	**171,306**
Elimination of business relations between segments and subgroups	1,945	1,882
Group earnings (EBIT)	**204,220**	**173,188**
Earnings from associates accounted for using the equity method	5,347	4,778
Net interest	- 25,983	- 30,675
Earnings before tax (EBT)	**183,584**	**147,291**

Segment assets

The reconciliation of segment assets to 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 the segment assets with Group assets

in € thousand	**31.12.2018**	31.12.2017
Segment assets	**1,763,954**	**1,631,145**
Elimination of business relations between segments and subgroups	- 660,679	- 661,019
Current assets before consolidation	582,247	554,127
Financial assets	17,183	18,116
Deferred tax assets	82,126	87,093
Tax receivables	6,656	4,302
Cash, cash equivalents and short-term deposits	181,460	201,514
Group assets	**1,972,947**	**1,835,278**

Other segment information

The reconciliation to Group investments totalling € - 309 thousand (previous year: € - 176 thousand) eliminates the internal invoices for services to generate intangible assets between segments.

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,149 thousand (previous year: € - 2,137 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 € 44 thousand (previous year: € 59 thousand) includes the elimination of inter-company profits and transactions between the segments and the subgroups for which consolidation is mandatory.

Information about geographical regions

For information by region, the segment revenue and disclosures on non-current segment assets are broken down in accordance with the affiliates' respective locations.

Information about geographical regions

	Germany		EU		Outside EU		Total		Reconciliation with Group assets		Group	
in € thousand	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment income	835,022	849,845	415,201	354,585	40,913	47,376	1,291,136	1,251,806	0	0	1,291,136	1,251,806
Non-current segment assets	904,819	906,677	414,277	308,340	28,542	27,776	1,347,638	1,242,793	625,309	592,485	1,972,947	1,835,278
Investments in non-current segment assets	80,328	96,503	56,910	44,575	4,021	1,485	141,259	142,563	0	0	141,259	142,563

The reconciliation of long-term segment assets to Group assets includes, in addition to consolidation items between the segments, in particular current assets, financial assets as well as current and deferred income taxes.

Information about key clients

Revenue of € 205,756 thousand (previous year: € 164,671 thousand) from a single client exceeds 10 % of Group revenue and relates to the Container and Intermodal segments.

Other notes

45. 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 wagons and chassis, as well as IT hardware. For the most part, the contracts include renewal options and, in some cases, a put options. The renewal options are always for the lessee; the put options can be used by the respective lessor to force a sale.

The main obligations from finance leases result from the lease of mega-ship berths from Hamburg Port Authority (HPA), which owns the port areas and is a related party, see Note 48. The fixed lease initially runs until 2036, but HHLA anticipates that the lease terms of these assets will extend over 50 years, as in the past. The contracts make provisions for the allocation of liability in the event of nullity and the associated premature termination of the lease as a result of conflict with EU law. The Executive Board of HHLA believes the risk of a conflict with EU law is currently very low. Following the completion of a present value test, the mega-ship berth leases are to be classified as finance lease obligations according to IAS 17. Including expected increases in rent payment rates, this results in anticipated minimum lease payments of € 227,762 thousand (previous year: € 232,394 thousand).

Reconciliation between future minimum lease payments and their liabilities

in € thousand	**31.12.2018**	31.12.2017
Within one year	10,830	9,313
Between one and five years	33,598	31,646
Over five years	226,847	234,030
Total minimum lease payments	**271,275**	**274,989**
Within one year	5,595	4,244
Between one and five years	13,635	11,641
Over five years	125,149	127,451
Liabilities from finance leases	**144,379**	**143,336**
Interest expenses from minimum lease payments	**126,896**	**131,653**

The minimum lease payments include interest due to the long terms of the finance leases. The underlying interest rate is 4.21 to 4.22 %, see also Note 47.

In addition to the minimum lease payments shown, a company that does not belong to the group of consolidated companies will, from the 2019 financial year, have payment obligations from finance leases due to a licensing agreement concluded in the reporting period in respect of a terminal in the amount of € 72.0 million. Of this, € 1.6 million relates to a period within a year, € 9.6 million to a period between one and five years and € 60.8 million to a period of more than five years.

Liabilities from operating leases where the Group is lessee

Contracts exist between the Free and Hanseatic City of Hamburg and/or 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 2036. 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 remaining terms of between 1 and 33 years.

The Group also has leases for various motor vehicles and items of technical equipment. These leases have an average term of three to ten years and generally do not include renewal options. The lessee takes on no obligations when signing these leases.

Future minimum lease payments obligations under uncancellable operating leases

in € thousand	**31.12.2018**	31.12.2017
Within one year	56,499	45,387
Between one and five years	206,366	164,068
Over five years	753,071	587,246
	1,015,936	**796,701**

The information included conditional rental payments in the amount of € 113 million (previous year: € 114 million).

Expenses of € 58,295 thousand (previous year: € 53,829 thousand) were incurred for leases in the financial year. Of this figure, € 2,219 thousand (previous year: € 2,085 thousand) related to conditional rental payments.

Operating leases where the Group is lessor

The Group has signed leases for letting its investment properties on a commercial basis. The investment properties consist of office space, facilities and a commercial property not used by the Group. These leases have remaining uncancellable lease terms of between 1 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 years and a maximum of three times five years. Some leases contain a clause under which the rent can be increased in line with market conditions.

Future minimum lease entitlements under uncancellable operating leases for investment property

in € thousand	**31.12.2018**	31.12.2017
Within one year	30,707	33,549
Between one and five years	78,571	65,022
Over five years	62,950	35,476
	172,228	**134,047**

In the financial year, income of € 59,611 thousand (previous year: € 58,676 thousand) was earned from letting property, plant and equipment and investment property.

46. 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	**31.12.2018**	31.12.2017
Guarantees	15,110	10,374
Comfort letters	0	0
	15,110	**10,374**

The following other financial obligations existed on the reporting date:

Other financial obligations

in € thousand	31.12.2018	31.12.2017
Obligations from operating leases	1,015,936	796,701
Outstanding purchase commitments	106,989	110,618
Other	21,648	20,599
	1,144,573	**927,918**

Of the obligations from outstanding purchase commitments, € 69,550 thousand (previous year: € 77,299 thousand) is attributable to investments in property, plant and equipment and € 2,420 thousand (previous year: € 3,302 thousand) is attributable to investments in intangible assets.

47. 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.

Interest rate and market price risk

As a result of its financing activities, 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.

The consolidated companies did not hold any interest rate swaps as of the balance sheet date.

As of the balance sheet date, 75.7 % (previous year: 61.8 %) of the Group's borrowing was at fixed interest rates.

The fixed-interest 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 € 447 thousand p.a. higher (previous year: € 489 thousand p.a.) and interest income from overnight deposits and time deposit investments would have been € 1,369 thousand p.a. higher (previous year: € 1,377 thousand p.a.).

There are no effects on equity.

Exchange rate risk

Due to investments in countries outside the eurozone, changes in exchange rates can affect the balance sheet. Foreign currency risks on individual transactions 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, there were currency hedging instruments with a volume of € 19.5 million (previous year: € 37.5 million) and maturities of up to 13 months. As of 31 December 2018, the market value was € 425 thousand (previous year: € 1,294 thousand). In the reporting year, changes in value from these currency hedging transactions, which constitute financial assets and/or liabilities held at fair value through profit and loss, were recognised in the income statement. These instruments do not constitute effective hedging relationships as per IFRS 9.

Revenue in the HHLA Group is predominantly invoiced in euros or in the national currencies of the European affiliates. Investments in these countries are largely transacted in euros.

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 2017.

In addition to the market risks mentioned, there are also financial risks in the form of credit and liquidity risks.

Credit risk/default 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. There is no significant concentration of default risks with individual customers.

In respect of some receivables, the Group may obtain securities in the form of guarantees that may be drawn upon as part of contractual arrangements if the counterparty falls into payment default.

The Group applies the simplified approach pursuant to IFRS 9 in order to measure expected credit losses, i.e. the expected lifetime credit losses are applied for trade receivables and contract assets. In order to measure the expected credit losses, trade receivables and contract assets are consolidated on the basis of shared credit risk characteristics and the number of days overdue.

HHLA has no contract assets.

The expected losses given default are based on the payment profiles of the transactions over a period of twelve months prior to 31 December 2018 or 1 January 2018 and the corresponding historic defaults in this period. On this basis, the following impairment was calculated on trade receivables as of 31 December 2018 and 1 January 2018:

Determination of impairment on trade receivables as of 31 December 2018

in € thousand	not due	0 - 90 days overdue	91 - 180 days overdue	181 - 270 days overdue	271 - 360 days overdue	more than 360 day overdue	**Total**
Trade receivables before impairment	128,395	50,952	666	393	193	2,548	183,147
Expected losses	0.14 %	0.92 %	30.48 %	23.92 %	22.80 %	91.80 %	
Impairment of the reporting year	176	467	203	94	44	2,339	3,323
Trade receivables after impairment							**179,824**

Determination of impairment on trade receivables as of 1 January 2018

in € thousand	not due	0 - 90 days overdue	91 - 180 days overdue	181 - 270 days overdue	271 - 360 days overdue	more than 360 day overdue	**Total**
Trade receivables before impairment	104,751	43,268	1,254	129	271	2,265	151,938
Expected losses	0.21 %	0.39 %	14.83 %	10.85 %	52.40 %	92.19 %	
Impairment of the previous year	223	170	186	14	142	2,088	2,823
Impairment due to first-time adoption of IFRS 9							291
Trade receivables after impairment							**148,824**

The balance sheet closing figures of the impairments on trade receivables as of 31 December 2018 are reconciled with the opening balance sheet values for impairments as follows:

Development of the valuation allowances on trade receivables

in € thousand	2018	2017
Valuation allowances as of 31 December of prior year - according to IAS 39	**2,823**	**4,744**
Increase of valuation allowances	291	0
Valuation allowances as of 1 January - according to IFRS 9	**3,114**	**4,744**
Additions (valuation allowances recognised as expenses)	998	532
Used	- 268	- 1,712
Reversals	- 521	- 741
Valuation allowances as of 31 December	**3,323**	**2,823**

Trade receivables are derecognised when a reasonable assessment indicates that there is no prospect of them being realised. The indicators that point to no prospect of realisation following a reasonable assessment include the failure of a debtor to commit to a repayment plan agreed with the Group and the failure to make contractually agreed payments for a default period of more than 360 days.

Impairment losses on trade receivables are shown as other operating expenses in the operating result. Amounts that have been written off, but that are then generated in subsequent periods, are recognised as other operating income.

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 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 if the contingent liabilities listed in Note 46 are incurred.

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 bank loans and other loans, finance lease liabilities, financial liabilities towards employees and other financial liabilities, please refer to the table of residual maturities for non-current and current financial liabilities in Note 38.

Expected liquidity outflows due to future interest payments

	Up to 1 year		1 to 5 years		Over 5 years		Total	
in € thousand	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Outflow of liquidity for future interest payments on fixed-interest loans	5,469	3,761	18,126	12,055	15,652	8,018	39,247	23,834
Outflow of liquidity for future interest payments on floating-rate loans	588	844	1,092	1,354	81	222	1,761	2,420
	6,057	**4,605**	**19,218**	**13,409**	**15,733**	**8,240**	**41,008**	**26,254**

The consolidated companies did not hold any interest rate swaps as of the balance sheet date, so no interest outflows are anticipated in this regard.

Financial instruments

Carrying amounts and fair values

The tables below show the carrying amounts and fair value of financial assets and financial liabilities, as well as their level in the fair value hierarchy, see also Note 6 and Note 7.

They do not include any information on financial assets held at fair value or financial liabilities which have not been measured at fair value, where the carrying amount serves as a reasonable approximation of the fair value.

Financial assets as of 31 December 2018 (valuation according to IFRS 9)

	Carrying amount				Fair value			
in € thousand	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	**Balance sheet value**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value								
Financial assets		18	3,134	3,152	3,152			3,152
Other financial receivables		407	1,927	2,334	2,334			2,334
	0	**425**	**5,061**	**5,486**				
Financial assets not measured at fair value								
Financial assets	10,466			10,466				
Trade receivables	179,824			179,824				
Receivables from related parties	100,244			100,244				
Other financial receivables	1,728			1,728				
Cash, cash equivalents and short-term deposits	181,460			181,460				
	473,722	**0**	**0**	**473,722**				

Financial liabilities as of 31 December 2018 (valuation according to IFRS 9)

	Carrying amount			Fair value			
in € thousand	Amortised cost	Fair value through profit or loss	**Balance sheet value**	Level 1	Level 2	Level 3	**Total**
Financial liabilities measured at fair value							
Financial liabilities			0				
	0	**0**	**0**				
Financial liabilities not measured at fair value							
Financial liabilities (liabilities from bank loans)	369,656		369,656		371,340		371,340
Financial liabilities (finance lease liabilities)	38,909		38,909		38,909		38,909
Financial liabilities (settlement obligation, long-term)	32,645		32,645		32,645		32,645
Financial liabilities (settlement obligation, short-term)	28,655		28,655				
Financial liabilities (other)	42,705		42,705		42,705		42,705
Trade liabilities	87,043		87,043				
Liabilties to related parties (finance lease liabilties)	105,470		105,470		140,337		140,337
Liabilities to related parties (other)	7,469		7,469				
	712,552	**0**	**712,552**				

Financial assets as of 31 December 2017 (valuation according to IAS 39)

	Carrying amount			Fair value			
in € thousand	Loans and receivables	Available for sale	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Financial assets		6,844	6,844	6,844			6,844
Other financial receivables		677	677	677			677
	0	7,521	7,521				
Financial assets not measured at fair value							
Financial assets	11,834	2,901	14,735				
Trade receivables	149,115		149,115				
Receivables from related parties	81,527		81,527				
Other financial receivables	1,974		1,974				
Cash, cash equivalents and short-term deposits	201,514		201,514				
	445,964	2,901	448,865				

Financial liabilities as of 31 December 2017 (valuation according to IAS 39)

	Carrying amount				Fair value			
in € thousand	Held for trading	Fair value – hedging instruments	Other financial liabilities	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value								
Financial liabilities				0				
	0	0	0	0				
Financial liabilities not measured at fair value								
Financial liabilities (liabilities from bank loans)			256,879	256,879		260,869		260,869
Financial liabilities (finance lease liabilities)			37,422	37,422		37,422		37,422
Financial liabilities (settlement obligation, long-term)			22,620	22,620		22,620		22,620
Financial liabilities (settlement obligation, short-term)			30,900	30,900				
Financial liabilities (other)			37,736	37,736		37,736		37,736
Trade liabilities			77,246	77,246				
Liabilties to related parties (finance lease liabilties)			105,914	105,914		141,722		141,722
Liabilities to related parties (other)			7,614	7,614				
	0	0	576,331	576,331				

Where there are no material differences between the carrying amounts and fair values of the financial instruments reported under non-current financial liabilities with details of fair value, they are recognised at their carrying amount. Otherwise, the fair value must be stated.

In the reporting period, changes in value were reported in the income statement on financial assets and/or liabilities in the amount of € 425 thousand (previous year: € 1,294 thousand) that are held at fair value through profit and loss.

Valuation methods and key unobservable input factors for calculating fair value

The table below shows the valuation methods used for level 2 and level 3 fair value measurement and the key unobservable input factors utilised.

Financial instruments not measured at fair value

Type	Valuation method	Key unobservable input factors
Financial liabilities (liabilities from bank loans, finance lease liabilities, settlement obligations)	Discounted cash flows	Not applicable
Liabilities to related parties (finance lease liabilities included in this item)	Discounted cash flows: The valuation model utilises the present value, taking into account contractually agreed increases in rent. Discount rates represent an adequate interest rate according to the current risk.	Not applicable

There was no reclassification between the individual valuation levels in the financial year under review.

48. Related party disclosures

IAS 24 defines related parties as companies and individuals which directly or indirectly control or exert significant influence over the Group or over which the Group has control, joint control or significant influence.

The shareholder HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV) and its shareholder, the Free and Hanseatic City of Hamburg (FHH), companies over which the shareholder or 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 Group are therefore defined as related parties. HGV is the parent company of HHLA which publishes consolidated financial statements. These are published in the electronic version of the German Federal Gazette under HRB 16106. HHLA is the parent company of the Group.

Transactions with not fully consolidated related parties

	Income		Expenses		Receivables		Liabilities	
in € thousand	**2018**	2017	**2018**	2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Companies with control over the Group	33	219	553	1,215	96,402	75,262	0	0
Non-consolidated subsidiaries	1	2	252	469	117	1	42	405
Joint ventures	19,267	18,587	14,099	14,517	3,311	6,135	2,209	2,517
Associated companies	938	925	0	0	0	75	81	77
Other transactions with related parties	4,698	6,723	37,918	36,812	414	54	110,607	110,529
	24,937	**26,456**	**52,822**	**53,013**	**100,244**	**81,527**	**112,939**	**113,528**

The receivables from companies with a controlling interest relate to receivables from cash clearing with HGV totalling € 95,000 thousand (previous year: € 74,000 thousand). HHLA's receivables accrued interest at a rate of 0.00 % p.a. (previous year: 0.00 % p.a.) in the reporting period. The interest rates for HHLA's liabilities were 0.10 % p.a. (previous year: 0.10 % p.a.).

The transactions with joint ventures pertain to transactions with companies accounted for using the equity method. These mainly relate to HHLA Frucht and Kombi-Transeuropa.

Expenses reported as other transactions with related parties mostly include rent for land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

Obligations from finance leases amounting to € 105,470 thousand (previous year: € 105,914 thousand) for the lease of four mega-ship berths from HPA are included in other transactions with related parties.

Furthermore, HGV and the Free and Hanseatic City of Hamburg as parties related to HHLA have provided comfort letters and guarantees to lender banks for loans granted to companies in the Group. The nominal amount of the associated liabilities from bank loans is € 123,000 thousand (previous year: € 123,000 thousand), of which around € 65,789 thousand was still outstanding on the balance sheet date (previous year: € 72,831 thousand) plus interest.

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 Real Estate subgroup 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 – 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.

List of HHLA's shareholdings by business sector as of 31 December 2018

Name and headquarters of the company	Share of capital held directly in %	Share of capital held indirectly in %	Equity in € thousand	Result for the financial year Year	Result for the financial year in € thousand
Port Logistics subgroup					
Container segment					
HHLA Container Terminal Burchardkai GmbH, Hamburg[1, 2, 3b]	100.0		76,961	2018	0
Service Center Burchardkai GmbH, Hamburg[1, 2, 3c]		100.0	26	2018	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1, 2, 3b]	100.0		1,942	2018	0
HHLA Container Terminal Tollerort GmbH, Hamburg[1, 2, 3b]	100.0		34,741	2018	0
HHLA Rosshafen Terminal GmbH, Hamburg[1]		100.0	28,821	2018	9,328
HHLA Container Terminal Altenwerder GmbH, Hamburg[1, 2, 3b]	74.9		80,433	2018	0
SCA Service Center Altenwerder GmbH, Hamburg[1, 2, 3c]		74.9	601	2018	0
HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[4]	66,0		100	2018	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg[4]		37.5	159	2018	49
CuxPort GmbH, Cuxhaven[4]	25.1		13,954	2018	2,166
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven[5]	50.0		35	2018	4
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven[5]	50.0		14	2018	- 1
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg[4]	40.4		1,577	2018	844
HHLA International GmbH, Hamburg[1, 2, 3b]	100.0		8,360	2018	0
HHLA TK Estonia AS, Tallinn/Estonia[1]		100.0	56,229	2018	3,588
SC Container Terminal Odessa, Odessa/Ukraine[1]		100.0	43,160	2018	14,297
Intermodal segment					
CTD Container-Transport-Dienst GmbH, Hamburg[1, 2, 3c]	100.0		1,256	2018	0
HHLA Project Logistics LLC (vormals: POLZUG INTERMODAL LLC), Poti/Georgia[1]		75.0	1,298	2018	- 23
METRANS a.s., Prague/Czech Republic[1]	100.0		266,051	2018	51,215
METRANS Adria D.O.O., Koper/Slovenia[1]		100.0	1,820	2018	445
METRANS (Danubia) a.s., Dunajská Streda/Slovakia[1]		100.0	93,128	2018	13,060
METRANS (Danubia) Kft., Győr/Hungary[1]		100.0	1,590	2018	471
METRANS Danubia Krems GmbH, Krems an der Donau/Austria[1]		100.0	445	2018	104
METRANS D.O.O., Rijeka/Croatia[1, 5]		100.0	7	2018	3
METRANS DYKO Rail Repair Shop s.r.o., Prague/Czech Republic[1]		100.0	5,663	2018	553
METRANS İSTANBUL STI, Istanbul/Turkey[1]		100.0	- 73	2018	- 93
METRANS Konténer Kft., Budapest/Hungary[1]		100.0	9,216	2018	1,334
METRANS (Polonia) Sp.z o.o (vormals: POLZUG Intermodal Polska sp. z o.o.), Warsaw/Poland[1]		100.0	5,301	2018	4,175
METRANS Rail s.r.o., Prague/Czech Republic[1]		100.0	4,000	2018	3,538
METRANS Rail (Deutschland) GmbH, Leipzig[1]		100.0	6,806	2018	2,680
TIP Žilina, s.r.o., Dunajská Streda/Slovakia[1, 5]		100.0	- 9	2018	- 14
UniverTrans Kft., Budapest/Hungary[1]		100.0	1,672	2018	663
METRANS Railprofi Austria GmbH, Krems an der Donau/Austria[1]		80.0	1,127	2018	1,057
IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg[5]	50.0		39	2018	2
IPN Inland Port Network GmbH & Co. KG, Hamburg[5]	50.0		66	2018	- 3

Name and headquarters of the company	Share of capital held directly in %	Share of capital held indirectly in %	Equity in € thousand	Result for the financial year: Year	Result for the financial year: in € thousand
Logistics segment					
HPC Hamburg Port Consulting GmbH, Hamburg[1, 2, 3a]	100.0		1,023	2018	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg[1]	51.0		11,102	2018	3,314
ARS-UNIKAI GmbH, Hamburg[4]		25.5	63	2018	13
HHLA Sky GmbH, Hamburg[1]	100.0		117	2018	- 508
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg[4]	51.0		20,764	2018	873
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg[4]	51.0		853	2018	250
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg[3b, 4]	49,0		n/a	2018	n/a
Holding/other					
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg[1, 2, 3c]	100.0		3,609	2018	0
HHLA-Personal-Service GmbH, Hamburg[1, 2, 3b]	100.0		45	2018	0
Real Estate subgroup					
Real Estate segment					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3a]	100.0		4,518	2018	0
HHLA Immobilien Speicherstadt GmbH, Hamburg[1, 5]	100.0		87	2018	8
HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		14,305	2018	2,302
HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		69,185	2018	8,550

1 Controlled companies.
2 Profit and loss transfer agreements were held in these companies in 2018.
3a The non-disclosure option provided for in section 264 (3) of the German Commercial Code (HGB) was used for these companies.
3b The non-disclosure option and the option of non-inclusion in the Management Report provided for in section 264 (3) of the German Commercial Code (HGB) were used for these companies.
3c The non-disclosure option and the option of non-inclusion in the Management Report and the notes provided for in section 264 (3) of the German Commercial Code (HGB) were used for these companies.
3d The non-disclosure option provided for in section 264b of the German Commercial Code (HGB) was used for these companies.
4 Companies recognised using the equity method.
5 Due to the minor importance of these companies, they are not recognised using the equity method in the Consolidated Financial Statements or as non-consolidated companies, but rather as equity investments.

Remuneration for key management personnel

IAS 24 requires the remuneration of key management personnel to be disclosed. This relates to the active Executive Board and the Supervisory Board. Apart from the details provided below, there were no notifiable transactions with related parties or their close relatives in the 2018 financial year.

For further details of the remuneration paid to individual Executive and Supervisory Board members, please see the remuneration report, which forms part of the combined management report.

Remuneration for active members of the Executive and Supervisory Boards

Remuneration for active members of the Executive and Supervisory Boards

	Executive Board		Supervisory Board	
in € thousand	**2018**	2017	**2018**	2017
Short-term remuneration	2,955	2,936	309	304
of which is non-perfomance-related	1,557	1,556	–	–
of which is perfomance-related	1,398	1,380	–	–
Benefits due after termination of the contract	868	851	–	–
	3,823	3,787	309	304

The performance-related portion of the Executive Board's remuneration had not been paid as of the balance sheet date.

In the 2018 financial year, the short-term benefits payable to the Supervisory Board totalled € 309 thousand (previous year: € 304 thousand). Fixed basic salaries accounted for € 199 thousand (previous year: € 206 thousand) of this, remuneration for committee work made up € 69 thousand (previous year: € 58 thousand) and € 41 thousand (previous year: € 40 thousand) consisted of meeting fees.

The past service cost resulting from pension provisions for active members of the Executive Board is reported as post-employment benefits. As of the reporting date, the associated obligation stood at € 9,797 thousand (previous year: € 7,505 thousand).

The Executive Board members' individual pension entitlements as per HGB are as follows:

Individual pension claims of members of the management board in accordance with German Commercial Code (HGB)

in € thousand	**2018**	2017
Angela Titzrath	472	235
Heinz Brandt	3,667	1,749
Dr. Roland Lappin	3,123	2,749
	7,262	**4,733**

Former members of the Executive Board

Benefits totalling € 1,009 thousand (previous year: € 932 thousand) were paid to former members of the Executive Board and their surviving dependants. The defined benefit obligation for current pensions calculated in accordance with International Financial Reporting Standards amounts to € 23,239 thousand (previous year: € 24,242 thousand).

49. Board members and mandates

The Supervisory Board members and their mandates

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

Professor Dr. Rüdiger Grube (Chairman)

Fully qualified engineer, Hamburg
Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg

Other mandates

- Deufol SE, Hofheim am Taunus (since 1 June 2018)
- Herrenknecht AG, Schwanau (since 1 September 2018)
- RIB Software SE, Stuttgart (since 23 November 2018)

Berthold Bose (Vice Chairman)

Automotive electrician, Hamburg
Head of ver.di Hamburg

Other mandates

- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (Vice Chairman)
- Asklepios Kliniken Hamburg GmbH, Hamburg (Vice Chairman)

Petra Bödeker-Schoemann (until 12 June 2018)

Fully qualified business administration manager, Hamburg
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (until 31 May 2018)

Other mandates

- Gesellschaft zur Beseitigung von Sonderabfällen mbH, Kiel
- GMH Gebäudemanagement Hamburg GmbH, Hamburg
- HADAG Seetouristik und Fährdienst AG, Hamburg
- Hamburger Wasserwerke GmbH, Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman)[1] (until 12 June 2018)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman)[1] (until 12 June 2018)
- HHLA Immobilien Speicherstadt GmbH, Hamburg (Chairwoman)[1] (until 12 June 2018)
- P+R-Betriebsgesellschaft mbH, Hamburg
- SAGA Siedlungs-Aktiengesellschaft Hamburg, Hamburg
- SBH Schulbau Hamburg, Hamburg
- SGG Städtische Gebäudeeigenreinigung GmbH, Hamburg
- Stromnetz Hamburg GmbH, Hamburg

Dr. Rolf Bösinger (until 20 April 2018)

Fully qualified economist, Hamburg
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation (until 21 March 2018)
State Secretary at the German Federal Ministry of Finance (since 22 March 2018)

Other mandates

- Erneuerbare Energien Hamburg Clusteragentur GmbH, Hamburg (Chairman)
- Hamburgische Investitions- und Förderbank A. ö. R., Hamburg
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH, Hamburg (Chairman) (until 17 April 2018)
- Life Science Nord Management GmbH, Hamburg (until 16 April 2018)
- Logistik-Initiative Hamburg Management GmbH, Hamburg
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg (Vice Chairman)
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg (Chairman) (until 5 April 2018)

Dr. Norbert Kloppenburg

Fully qualified agricultural engineer, Hamburg
International investments and financing consultant

Other mandates

- None

Thomas Lütje

Shipping agent, Jork
Director of Sales at Hamburger Hafen und Logistik AG, Hamburg

Other mandates

- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 6 August 2018)
- HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[1] (Chairman)

Dr. Wibke Mellwig (21 April until 12 June 2018)

Doctorate in law, Hamburg
Head of the Port and Logistics department at the Hamburg Ministry for the Economy, Transport and Innovation, Deputy Head of Port and Innovation

Other mandates

- Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg[1]
- Logistik-Initiative Hamburg Management GmbH, Hamburg
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg

Thomas Mendrzik

Electrical technician, Hamburg
Vice Chairman of the works council of HHLA Container-Terminal Altenwerder GmbH, Hamburg

Other mandates

- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA Container Terminal Altenwerder GmbH, Hamburg[1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 6 August 2018)
- SCA Service Center Altenwerder GmbH, Hamburg[1]

Dr. Isabella Niklas (since 12 June 2018)

Doctorate in law, Hamburg
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (since 1 May 2018)

Other mandates

- GMH Gebäudemanagement Hamburg GmbH, Hamburg (since 31 August 2018)
- HADAG Seetouristik und Fährdienst AG, Hamburg (since 19 July 2018)
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman)[1] (12 June until 3 July 2018)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman)[1] (12 June until 3 July 2018)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (12 June until 6 August 2018)
- PNE WIND AG, Cuxhaven (until 31 December 2018)
- SBH Schulbau Hamburg, Hamburg (since 23 August 2018)
- SNH Stromnetz Hamburg GmbH, Hamburg (since 9 August 2018)
- VWH Vattenfall Wärme Hamburg, Hamburg (since 1 September 2018)

Norbert Paulsen

Fully qualified engineer, Hamburg
Chairman of the Group works council and the joint works council of Hamburger Hafen und Logistik AG, Hamburg

Other mandates

- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Vice Chairman)[1] (until 3 July 2018)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Vice Chairman)[1] (until 3 July 2018)
- HHLA Immobilien Speicherstadt GmbH, Hamburg (Vice Chairman)[1] (until 6 August 2018)

Sonja Petersen

Fully qualified business administration manager (FH), Norderstedt
Clerical employee at HHLA Container Terminal Burchardkai GmbH, Hamburg

Other mandates

- None

Dr. Sibylle Roggencamp

Fully qualified economist, Molfsee
Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

Other mandates

- Elbphilharmonie und Laeiszhalle Service GmbH, Hamburg
- Flughafen Hamburg GmbH, Hamburg
- Hamburg Musik GmbH, Hamburg
- Hamburger Hochbahn AG, Hamburg
- Hamburgischer Versorgungsfonds A. ö. R., Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 6 August 2018)
- HSH Beteiligungsmanagement GmbH, Hamburg (until 23 January 2019)
- HSH Portfoliomanagement A. ö. R., Kiel (Chairwoman)
- Sprinkenhof GmbH, Hamburg (Chairwoman)
- Universitätsklinikum Hamburg-Eppendorf K. ö. R., Hamburg

Maya Schwiegershausen-Güth

MA in politics, sociology, economic and social history, Berlin
Head of the ITF Flags of Convenience Campaign Office, ver.di Bund

Other mandates

- Hapag-Lloyd AG, Hamburg (since 26 October 2018)

Dr. Torsten Sevecke (since 12 June 2018)

State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation (Economy and Innovation department)

Other mandates

- 4Free AG, Hamburg
- Erneuerbare Energien Hamburg Clusteragentur GmbH, Hamburg (Chairman)
- Hamburgische Investitions- und Förderbank A. ö. R., Hamburg
- Hamburg Tourismus GmbH, Hamburg (since 24 January 2019)
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH, Hamburg (Chairman)
- Life Science Nord Management GmbH, Hamburg (Chairman)
- Logistik-Initiative Hamburg Management GmbH, Hamburg (since 9 October 2018)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg (Chairman)

Michael Westhagemann (until 6 February 2019)

Computer scientist, Hamburg
Management consultant for innovation and technology (until 31 October 2018), Senator at the Hamburg Ministry for the Economy, Transport and Innovation (since 1 November 2018)

Other mandates

- Erneuerbare Energien Hamburg Clusteragentur GmbH, Hamburg (until 8 November 2018)
- HafenCity Hamburg GmbH, Hamburg (since 27 November 2018)
- Hamburger Hochbahn AG, Hamburg (Chairman) (since 6 December 2018)
- Hamburg Marketing GmbH, Hamburg (Chairman) (since 1 November 2018)
- Hamburg Port Authority A. ö. R., Hamburg (Chairman) (since 27 November 2018)
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 3 July 2018)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 6 August 2018)

[1] Mandates within the Group

Supervisory Board committees

Finance Committee

- Dr. Sibylle Roggencamp (Chairwoman)
- Thomas Mendrzik (Vice Chairman)
- Dr. Norbert Kloppenburg
- Norbert Paulsen
- Sonja Petersen
- Michael Westhagemann (until 6 February 2019)

Audit Committee

- Dr. Norbert Kloppenburg (Chairman)
- Norbert Paulsen (Vice Chairman)
- Petra Bödeker-Schoemann (until 12 June 2018)
- Thomas Mendrzik
- Dr. Isabella Niklas (since 12 June 2018)
- Sonja Petersen
- Michael Westhagemann (until 6 February 2019)

Real Estate Committee

- Dr. Isabella Niklas (since 12 June 2018) (Chairwoman since 3 December 2018)
- Petra Bödeker-Schoemann (Chairwoman) (until 12 June 2018)
- Norbert Paulsen (Vice Chairman)
- Thomas Lütje
- Thomas Mendrzik
- Dr. Sibylle Roggencamp
- Michael Westhagemann (until 6 February 2019)

Personnel Committee

- Professor Dr. Rüdiger Grube (Chairman since 21 September 2018)
- Berthold Bose (Vice Chairman since 21 September 2018)
- Dr. Rolf Bösinger (until 20 April 2018)
- Thomas Mendrzik
- Norbert Paulsen
- Dr. Sibylle Roggencamp
- Dr. Torsten Sevecke (since 12 June 2018)

Nomination Committee

- Dr. Rolf Bösinger (until 20 April 2018)
- Professor Dr. Rüdiger Grube
- Dr. Sibylle Roggencamp
- Dr. Torsten Sevecke (since 12 June 2018)

Arbitration Committee

- Dr. Rolf Bösinger (until 20 April 2018)
- Berthold Bose
- Professor Rüdiger Grube
- Norbert Paulsen
- Dr. Torsten Sevecke (since 12 June 2018)

The Executive Board members and their mandates

Angela Titzrath (Chairwoman)

Economist (MA), Hamburg
First appointed: 2016

Areas of responsibility

- Corporate development
- Corporate communications
- Sustainability
- Container sales
- Intermodal segment
- Logistics segment

Other mandates

- CTD Container-Transport-Dienst GmbH, Hamburg
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- HHLA International GmbH, Hamburg (since 13 December 2018)
- HHLA Sky GmbH, Hamburg (since 13 December 2018)
- HPC Hamburg Port Consulting GmbH, Hamburg
- Metrans a.s., Prague, Czech Republic
- POLZUG Intermodal GmbH, Hamburg (until 3 August 2018)
- Evonik Industries AG, Essen
- AXA Konzern AG, Cologne (until 30 April 2018)
- Talanx AG, Hanover (since 8 May 2018)
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

Heinz Brandt

Legal assessor, Bremen
First appointed: 2009

Areas of responsibility

- HR management
- Purchasing and materials management
- Health and safety in the workplace
- Legal and insurance[1]

Other mandates

- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg (until 24 July 2018)
- HHLA-Personal-Service GmbH, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg

Jens Hansen

Fully qualified engineer, fully qualified business administration manager, Elmshorn
First appointed: 2017

Areas of responsibility

- Operations[2]
- Technology[2]
- Information systems

Other mandates

- Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven
- Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven
- DAKOSY Datenkommunikationssystem AG, Hamburg
- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg
- HHLA Container Terminal Altenwerder GmbH, Hamburg
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- HHLA Container Terminal Tollerort GmbH, Hamburg
- HHLA Rosshafen Terminal GmbH, Hamburg
- HHLA TK Estonia AS, Tallinn, Estonia (since 27 June 2018)
- HVCC Hamburg Vessel Coordination Center GmbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg
- SCB Service Center Burchardkai GmbH, Hamburg

Dr. Roland Lappin

Fully qualified industrial engineer, Hamburg
First appointed: 2003

Areas of responsibility

- Finance and controlling[3]
- Investor relations
- Internal audit
- Real Estate segment

Other mandates

- Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg (until 24 July 2018, since 13 December 2018)
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- HHLA Immobilien Speicherstadt GmbH, Hamburg (since 13 December 2018)
- HHLA International GmbH, Hamburg (since 13 December 2018)
- HHLA Rosshafen Terminal GmbH, Hamburg
- IPN Inland Port Network GmbH & Co. KG, Hamburg
- IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg
- Metrans a.s., Prague, Czech Republic
- POLZUG Intermodal GmbH, Hamburg (until 31 August 2018)
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

[1] Including compliance
[2] Without real estate, for the Intermodal and Logistics segments as agreed with the Chairwoman of the Executive Board
[3] Including organisation

50. German Corporate Governance Code

HHLA has based its corporate governance on the recommendations of the German Corporate Governance Code (the Code) as published on 7 February 2017. 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 48 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2018 and on 7 December 2018 issued the declaration of compliance 2018 in accordance with Section 161 of the German Stock Corporation Act (AktG), which is permanently available to shareholders on the company's website under www.hhla.de.

51. Auditing fees

In both the reporting year and the previous year, fees for auditing the financial statements primarily consisted of the fees for the audit of the consolidated financial statements, the audits of the financial statements of HHLA AG and its domestic subsidiaries, and the review of the interim financial statements. They also cover the project-related reviews relating to the introduction of IFRS 15 and 16. The other certification services encompass the review of the non-financial report pursuant to ISAE 3000 (Revised). PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was appointed as the auditor for the 2018 financial year, as in the previous year.

Auditing fees

in € thousand	**2018**	2017
Audit of financial statements	514	586
Other certification services	81	16
Tax advisory services	0	16
Other services	1	2
	596	**620**

52. Events after the balance sheet date

There were no significant events after the balance sheet date of 31 December 2018.

Hamburg, 1 March 2019

Hamburger Hafen und Logistik Aktiengesellschaft

Angela Titzrath   Heinz Brandt   Jens Hansen   Dr. Roland Lappin

Annual financial statements of HHLA AG

The annual financial statements and combined management report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the 2018 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 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

Income statement

for the period from 1 January to 31 December 2018

in €	2018	2017
Revenue	122,806,739.79	127,569,089.29
Increase or decrease in work in progress	171,220.87	- 309,045.51
Own work capitalised	1,919,035.12	1,059,691.04
Other operating income	5,379,657.84	4,914,777.40
of which income from translation differences	85,491.19	80,859.72
Cost of materials	9,585,029.74	8,807,422.32
Expenses for raw materials, consumables, supplies and purchased merchandise	3,871,651.42	3,560,189.39
Expenses for purchased services	5,713,378.32	5,247,232.93
Personnel expenses	109,754,411.77	107,137,287.31
Wages and salaries	93,254,715.56	94,947,979.97
Social security contributions and expenses for pension and similar benefits	16,499,696.21	12,189,307.34
of which for pensions	1,572,581.65	- 2,814,648.04
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	3,203,278.24	2,848,971.49
Other operating expenses	40,727,875.38	47,169,653.52
of which expenses from translation differences	128,397.59	61,195.75
Income from profit transfer agreements	74,126,076.77	76,076,469.84
Income from equity participations	54,995,343.51	40,445,005.86
of which from affiliated companies	50,851,251.53	36,612,834.19
Other interest and similar income	3,360,819.81	3,462,509.22
of which from affiliated companies	3,308,001.90	3,292,275.65
Depreciation and amortisation on financial assets	154,662.32	4,376,951.71
Expenses from assumed losses	3,545,937.06	23,412,928.55
Interest and similar expenses	30,539,874.97	25,834,598.18
of which from accrued interest	28,730,030.17	24,506,781.44
Taxes on income	8,864,892.30	9,273,757.02
of which income from the change unrecognised taxes	3,996,677.30	7,959,383.58
Profit after tax	**56,382,931.93**	**24,356,927.04**
Other taxes	205,056.03	257,618.26
Net profit for the year	**56,177,875.90**	**24,099,308.78**
Profit carried forward from the previous year	201,487,510.01	224,126,013.29
Dividend distributed	52,341,718.78	46,737,812.06
Unappropriated profit	**205,323,667.13**	**201,487,510.01**

Balance sheet

in €	31.12.2018	31.12.2017
ASSETS		
Intangible assets		
Internally generated industrial and similar rights and values	799,470.84	917,131.25
Purchased software	2,243,818.30	1,899,941.99
Assets in development	16,832,773.10	9,700,288.48
Payments in advance	0.00	10,000.00
	19,876,062.24	**12,527,361.72**
Property, plant and equipment		
Land, equivalent land rights and buildings, including buildings on leased land	5,327,819.90	4,405,996.48
Technical equipment and machinery	1,172,018.32	1,511,729.34
Other plant, operating and office equipment	3,136,156.24	2,711,146.67
Payments made on account and plant under construction	256,201.01	2,017,435.95
	9,892,195.47	**10,646,308.44**
Financial assets		
Interests in affiliated companies	408,502,681.58	358,224,331.58
Loans to affiliated companies	7,750,000.00	9,250,000.00
Equity investments	8,505,133.90	8,085,658.02
Non-current securities	0.00	950,952.04
	424,757,815.48	**376,510,941.64**
Non-current assets	**454,526,073.19**	**399,684,611.80**
Inventories		
Raw materials, consumables and supplies	200,342.63	198,775.69
Work in progress	532,348.20	361,127.33
	732,690.83	**559,903.02**
Receivables and other assets		
Trade receivables	1,202,630.61	568,371.16
Receivables from the Free and Hanseatic City of Hamburg	357.00	607.00
Receivables from the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg	95,000,000.00	74,000,000.00
Receivables from affiliated companies	400,080,111.18	338,348,026.07
Receivables from investee companies	1,350,191.04	3,868,878.50
Other assets	13,020,633.42	9,410,778.14
	510,653,923.25	**426,196,660.87**
Cash and cash equivalents	**128,831,062.50**	**147,931,500.73**
Current assets	**640,217,676.58**	**574,688,064.62**
Accruals and deferrals	**761,806.11**	**798,661.01**
Deferred tax assets	**54,793,360.62**	**50,405,159.00**
Balance sheet total	**1,150,298,916.50**	**1,025,576,496.43**

in €	31.12.2018	31.12.2017
EQUITY AND LIABILITIES		
Equity		
Subscribed capital		
Port Logistics subgroup	70,048,834.00	70,048,834.00
Real Estate subgroup	2,704,500.00	2,704,500.00
	72,753,334.00	**72,753,334.00**
Capital reserve		
Port Logistics subgroup	136,771,470.63	136,771,470.63
Real Estate subgroup	506,206.26	506,206.26
	137,277,676.89	**137,277,676.89**
Statutory reserve		
Port Logistics subgroup	5,125,000.00	5,125,000.00
Real Estate subgroup	205,000.00	205,000.00
	5,330,000.00	**5,330,000.00**
Other earnings reserves		
Port Logistics subgroup	56,105,325.36	56,105,325.36
Real Estate subgroup	1,322,353.86	1,322,353.86
	57,427,679.22	**57,427,679.22**
Retained earnings	**62,757,679.22**	**62,757,679.22**
Unappropriated profit		
Port Logistics subgroup	170,730,884.56	169,961,460.97
Real Estate subgroup	34,592,782.57	31,526,049.04
	205,323,667.13	**201,487,510.01**
Equity	**478,112,357.24**	**474,276,200.12**
Provisions		
Provisions for pensions and similar obligations	323,887,934.84	309,575,395.53
Tax provisions	342.266,85	0.00
Other provisions	48,531,380.35	56,049,859.69
	372,761,582.04	**365,625,255.22**
Liabilities		
Liabilities from bank loans	166,180,586.97	70,300,499.73
Payments on account	519,348.20	295,332.33
Trade liabilities	3,484,449.22	3,379,399.47
Liabilities towards the Free and Hanseatic City of Hamburg	6,262.00	12,170.98
Liabilities towards affiliated companies	75,617,821.05	57,911,338.40
Liabilities towards investee companies	761,577.87	1,449,592.79
Other liabilities	44,661,406.53	44,513,469.72
of which from taxes	2,054,437.03	5,080,092.48
of which for social security	582,518.59	699,244.66
	291,231,451.84	**177,861,803.42**
Accruals and deferrals	**0.00**	**11,236.61**
Deferred tax liabilities	**8,193,525.38**	**7,802,001.06**
Balance sheet total	**1,150,298,916.50**	**1,025,576,496.43**

Independent auditor's report

To Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg

Report on the audit of the consolidated financial statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Hamburger Hafen und Logistik Aktiengesellschaft, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the consolidated financial statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill
2. Recognition and measurement of pension obligations and other post-employment benefits as well as plan assets

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. In the Company's consolidated financial statements goodwill amounting in total to € 46,517 thousand is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term planning of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term planning of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We discussed and examined supplementary adjustments to the medium-term planning for the purposes of the impairment test with the members of the Company's staff responsible. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill are contained in the section entitled "Intangible assets" of the notes to the consolidated financial statements.

2. Recognition and measurement of pension obligations and other post-employment benefits as well as plan assets

1. In the Company's consolidated financial statements pension provisions and obligations from capital plan and working lives amounting to € 448,930 thousand are reported under the "Pension provisions" balance sheet item, comprising the net amount of the obligations from various pension plans and obligations from capital plan and working lives amounting to € 449,285 thousand and the fair value of plan assets amounting to € 355 thousand. The majority of these provisions relate to old-age and transitional pension commitments in Germany. Obligations under defined benefit plans are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy, and staff turnover. With regard to the average life expectancy, the new Life Expectancy Tables issued by Heubeck-Richttafeln-GmbH (Heubeck 2018 G Life Expectancy Tables) are used for the first time as of December 31, 2018. The effect from the initial application of the Life Expectancy Tables amounts to € 5,225 thousand and was recognized as actuarial loss in other comprehensive income. Furthermore, the discount rate must be determined by reference to the yield on high-quality corporate bonds with matching currencies and

consistent maturities. This usually requires the data to be extrapolated, since sufficient long-term corporate bonds do not exist. The plan assets are measured at fair value, which in turn involves making estimates that are subject to estimation uncertainties. In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this item – which is significant in terms of its amount – are based to a large extent on estimates and assumptions made by the Company's executive directors.

2. As part of our audit we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts, among other things. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for standard conformity and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the purposes of our audit of the fair value of the plan assets, we obtained bank and fund confirmations. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

3. The Company's disclosures relating to the pension obligations and other post-employment benefits as well as plan assets are contained in the section entitled "Pension provisions" of the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the “Corporate governance” section of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report and the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the consolidated financial statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the consolidated financial statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 12, 2018. We were engaged by the supervisory board on December 7, 2018. We have been the group auditor of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Christoph Fehling.

Hamburg, 1 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Claus Brandt
Wirtschaftsprüfer [German Public Auditor]

sgd. Christoph Fehling
Wirtschaftsprüfer [German Public Auditor]

Assurance of the legal representatives

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and earnings of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the coming financial year.

Hamburg, 1 March 2019

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Angela Titzrath   Heinz Brandt   Jens Hansen   Dr. Roland Lappin

Sustainability

Ladies and gentlemen,

Hamburg is known as the gateway to the world and is the home port of Hamburger Hafen und Logistik AG (HHLA). Just as Hamburg brings the world to the Hanseatic city, we work with our customers on shaping the world of tomorrow. We connect places, companies and people in order to exchange information and develop new concepts. The future is what drives us and regeneration is our constant companion. This is what we mean when we say that HHLA is the gateway to the future. This claim isn't restricted to our overarching objective of achieving success as one of Europe's leading port logistics and transportation companies. For us, shaping the future also always means taking a responsible approach to our use of natural resources. Our sustainable business model has already been highly successful, as our nomination for the 2018 German Sustainability Award confirmed.

For the implementation of our sustainability strategy, we focus on ten key areas of action. These areas combine successful business practices with environmental requirements and social responsibility. An environmentally responsible approach to logistics, now and in the future, must focus on transferring more cargo from road to rail. We also regard this as a suitable way of mastering the environmental challenges of international supply chains. HHLA therefore supports the initiative launched by European railway companies to significantly increase the proportion of cargo transported by rail by 2030. This target, published last year at the climate summit in Katowice, will help to reduce the impact of traffic on our climate. It is also in line with the targets of the Paris Agreement. In the years up to 2022, HHLA will provide its rail subsidiary Metrans with € 350 million of funds to invest in modern terminal facilities, locomotives and its fleet of wagons. In the reporting year, Metrans already put its 40th eco-friendly, multi-system electric locomotive and further quiet container wagons into operation. With more of its own locomotives, Metrans will be able to manage its transport processes even better, thus enabling us to offer our customers even more attractive and comprehensive services. The further increase in transport volumes for our railway company makes a significant contribution to HHLA's positive operating result while also reflecting our efforts to strengthen climate-friendly rail transport.

The shift towards this more environmentally friendly mode of transport is supported by the operation of low-emission terminals. We are also integrating other parties into the optimisation of our logistics chains, such as the Hamburg Vessel Coordination Center (HVCC). As the central, neutral and industry-wide coordination point for mega-ship, feeder and inland vessel traffic in the Port of Hamburg, the HVCC offers terminals and shipping companies operational coordination services to optimise the emissions of arriving and departing ships. The number of companies using HVCC's services increased once again during the financial year. The acquisition of Estonia's largest terminal operator, Transiidikeskuse (HHLA TK), also complements our long-term sustainability strategy. Due to regional infrastructure projects (such as the Rail Baltica project), this site is developing into a multimodal hub and broadening the foundations of our business. The joint venture established with US research and development company Hyperloop Transportation Technologies (HTT) for the development and sale of a hyperloop transportation system for shipping containers is a further step towards relieving the strain on transport infrastructures by adopting innovative approaches.

During the reporting year, we already achieved, and even exceeded, our ambitious climate protection goal of reducing CO_2 emissions per container handled by at least 30 % by 2020 – based on our 2008 figures. With the ongoing electrification of diesel-powered equipment and facilities, improved processes and the use of electricity from renewable sources, we have now reduced our emissions by 31.7 %. During the reporting year, we further intensified our efforts to achieve the requirements for full electrification of the automated guided vehicles (AGVs) used for horizontal transport at the Container Terminal Altenwerder (CTA). This means that a significant proportion of horizontal container transport at the terminal is now emission-free at the point of use.

We continued to drive the conversion of vehicles used at our terminals to electric technology. During the reporting year, 81 cars were already being operated with purely electric drive systems, five with hybrid drive systems and one vehicle that is fuelled by hydrogen. Charging stations were set up in several company car parks for private electric cars. This means that our employees can also charge their e-vehicles during working hours.

We also go to great lengths to protect the health and well-being of our staff and the employees of external companies. Working conditions are subject to ongoing scrutiny and adapted where necessary.

Our social commitment focuses on schoolchildren. The maritime education projects supported by HHLA all have a strong connection with environmental and sustainability topics. In 2018, more than 1,400 schoolchildren were educated by projects such as these.

With the successful recertification of our energy management system according to the DIN EN ISO 50001 standard, the results of our measures to boost energy efficiency were confirmed in 2018. With the efficient use of energy, which is one of the key pillars of the energy transition, we are able to make an effective and measurable contribution towards reducing CO_2 emissions. The scope of application of the certified energy management system includes all German and Polish companies with significant energy consumption.

In 2018, we successfully raised our already high added value ratio by 8.5 % to € 676 million in 2018. This key indicator reflects the significant economic added value of our business activities at all of our locations.

Highly skilled, satisfied and motivated specialist staff and managers are one of HHLA's key factors for success. Investments in varied and attractive social benefits, extensive options for education and training, and numerous ways to optimise their work-life balance all increase the loyalty and motivation of our employees. With measures to protect and promote health, as well as occupational safety, we take our social responsibility very seriously. Since a significant proportion of our staff carry out tasks that are physically demanding, high occupational safety standards and the active promotion of good health greatly contribute towards counteracting the effects of demographic change in the company. We actively promote the establishment of agile structures by forming cross-functional teams. Diversity criteria are anchored within our strategic HR management with corresponding targets. HHLA is an attractive employer. This is reflected in the strong interest among young people to do an apprenticeship at HHLA, in the many years that our staff spend with the company, and in our increasing headcount.

We want to continue to belong to those elite German corporations whose sustainability efforts are recognised by independent experts. For this reason, we will continue to steadily enhance our sustainable business model.

Yours,

A. Titzrath

Angela Titzrath
Chairwoman of the Executive Board

Angela Titzrath, Chairwoman of the Executive Board

Sustainability strategy

Sustainable business practices are an integral part of HHLA's business model: the company connects port terminals with hinterland networks to environmentally friendly international transport chains that conserve resources in an exemplary fashion. Corporate management is also geared towards and involved in the principle of sustainable value creation. In this way, HHLA demonstrates how environmental and economic targets can be reconciled with one another. Group overview, business activities

HHLA's sustainability strategy is based on three pillars: **ecology, society** and the **economy.** Ten fields of activity and guidelines have been defined and implemented in HHLA's sustainability initiative. The fields of activity focus on environmentally friendly transport chains, climate protection and efficient land use. This lays the foundations for HHLA to take a leading role in the area of sustainability.

Sustainability organisation and dialogue

A Sustainability Council advises on sustainability strategy. It comprises managers from within the Group as well as external expert Prof. Schaltegger from the Leuphana University in Lüneburg. This body provides a forum for discussing and approving sustainability issues and measures across the Group, as well as for regularly evaluating and updating the existing stakeholder structure. At Group level, the sustainability team reports directly to the Chairwoman of the Executive Board.

HHLA engages in regular dialogue with its stakeholders, including customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, suppliers, potential and existing shareholders and investors, associations and institutions, research institutes, political decision makers, NGOs, local residents close to the terminals and interested members of the public. The Annual Report is an established medium that supplements this regular dialogue and takes the stakeholder groups' interests into account. Materiality analysis

Principles and reporting standards

HHLA's commitment to sustainability is binding, transparent, measurable and comparable. The company applies the Global Reporting Initiative guidelines (GRI Standards) on sustainability reporting, the most commonly used standards of their kind in the world. In doing so, HHLA also facilities comparison at an international level.

Furthermore, HHLA was the first maritime company to issue a declaration of compliance with the German Sustainability Code (GSC). This declaration of compliance is available at www.deutscher-nachhaltigkeitskodex.de. The GSC lists 20 different criteria relating to environmental, social and corporate governance aspects, each with up to two performance indicators. Issues such as resource consumption, compliance, equal opportunities and health protection for employees play an important role in the code. Companies are also expected to provide clear sustainability targets.

Sustainability initiative

	Fields of activity	Guidelines
Ecology	Ecological transport chains	Actively liaise with other logistics operators and create sustainable, environmentally friendly transport chains
	Land conservation	Increase the efficient use of port and logistics areas
	Nature protection	Minimise impact on nature and actively protect natural habitats
	Climate protection	Utilise technically and economically viable methods to reduce CO_2
Society	Occupational safety / health promotion	Safety, appropriate working conditions and promotion of health-conscious behaviour
	Staff development	Vocational education, training and CPD as well as tailored staff development programmes
	Social responsibility	Intensify dialogue with society; information and discussions regarding port logistics
Economy	Added value	Make an ongoing and significant contribution to added value and thus 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

Report profile

Defining the content for this report

The Sustainability Report is part of the HHLA Annual Report. The content structure of this Annual Report is regulated by the disclosure obligation for public limited companies as defined by the German Commercial Code (HGB). In addition to details on the financial and economic situation of the company, the report also includes information from HHLA's sustainability programme, "On Course". The concept of an integrated report includes annual financial and sustainability reporting. It illustrates the interaction between economic, environmental and social factors and their relevance to the company's long-term success.

In order to determine the material sustainability topics, HHLA conducted a materiality analysis in autumn 2015 in the form of an international online survey for stakeholders. The results of this survey were used to determine the key issues for sustainability reporting. It includes all topics identified as material. In autumn 2018, HHLA conducted another international online survey among its stakeholders. The results of this will help determine the main sustainability topics for the future. Materiality Analysis

Data collection and calculation methods

Financial statements and reports

All data and information was collected from the respective units responsible for such information using representative methods for the reporting period. 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. Notes to the consolidated financial statements, no. 2 Consolidation principles

The separate financial statements of HHLA AG are prepared in line with the accounting regulations of the German Commercial Code (HGB). The appropriation of profits is based solely on the separate financial statements.

Sustainability performance indicators

Sustainability-relevant key figures are fed into the internal management information system on a monthly basis and analysed. The Executive Board receives a corresponding report. The sustainability performance indicators are calculated every year and published in the Management Report section of the Annual Report, having been signed off by the auditors. This ensures the reliability of the data. Data comparability and consistency is guaranteed by complying with widely used international reporting standards (e.g. Greenhouse Gas Protocol). Sustainability performance indicators

Risk and opportunity management

Opportunities and risks are analysed using a comprehensive risk management system. Compliance with corporate guidelines as well as with relevant and recognised national and international industry standards is regarded as an essential part of corporate governance at HHLA. Workflows and processes are structured in line with these regulations. External audits at various HHLA companies (including ISO 14001, ISO 9001, ISO 50001 and CTQI [Container Terminal Quality Indicator]) confirm compliance with recognised international standards. Risk and opportunity report

Forward-looking statements

Unless otherwise stated, the key figures and information in this report concern the entire Group including associated companies in which the company has a majority holding. Some sections contain forward-looking statements. These estimates and statements were made to the best of our knowledge and in good faith. Future global economic conditions, legislation, market conditions, competitors' activities and other factors are not within the control of HHLA.

External audit

The combined management report of the HHLA Group and Hamburger Hafen und Logistik Aktiengesellschaft (HHLA), as well as the consolidated financial statements and notes, were audited by PricewaterhouseCoopers. Audit opinion

The sections of the Sustainability Report which form part of the non-financial report were also audited. Information about the non-financial report, external audit of the non-financial report

The 2018 Annual Report was prepared in accordance with the international guidelines of the Global Reporting Initiative (GRI) according to "GRI Standards".

GRI Content Index

The GRI Content Index refers to parts in this Annual Report or sections of the HHLA website that provide information about individual GRI indicators. The index is available exclusively at report.hhla.de/gri.

Information about the non-financial report

Report framework

HHLA reports on the HHLA Group and HHLA AG in the form of a combined separate non-financial report (hereinafter “non-financial report”), the contents of which are embedded in the Sustainability Report. The non-financial report serves to fulfil the statutory requirements arising for HHLA in connection with the Act to Strengthen Companies’ Non-Financial Disclosure in their Management Reports and Group Management Reports (known as the CSR Directive Implementation Act for short, hereinafter CSR-RUG). The following sections are compulsory parts of the non-financial report which are relevant for audit purposes:

- Sustainability strategy
- Information about the non-financial report
- Materiality analysis
- Ecology: Area optimisation
- Ecology: Emissions and energy
- Employees: Staffing levels and trends
- Employees: Occupational safety and health promotion
- Combating bribery and corruption

The compulsory sections of the non-financial report are also labelled as “Part of the non-financial report” in the online Annual Report. A summary of all content relevant to the non-financial report is also available as a PDF document from the download centre of the online Annual Report: report.hhla.de/annual-report-2018/non-financial-report

The reporting period is the 2018 financial year (1 January to 31 December 2018). The data presented generally refers to this period or the facts and figures at the end of the reporting period. If information refers to a different period of time, this is explicitly stated. The report is published once a year. The last Sustainability Report was published on 28 March 2018 as part of the Annual Report.

Unless otherwise stated, the key figures and information in this report concern to the entire group of consolidated companies.

Application of frameworks

For the purposes of the non-financial report, HHLA prepared its materiality analysis in line with the requirements of the GRI Standards.

Determining the content of the non-financial report

HHLA regularly carries out a materiality analysis to determine the most important sustainability topics. The results of this survey were used to determine the key issues for sustainability reporting. It includes all topics identified as material. In autumn 2018, HHLA conducted a further international survey of stakeholders. The results of this survey will help determine future key content of the non-financial report for the future. Materiality Analysis

For the purpose of preparing the non-financial report in compliance with CSR-RUG, the material issues identified in accordance with GRI were aligned with the requirements of the German Commercial Code. The table below reconciles the five reportable minimum aspects with the material aspects and issues of relevance to HHLA.

Reconciliation of the reportable minimum aspects with the material aspects and issues of relevance to HHLA

Business model	see Information about the Non-Financial Report / Business Model as per CSR-RUG
Environmental aspects	Land conservation see Ecology / Land Conservation
	Emissions and energy see Ecology / Emissions and Energy
Employee aspects	Staff development see Employees / Staff Development
	Occupational safety and health promotion see Employees / Occupational Safety and Health Promotion
Social aspects **Respecting human rights**	HHLA takes its responsibility in dealing with social aspects that concern business partners, shareholders, employees and the general public very seriously. However, all of the topics relating to these aspects were excluded due to a lack of commercial relevance based on double materiality considerations as defined in Section 289c (3) of the German Commercial Code (HGB). see Materiality Analysis / Reconciliation of Key Issues with the German Commercial Code
Combating bribery and corruption	Combating bribery and corruption see Combating Bribery and Corruption

As a port and transport logistics company, HHLA acts as a service provider within the transport chains of its clients. HHLA's own supply chains are limited to procuring capital and consumption goods (e.g. locomotives, port handling equipment) which largely originate from countries within Europe. Purchasing and Materials Management

Business model in accordance with CSR-RUG

Hamburger Hafen und Logistik AG is a leading European port and transport logistics company. It operates container terminals in the ports of Hamburg, Tallinn (Muuga) and Odessa. The Intermodal companies of HHLA provide efficient transport systems and have their own terminals in the hinterland of the ports. The Logistics segment comprises an extensive array of port and consultancy services. Group overview, business activities

Reportable risks in accordance with CSR-RUG

HHLA has a comprehensive risk management system and an internal control system. Risk and opportunity report, risk and opportunity management

After applying the net method to identify reportable risks in accordance with CSR-RUG, HHLA is not aware of any reportable risks which are highly likely to have serious negative consequences for the reportable aspects now or in the future.

Connections with the figures stated in the Annual and consolidated financial statements

No fundamental connections were identified with the figures stated in the Annual and consolidated financial statements which would be needed to understand the data.

External audit of the non-financial report

This non-financial report was the subject of a limited assurance engagement according to ISAE 3000 (Revised) by the independent auditing firm PricewaterhouseCoopers (PwC), which issued an unqualified opinion. Auditor's report

References

References to details not contained in the combined management report serve to provide further information and do not form part of the non-financial report.

Materiality analysis

The nature of HHLA's business means it has a large number of stakeholders with a variety of expectations and demands. In order to understand these expectations and demands more fully, HHLA conducted a materiality analysis in 2015 as part of its sustainable management activities, in which sustainability topics of potential relevance to its internal and external stakeholders were examined. The collection and evaluation of the data was based on the Global Reporting Initiative (GRI) guidelines.

The stakeholder survey process

At a meeting of the Sustainability Council, HHLA's most significant stakeholders were first identified. This was initially based on internal sources, such as a list of key customers. The main stakeholders identified were customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, business partners and suppliers, the media, potential and existing shareholders, associations and institutions, research institutes, political decision makers, NGOs, and local residents close to the terminals.

Secondly, a list of topics known to be relevant to both internal and external stakeholders was drawn up. The results from HHLA's sustainability initiative "On Course" were also included in the data collection, as the initiative had already discovered relevant topics and determined the main fields of activity. Sustainability Strategy

A two-week online survey using a standard questionnaire was then carried out worldwide. External stakeholders from all of the groups identified, as well as managers from a number of different divisions, took part in the survey.

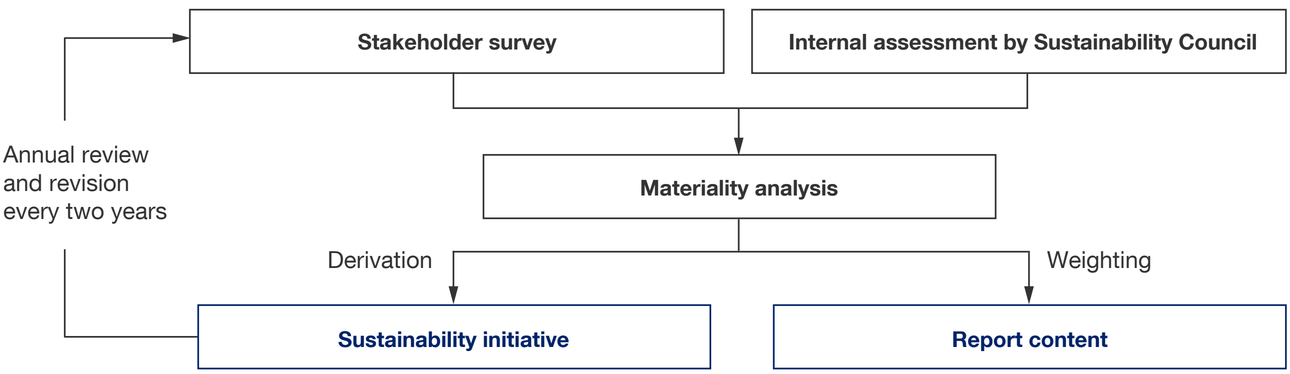
In total, approximately 100 people rated topics of potential relevance to HHLA, particularly customers, business partners, suppliers and HHLA staff. All stakeholder groups participated in the survey. Stakeholders also had the chance to rate the importance of topics, as well as add to them or make comments on them. The results of the stakeholder survey were discussed during a Sustainability Council meeting and presented to the Executive Board. In autumn 2018, HHLA conducted a further international online survey of the various HHLA stakeholders. The results of this survey will be included in the next HHLA materiality analysis.

Results of the stakeholder survey

The materiality matrix shows the ranking of all sustainability topics. The assessments provided by external stakeholders are combined with those of internal stakeholders in the matrix. The result is a prioritisation of the topics. Key aspects are considered material if they are relevant from the point of view of internal and/or external stakeholders.

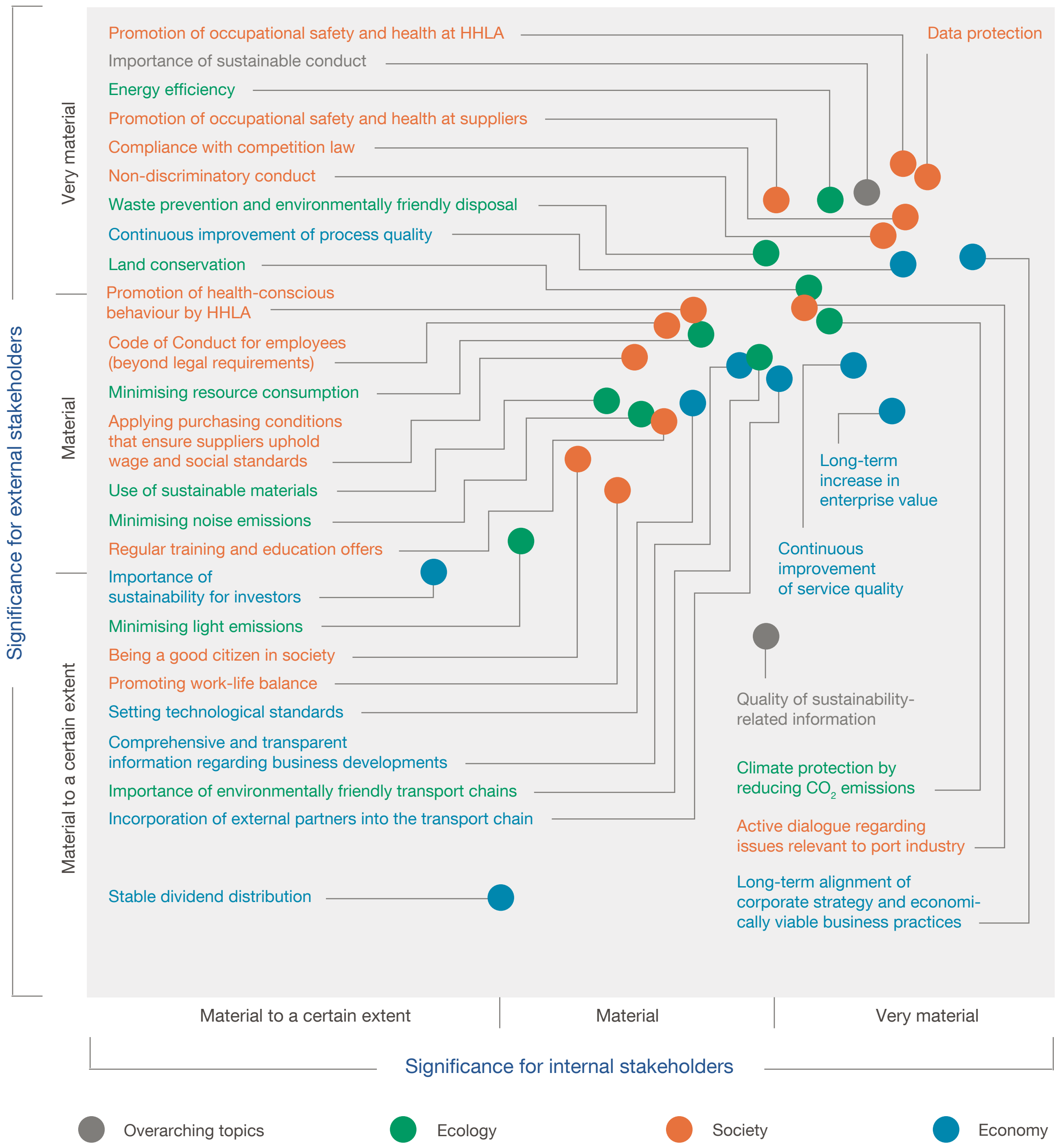
Ensuring a high level of data protection, high occupational safety standards, sustainable conduct, compliance, energy efficiency, continual improvements in quality, the long-term alignment of the corporate strategy and the drafting of a code of conduct to ensure non-discriminatory behaviour amongst staff and towards third parties were all rated as very material. Carbon emission reductions, occupational safety and health protection at suppliers, waste prevention and environmentally appropriate disposal, as well as area optimisation and an active dialogue on topics relevant to port management were regarded as material by the survey participants. With a clear majority, the main reasons stated for HHLA's sustainable approach were long-term, stable economic development and a reduction of environmental effects. The majority of those surveyed considered themselves generally well informed regarding sustainability topics.

The materiality analysis process



Materiality matrix (outcome of the most recent stakeholder survey)

Evaluating the relevance of sustainability topics for HHLA



Due to the high correlation of external and internal stakeholders' ratings of potentially relevant topics, only slight adjustments had to be made to the weighting of topics compared with earlier reports. The main fields of activity defined during the HHLA sustainability initiative were also largely confirmed by the results: none of the potentially relevant topics were rated as immaterial or less material.

Materiality analysis

In line with the guidelines of the Global Reporting Initiative, a comprehensive materiality analysis was carried out for the first time in 2015. The results are displayed in the following table. The topics have been assigned to the fields of activity determined by HHLA's sustainability initiative "On Course". The topics "stable dividend distribution" and "importance of sustainability for investors" were rated as "only material to a certain extent". None of the potentially relevant topics covered were rated as immaterial or not very material.

	Fields of activity	Relevance for the stakeholders asked	
		Material	**Very material**
General		Quality of sustainability-related information	Importance of sustainable conduct
Ecology	Ecological transport chains	Importance of environmentally friendly transport chains	
	Land conservation		Land conservation
	Nature protection	Minimising resource consumption Use of sustainable material Minimising noise emission Minimising light emission	Waste prevention and environmentally appropriate disposal
	Climate protection		Climate protection by reducing CO_2 emissions Energy efficiency
Society	Occupational safety/health promotion	Promotion of health-conscious behaviour by HHLA	Promotion of occupational safety and health at HHLA Promotion of occupational safety and health at suppliers
	Staff development	Promoting work-life balance Regular training and education offers	
	Compliance	Code of Conduct for employees (beyond legal requirements) Applying purchasing conditions that ensure suppliers uphold wage and social standards	Non-discriminatory dealings Data protection Competition compliant behavior
	Social responsibility	Being a good citizen in society	Active dialogue regarding issues relevant to port industry
Economy	Added value	Setting technological standards Incorporation of external partners into the transport chain	Long-term alignment of corporate strategy and economically viable business practices
	Business partners		Continuous improvement of process quality Continuous improvement of service quality
	Shareholders	Comprehensive and transparent communication regarding business developments	Long-term increase in enterprise value

Reconciliation of material topics with the German Commercial Code

For the preparation of the non-financial report in accordance with CSR-RUG, the issues identified as material or very material in the HHLA materiality analysis were checked for commercial relevance and degree of impact by a specialist body and prioritised in line with the double materiality clause set out in Section 289c (3) of the German Commercial Code (HGB).

As a result, some issues which were rated as very material in the stakeholder survey are considered non-reportable due to a lack of commercial relevance under CSR-RUG. Information about the non-financial report, determining the content of the non-financial report

Ecology

Area optimisation

The ever-growing use of land for transport, work and residential purposes has one of the biggest impacts on the environment, not just in Germany. Impermeable surfaces cannot support natural life and also increase the risk of flooding as persistent rain and downpours cannot seep into the ground. The efficient planning and use of infrastructure and suprastructure is therefore key to developing port terminals which optimise land usage. For this reason, when developing its terminals, HHLA uses an intelligent layout which boosts space efficiency by means of automated storage crane systems, thereby considerably reducing the amount of land needed. In addition to various measures to optimise traffic flow, the expansion programme at the Container Terminal Burchardkai (CTB) also includes the construction of a storage crane system aimed at conserving land. In the final phase of construction, the handling capacity can be increased substantially on the existing areas. Overall, HHLA's infrastructure and suprastructure planning for its container terminals assumes increased handling capacity in line with demand on land already used for container handling.

These **efficiency gains** will be achieved by using several rail-mounted gantry cranes which take containers to and from the container yard. The gantry cranes can pick up and deposit containers on both sides of a container storage block. They can stack as many as five containers on top of one another and ten containers side by side. Compared to yards using straddle carriers to move containers, this concentration of container storage places increases capacity on the same amount of land by a factor of two. Lanes for straddle carriers between the individual containers are no longer needed and five containers can be stacked vertically instead of three.

As well as increasing **storage capacity** by more concentrated storage, thus optimising land usage, the expansion of quayside handling capacity is an important element for efficient use of space at the terminals. HHLA has significantly increased its quayside efficiency by means of an extensive expansion programme, including the use of state-of-the-art tandem container gantry cranes which can move up to four 20-foot containers simultaneously. Enhancing quay-wall productivity in this way without using additional space enables the company to handle a larger number of containers.

For its shuttle trains between the seaports and Eastern Europe, HHLA's subsidiary Metrans uses wagons which have been optimised for maritime logistics. These 80-foot wagons offer the ideal combination of wagon/train length and carrying capacity because the amount of space between the containers is minimised. As a result, a block train operating a shuttle service can transport as many as 100 standard containers (TEU) – more than would be possible with comparable wagons. This high carrying capacity per train makes optimum use of the existing infrastructure at the terminals and railway sidings.

Emissions and energy

HHLA has reported on its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative that manages one of the world's largest databases of corporate greenhouse gas emissions on behalf of institutional investors and makes this information available to the public.

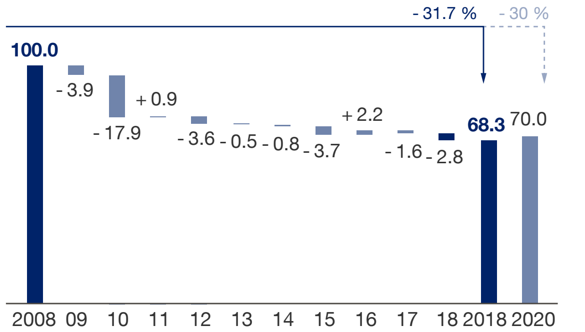
HHLA **calculates its CO_2 emissions** on the basis of the Greenhouse Gas Protocol Corporate Standard (revised edition), a global standard for recording greenhouse gas emissions. Within the HHLA Group, emissions mainly relate to CO_2. These are primarily influenced by throughput and transport volumes, traction services provided by the Group's own locomotives and the use of electricity from renewable sources. In line with the Greenhouse Gas Protocol, electricity procured separately from renewable sources was classified as carbon-neutral in the calculation of specific emissions. For the calculation of absolute emissions, the CO_2 emissions, which are lower due to the use of electricity from renewable sources, are shown separately. The power needed by a terminal depends largely on the number of seaborne containers it handles and the number of containers transported over land by rail and truck. HHLA uses seaborne and onshore throughput in containers as an effective indicator to determine specific CO_2 emissions in line with the recommendations of the European Economics Environment Group (EEEG). The recommendations of the EEEG working group are also taken into account in the Global Logistics Emission Council (GLEC) Framework 2.0. HHLA has set itself the **target** of reducing specific CO_2 emissions – the CO_2 emissions per container handled – **by at least 30 %** by 2020. The 2008 figures serve as the baseline here. This aim was already achieved during the reporting year with a value of 31.7 %. Specific CO_2 emissions fell by 3.9 % in 2018 as compared with the previous year.

A three-year average showing annual trends in specific CO_2 emissions forms part of the targets agreed with the Executive Board. This is taken into account when determining Executive Board remuneration. A target range has been set for this criterion. Achieving this triggers the payment of the relevant bonus.
Corporate governance, remuneration report

Absolute CO_2 emissions decreased year-on-year by 7.4 %, or 15,542 tonnes, to 193,156 tonnes, excluding 22,812 tonnes of CO_2 emissions from the purchase of electricity generated using renewable energy sources. The significant decrease in absolute CO_2 emissions is partly due to switching electricity supplier for most locations in Germany and the associated change in the emission factor. Electricity-related emission

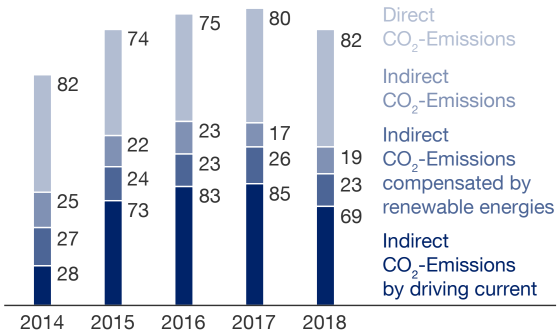
Changes in specific CO_2 emissions since 2008

Climate protection target: 30 % reduction by 2020



Direct and indirect CO_2 emissions

in thousand tonnes



factors at locations outside of Germany where HHLA operates its own terminals were also updated. The increased use of Metrans' own traction fleet of environmentally friendly electric multi-system locomotives is reflected in the 23.9 GWh increase of traction current consumption. At the same time, CO_2 emissions for traction decreased from 85,136 tonnes to 68,567 tonnes as the emission factors developed in a much more environmentally friendly manner. Despite the moderate increase in throughput at the four purely container-based terminals operated by HHLA, the CO_2 emissions there decreased by 6.2 % in the reporting year – excluding the use of electricity from renewable energy sources – reducing the figure by 6,054 tonnes to 91,898 tonnes.

Energy efficiency was further increased by a variety of projects conducted at the various HHLA companies. A wide range of measures were launched to this end during the reporting period. **Improved yard planning** and the **needs-oriented management** of energy-consuming components and lighting systems were implemented.

Direct and indirect energy consumption

	2014	2015	2016	2017	**2018**
Diesel, petrol and heating oil in million l	29.2	26.3	26.6	27.4	28.4
Natural gas in million m^3	1.8	2.3	2.4	3.6	4.4
Electricity[1] in million kWh	154.4	138.3	139.6	135.6	135.9
thereof from renewable energies	84.1	76.1	73.2	82.8	78.9
Traction current in million kWh	51.7	130.3	150.0	157.5	181.4
District heating in million kWh	3.7	3.2	3.6	3.6	3.7

Consumption of natural gas, traction current and district heating in 2018 is based on preliminary and estimated figures.

1 Electricity without traction current

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. HHLA is therefore converting more and more of its equipment and machinery at the terminals to electricity. Such equipment and machinery produces fewer emissions and less noise and is also easier to service. The electricity required by all office buildings and workshops in Hamburg occupied by HHLA, the Container Terminal Altenwerder (CTA), the all-electric yard crane system, the rail gantry crane at the Container Terminal Burchardkai (CTB) and for the rail gantry cranes at the Container Terminal Tollerort (CTT) comes from renewable energy sources. In the reporting year, additional quantities of renewable energies were procured, largely to compensate for CO_2 emissions from the operation of a CHP unit. In the year under review, these measures reduced CO_2 emissions by 22,812 tonnes (previous year: 26,246 tonnes). A photovoltaic system at the Container Terminal Tollerort (CTT) installed and operated by the energy supplier Hamburg Energie Solar produced 117,370 kWh (previous year: 103,590 kWh) of CO_2-free electricity in the reporting period.

Energy-efficient equipment, systems, machinery and processes not only reduce local emissions, but also have economic benefits. With this in mind, HHLA pays particular attention to the **use of energy-efficient, low-emission machinery and equipment** when it makes new and replacement investments. In 2018, the fleet of all-electric cars grew to 81. HHLA's electric vehicles are powered by renewable electricity and are a quiet, low-maintenance solution that do not generate any local emissions. The electric vehicles cover a distance of some 500,000 km each year, which reduces CO_2 emissions by approximately 160 tonnes.

Work to modernise the straddle carrier fleet at the Container Terminal Tollerort (CTT) continued with the order of two new straddle carriers. These straddle carriers are equipped with innovative hybrid technology and, due to their extremely low emissions of nitrogen oxides and particulate matter, they make an important contribution towards reducing emissions of harmful substances at the container terminal. Metrans acquired its 40th multi-system locomotive in the reporting period, completing a series that began with the order of the first Bombardier locomotive in 2014. Multi-system locomotives of this type are specially designed to deal with variations in supply voltage and train protection systems across Europe. This makes international rail traffic more efficient.

In addition, the **computer-aided optimisation of container storage positions** minimises the distance travelled by transport equipment, thereby reducing energy consumption and noise pollution and increasing productivity. Resource usage is improved by cleaning used hydraulic oils and diesel fuels from tanks on site and reusing them.

Consumption of traction current within HHLA has risen markedly in recent years due to a significant increase in the use of the company's own traction fleet in rail transportation. In addition to cutting-edge multi-system locomotives, the engine driver's style can influence the amount of traction current used. In order to improve this aspect, a training programme for **energy-efficient** driving was developed and launched for engine drivers in 2017. The first success of this training programme was seen in the reporting year. A higher average weight, in combination with cutting-edge, energy-efficient multi-system locomotives, also helped to achieve a 3.4 % reduction in traction current consumption as compared with the previous year.

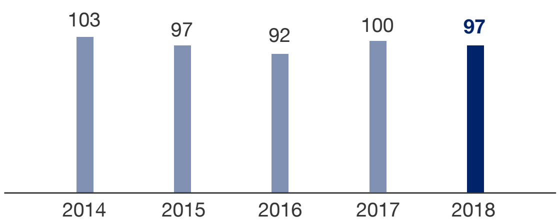
In the reporting period, the energy management system in place for all HHLA companies in Germany and Poland with significant energy consumption was successfully recertified according to DIN ISO 50001:2011.

Water consumption

Water is mostly used in the HHLA Group to clean large-scale equipment and containers, as well as for employee hygiene. Compared to the previous year, the **amount of water consumed** by operations in Germany, Estonia, Poland, Slovakia, the Czech Republic and Ukraine fell by 2.6 % to 97,344 m^3 in 2018 (previous year: 99,951 m^3). This reduced consumption is largely due to the return to service of a chemical/physical water treatment plant for cleaning large-scale equipment at the Container Terminal Burchardkai (CTB). HHLA's facilities draw water from the public supply network.

Water Consumption

in dam3



HHLA locations: Germany, Estonia, Poland, the Czech Republic, Slovakia and Ukraine

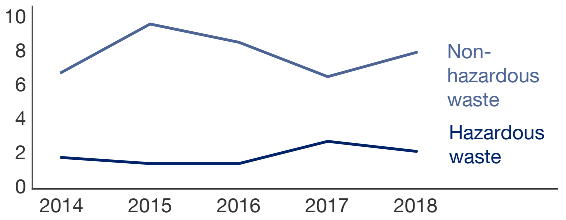
Waste and recycling

HHLA reduces refuse and separates rubbish for recycling wherever possible so that reusable waste can be fed back into the resource cycle. The amount and composition of waste can vary significantly over time. Excluding soil and building rubble, the **amount of waste** produced at the sites in Germany increased year-on-year by 14.9 % to 9,221 tonnes in the reporting period (previous year: 8,023 tonnes). Within the overall waste total, hazardous waste decreased by 21.0 % to 1,895 tonnes (previous year: 2,398 tonnes). This decrease is primarily due to the return to service of a water treatment plant for cleaning large-scale equipment at the Container Terminal Burchardkai (CTB), which resulted in a decrease in the quantity of sludge from oil/water separators. At 3,373 tonnes or 36.6 % of total waste, the largest proportion of waste during the reporting year was attributable to fruit and food waste such as bananas, pineapples and potatoes, which increased by 183 % compared to 2017. HHLA has no influence on the amount of such waste, as it usually includes goods that were already unfit for consumption when they reached Hamburg. A large proportion (1,950 tonnes) was recycled to generate biogas. Approximately 350,000 kWh of electricity were generated without CO_2 in this way in 2018. Despite a 27.6 % decrease, commercial waste for recovery and mixed packaging accounted for the second-largest quantity of refuse, making up 11.9 %, or 1,097 tonnes. Sludge from oil/water separators, which is mainly produced when large-scale machinery is cleaned, was the third-biggest type of waste with a share of 11.6 %. The amount of scrap metal for full recycling decreased by 9.7 % to 1,057 tonnes in the reporting period.

Paper and cardboard packaging rose by 39.5 % to 799 tonnes, while there was a moderate increase of 18.4 % in scrap wood and building timber to 415 tonnes.

Developments in the volume of waste

in thousand tonnes



HHLA's efforts to conserve resources at its terminals were also reflected in the use of a total of 21,310 tonnes (previous year: 18,881 tonnes) of recycled building materials to maintain its terminal areas during 2018. At 9,765 tonnes, the majority of this was asphalt recycling. 8,610 tonnes of slag from waste incineration plants was used for the sustainable resurfacing of the Container Terminal Altenwerder (CTA). A further 1,600 tonnes of electric furnace slag was used during the renovation of the container rail terminal at the Container Terminal Burchardkai (CTB). Electric furnace slag is produced when steel scrap and mineral additives are melted in electric arc furnaces. It is reused as aggregate at the terminal sites. 1,335 tonnes of slag from waste incineration plants bonded with cement were also used during the renovation of the CTB rail terminal.

Human resources

Strategic HR management

HR strategy

People and the organisation are at the heart of our personnel work. Highly competent and hard-working managers and employees form the foundation of our success. Long-term qualitative and quantitative personnel planning and development strategies for the entire company have been established in Hamburg. The ongoing development of specialist, management and project careers, and permeability between different career paths are the central aims of our personnel strategy. The numerous options to create a work–life balance according to the employee's current circumstances and the ongoing development of working-time systems form the cornerstone for long employee service at HHLA.

Organisation and control

HR management is established as a central division at Executive Board level. This organisational structure ensures that strategic HR guidelines can also be implemented throughout the Group. The specialist department provides suitable HR and organisational development programmes for staff on all career paths and at all levels of the hierarchy within the German companies. The performance of both specialist staff and managers is systematically enhanced and developed and continuously overseen by the HR management team. The same applies to all organisational development measures.

Diversity management

Diversity management has been an integral part of strategic HR management for many years now. HHLA believes that a balanced mix of cultures, genders and age groups forms the foundation for commercial success. The company strives to achieve such diversity in all of its companies. This applies in particular to temporary cross-company working and project groups.

Development of headcount

HHLA had a total of 5,937 employees at the end of 2018. Compared with the previous year's total, the number of employees increased by 356, or 6.4 %. In addition, HHLA used an annual average of 760 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 710).

The three-year average headcount trend is one of the targets agreed with the Executive Board and is taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. Corporate governance, remuneration report

Further details on headcount development can be found in the Management Report. Employees, staffing levels

Personnel development

HHLA invested a total of € 4.6 million in educating and training staff from its locations in Hamburg in 2018 (previous year: € 4.2 million).

As of 31 December 2018, 59 apprentices and 13 students were receiving training in Germany in six different professions and seven dual study courses. 33 % of the 72 apprentices and students were female. The ratio of female students in 2018 was 54 % (previous year: 58 %).

Further details on the employee structure can be found in the management report. Employees, employee structure

The three-year average of the annual trend in expenditure for initial training, in-company training and continuing professional development in relation to headcount is one of the targets agreed with the Executive Board and is taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. Corporate governance, remuneration report

Continuing professional development (CPD)

All CPD activities at HHLA are designed to develop the professional, methodical and social skills of specialist staff and managers in line with demand. There is a particular focus on management training which, in turn, concentrates on providing the skills to manage increasingly complex systems. Agile methods and equipping staff to work on complex projects are at the heart of most offerings.

All internal seminars are open to staff from various departments and companies. These seminars also help foster an understanding of the diverse tasks, roles and functions in the Group's various business fields.

The need for container handling operators is met via in-house training. Much of this training is delivered on a one-to-one basis using the handling equipment or live IT systems within operations. As the operational handling processes are constantly evolving, there is also an ongoing need for hands-on continuing professional development with practical relevance. The training opportunities for operative managers are geared towards development within the organisation via a change in the leadership culture and teaching professional and methodical skills.

In total, over 630 events lasting one or more days were held in the reporting period. These included more than 550 internal vocational courses conducted by HHLA's own trainers over 2,673 training days. In addition, more than 80 one- to several-day events with over 960 participant days were organised as part of the company's cross-segment seminar programme. 36 % of the participants were women (previous year: 31 %).

Vocational training and studying

HHLA offers a range of apprenticeships and dual study courses based on human resource planning at the companies in Hamburg. The focus is on technical and commercial occupations.

Cooperation agreements with vocational colleges, specialised grammar schools and secondary schools were further intensified to maintain a steady flow of suitable candidates for professions with a focus on mathematics, IT, science and technology. To further increase the proportion of female apprentices within these fields, technical internships were offered in particular to schoolgirls. The careers in which the company offers apprenticeships are presented at training fairs and schools by the respective departments with the aid of current apprentices. In 2018, the company participated in twelve fairs in the greater Hamburg area.

Training is enhanced by supplementary offerings to prepare for future demands within HHLA's operating environment. In addition to subject-based instruction, apprentices and dual study course students learn about interdisciplinary collaboration right from the start of their training. In these supplementary courses, the apprentices and students take on responsibility and learn about solution-based work approaches. Digital expertise is also fostered as part of agile project management and by evaluating new technologies, such as augmented reality and 3D printing.

The concept developed as part of the AvM Dual pilot project launched in 2016 to prepare immigrants from the Hamburger Ausbildungszentrum e.V. (HAZ) for vocational training was successfully implemented in 2018. Five of the twelve young immigrants taking part were directly offered the prospect of an apprenticeship as a result. Another third will continue to receive support with job entry or career qualifications.

The "Intercultural skills in day-to-day work" seminar, designed in cooperation with the Maritime Competence Centre (ma-co), has now been firmly integrated into apprenticeships at HHLA. It aims to strengthen the social skills of apprentices and dual study course students, as well as promoting their personal development and their understanding of other cultures.

Occupational safety and health promotion

Occupational safety

Numerous preventive measures and guidelines are in place to ensure that staff from both HHLA and external companies, customers, suppliers and visitors do not come to bodily harm, which is a key concern for HHLA. The company strives to continually improve occupational safety in the workplace and considers this an important task for its managers. When examining early indicators that staff would benefit from health promotion measures, psychological stress is also taken into account.

HHLA uses modern technologies to achieve constant improvements: for example, a software-based occupational safety management system is used to monitor all targets and measures.

With the aim of further reducing the risk of accidents and raising awareness of occupational safety among both employees and managers, occupational safety campaigns and workshops are regularly held at HHLA company sites. These cover issues such as fire prevention, hazardous substances and ergonomics. In order to create meaningful accident statistics, accidents at all HHLA companies in Hamburg are taken into account and recorded using a standardised reporting system. These also include accidents not directly linked to container handling (e.g. in workshops). The reasons for changes or fluctuations are carefully analysed in order to quickly initiate structured preventive measures.

In 2018, there were 83 notifiable accidents (excluding accidents when commuting) at the companies in Hamburg in which HHLA owns a stake of over 50 % (previous year: 97). This represents a decline of 14.4 %.

Health promotion

As part of its health promotion efforts, HHLA strives to develop an occupational health management system which reflects everyday needs and to systematically integrate these measures into company processes.

The collaboration with universities and other companies as part of the "GESIOP" project funded by the German Federal Ministry of Education and Research is being continued. It focuses on measures and recommendations for the healthy workplace of the future. Following the successful completion of the pilot phase on the risk assessment of psychological stress and the resulting measures, the HHLA Group is driving the implementation of standardised and yet individually adjustable measures while monitoring their effectiveness. At the same time, HHLA also highlights best practice examples within the association and related publications in order to help other companies implement similar topics. By participating in scientific events and conferences such as the Work Research Conference (Arbeitsforschungstagung) held by the Fraunhofer Institute, we also support interdisciplinary dialogue on the topic at the highest level.

HHLA offers social counselling for employees and managers at its Hamburg location to provide professional support during stressful periods in their professional and personal lives. The aim of this is to offer a fast, tailored solution to health problems, personal crises, conflicts and stress in the workplace. By offering comprehensive on-site advisory services and forging links with local professionals, counselling centres and treatment facilities, the company ensures that staff can access a broad-based support system. For example, HHLA has been collaborating with the MENTO project run by the training organisation DGB Bildungswerk and the debt advisory service operated by Verbraucherzentrale Hamburg for a number of years.

HHLA also holds regular health events. In 2018, employees from a wide variety of company departments once again sought advice on various topics relating to maintaining and improving their health.

The three-year average of the annual trend in sick pay minus expenditure for preventive measures in relation to headcount is one of the targets agreed with the Executive Board and is taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus.

Contracts, remuneration and additional benefits

Collective labour agreements

Collective labour agreements govern pay and working conditions for 88.9 % of employees in Germany (previous year: 89.3 %).

In May 2018, the parties to the labour agreement – the Association of German Seaport Operators (Zentralverband der deutschen Seehafenbetriebe e.V. or ZDS) and the trade union ver.di – agreed wage table increases of 3.0 % from 1 June 2018 with a twelve-month term for port workers at companies that operate at German seaports. Similar deals have been reached for further wage agreements of the HHLA Group.

Appraisal and remuneration systems

The appraisal systems at the German companies contain both bottom-up and top-down components. Some of them are laid out in collective labour agreements, comprise variable remuneration components and are linked with training requirements for the company and staff.

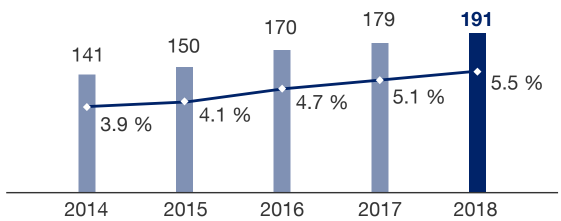
ROCE – the return on capital employed – is also a significant parameter for determining variable remuneration components for executives and employees not covered by labour agreements. Performance-related remuneration components at executive level are calculated over a period of several years. This further enhances the focus on sustainable, long-term targets.

Flexible working models

A growing number of people across all employee groups and hierarchy levels in Germany are taking up the option of working part-time to tailor their working hours to different life stages. Offering part-time work is therefore an important way of retaining staff at the company. Allowing staff to adapt their working hours helps them to reconcile their professional and family commitments, look after close relatives or do charity work. In 2018, a total of 191 employees were in part-time employment positions (previous year: 179) – 12 more than in 2017. At the end of 2018, the ratio of part-time workers at HHLA in Germany increased to 5.5 % (31 December 2017: 5.1 %). The percentage of men in part-time employment rose to 30.9 % (previous year: 29.6 %). At the holding company, where most roles are clerical, the ratio of part-time workers (excluding apprentices) was 16.8 % (previous year: 16.2 %).

HHLA employees working part-time in Germany

as of 31.12, part-time share in %



Company pension scheme

With the signing of the labour agreement on company pension schemes under the HHLA capital plan, the HHLA company pension scheme has now been completely reorganised and further developed. Since the introduction of the new system in 2018, employees have even more flexibility in terms of shaping their working lifetimes. Both individual early retirement solutions and various options for lump-sum payouts upon retirement boost the appeal of company pension schemes for employees. Existing claims from models such as the working lifetime account and the so-called "port pension" have been transferred to the HHLA capital plan. By pooling these provisions within a single system, HHLA is also more closely aligned with rising employee needs with regard to transparency. In the first year alone, around one third of entitled employees benefited from this new pension system.

More detailed information about the workforce can be found in the Employees section of the combined group management report.

Society

Regional Responsibility

In addition to its commitment to social responsibility, staff development and the occupational health and safety of employees are among HHLA's key fields of activity. Employees, Occupational Safety and Health Promotion

Approximately one in ten jobs in Hamburg has some connection with cargo handling at the Port of Hamburg. This means that the port and associated industries are major employers in the greater Hamburg metropolitan region. HHLA handles over three quarters of Hamburg's container throughput or more than half of the total throughput in tonnes. The company therefore sees itself as an integral part of economic development in the greater Hamburg metropolitan area. It is well aware of its responsibility towards society both here and at all its other sites.

Social Dialogue

HHLA engages in regular dialogue with its stakeholders. Report Profile The company also promotes a number of educational projects focusing on the port and logistics.

Recognising the link between the port, logistics and the water helps us understand the global division of labour and the importance of sustainable business activities. HHLA's support for educational projects focuses on the "Hafen-Scouts". This project was successfully initiated by HHLA, the Hafenmuseum Hamburg and the State Institute for Teacher Training and School Development in 2015. It teaches fourth-grade schoolchildren about the transportation of goods around the world, how the port works and what careers the port offers. In the reporting year, more than 1,400 schoolchildren visited HHLA facilities as part of this education project.

In addition to this education project, HHLA also organised an event with high-profile experts entitled: "What will join the container? Transport Flows in the Digital Transformation.

Combating corruption and bribery

A company can only achieve sustainable success if it behaves in a responsible and legally compliant manner. With this in mind, compliance with legal requirements and internal company guidelines is a key part of HHLA's corporate governance policy. Corporate Governance Report HHLA strives to achieve this prime objective by establishing, coordinating and constantly further enhancing its Group-wide compliance management system (CMS). It has also set itself the goal of identifying key compliance risks, assessing them on an ongoing basis, and minimising them by implementing suitable measures and processes. Furthermore, the CMS aims to raise awareness among HHLA Group employees regarding the need to comply with both the legal requirements relevant to their work and internal guidelines. By doing so, it sets out to foster an appropriate level of risk awareness within the workforce with a view to preventing compliance violations.

The functions of HHLA's CMS are carried out centrally by a Group Compliance Officer who reports to the Executive Board member responsible for compliance – currently the Labour Director or Chief Human Resources Officer – and the Supervisory Board's Audit Committee, as well as decentrally by local compliance contact partners and officers, who report to the Group Compliance Officer. HHLA's CMS centres on a code of conduct that goes beyond the statutory requirements by formulating overriding principles on relevant topics for compliance, such as fair conduct in the competitive environment and dealing with conflicts of interest or sensitive corporate information. The HHLA Code of Conduct can be accessed online at www.hhla.de/compliance.

Preventing corruption is another key issue addressed in the Code of Conduct. In the course of its activities, HHLA is constantly in contact with business partners and officials at different levels – especially in Germany, Central and Eastern Europe, and Asia. The aim of the in-depth anti-corruption guidelines is to help employees assess situations with potential corruption implications in their day-to-day work in order to effectively prevent corrupt behaviour and the associated consequences for both employees and the company. The anti-corruption guidelines provide staff with the necessary knowledge about granting or accepting benefits to or from business partners and officials. Practical examples are used by way of illustration.

The Code of Conduct obliges employees to pass on any information they may have about misconduct at the company. Third parties can also use the compliance hotline for whistle-blowing. All information received is treated confidentially and callers can choose to remain anonymous. Moreover, the anti-corruption guidelines state that staff must seek advice or report violations if they have any doubts or suspicions.

Training courses and internal corporate media constantly provide employees with information on important aspects of the Code of Conduct and associated issues, such as corruption prevention and how they are expected to behave in accordance with the anti-corruption guidelines. During the reporting period, the employees at HHLA's international sites in seven countries were trained in anti-corruption topics.

The number of incidents is constantly documented and monitored as part of the CMS using an internal reporting system. This enables the company to adjust its risk assessment should there be an increase, for example, and to introduce appropriate measures, such as more communication and adapting processes in its internal control system.

The responsibility of each individual to comply with the provisions laid down by regulators, professional associations and the government, both within the company itself and in dealings with contractual partners, is also stated in HHLA's own in-house purchasing guidelines, in combination with HHLA's externally applicable purchasing guidelines. The focus here is on analysing and evaluating relationships with suppliers in terms of their reliability, quality, innovativeness, cost structures, economic stability, occupational safety, sustainability and compliance. Selecting suppliers on the basis of these criteria also helps to prevent corruption. Purchasing and Materials Management

During the reporting period, preparations went ahead for the launch of an IT-based business partner screening system, which will facilitate the risk-based assessment of HHLA's business partners, e.g. with regard to compliant behaviour in their international business dealings.

Respect for human rights

Ensuring our employees act in a lawful fashion guided by integrity also means protecting human rights. HHLA only has sites in Europe and more than 95 % of HHLA's suppliers are based in the European Union, where human rights are a prime concern and enshrined in both local and European laws. Furthermore, the principles of the UN Global Compact are reflected in the Code of Conduct and HHLA's comprehensive guidelines, such as its health and safety guidelines. As an overarching set of rules, the Code of Conduct includes the following principles:

- integrity as a central value, a commitment to diversity and the rejection of all forms of discrimination in our interactions with one another;
- guidance on lawful behaviour, particularly to prevent corruption in dealings with business partners and officials;
- protecting the health and safety of employees in the workplace. Occupational safety is a priority for HHLA and we have set ourselves the goal of remaining a leader in this regard;
- protecting the environment and sustainable business practices, promoting environmental awareness and accelerating the development and acceptance of environmentally friendly technologies through the HHLA sustainability initiative. Sustainability Strategy

Additionally, HHLA actively encourages worker co-determination and safeguards both the freedom of association and the right to collective bargaining.

Economy

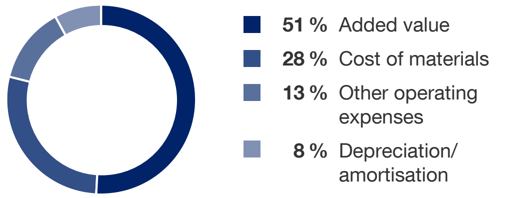
Value added in the HHLA Group

in € million	2018	2017	Change
Employees	487.1	469.8	3.7 %
Shareholders	138.5	105.9	30.8 %
Public authorities	45.1	41.4	8.9 %
Lenders	5.3	6.1	- 12.4 %
Total	**676.0**	**623.2**	**8.5 %**

Net added value rose by 8.5 % to € 676.0 million in the 2018 financial year (previous year: € 623.2 million). At 50.8 %, the added value ratio was slightly up on the previous year (previous year: 48.6 %). Net added value serves as an indicator of the economic value creation of a business activity. It is calculated by taking the production value and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, shareholders, the state (taxes) and lenders. The largest proportion, 72.1 % or € 487.1 million, went to employees.

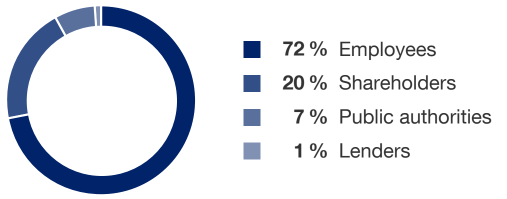
Source of added value

Production value 2018: € 1,329 million = 100 %



Application of added value

Net added value 2018: € 676 million = 100 %



Audit opinion

Independent practitioner's report on a limited assurance engagement on non-financial reporting

To HHLA AG, Hamburg

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to Sections 289b (3) and 315b (3) HGB for the period from 1 January 2018 to 31 December 2018. The non-financial report comprises the sections marked with a star in the Sustainability Report of the Company for the financial year 2018 (hereinafter the "non-financial report").

Responsibilities of the Executive Directors

The executive directors of the company are responsible for the preparation of the non-financial report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the company's executive directors includes the selection and application of suitable methods of non-financial reporting, as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-Financial Report that is free from material misstatement, whether due to fraud or error.

Independence and quality control of the audit firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP BS WP/vBP") as well as the Standard on Quality Control1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard1 Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Non-Financial Report based on the assurance engagement we have performed. Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-Financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Re-views of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-Financial Report for the period from 1st January 2018 to 31 December 2018 has not been prepared, in all material aspects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- obtaining an understanding of the structure of the sustainability organisation;
- inquiries of personnel involved in the preparation of the non-financial report regarding the preparation process, the internal control system relating to this process and selected disclosures in the non-financial report
- identification of the likely risks of material misstatement of the non-financial report
- analytical evaluation of selected disclosures in the non-financial report;
- management report comparison of selected disclosures with corresponding data in the management report;
- evaluation of the presentation of the non-financial information.

Assurance conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-Financial Report for the period from 1st January 2018 to 31 December 2018 has not been prepared, in all material aspects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the company. We do not assume any responsibility towards third parties.

Frankfurt, 1 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke p.p. Julia Ranke-Filthaut

Wirtschaftsprüferinnen (German public auditors)

Glossary

Logistics terms

Automated guided vehicle (AGV)
A fully automatic, driverless transport vehicle which carries containers back and forth between the container gantry cranes on the quayside and the block storage yard at the HHLA Container Terminal Altenwerder.

Block storage
Automated block storage is used at the HHLA Container Terminals Altenwerder and Burchardkai to stack containers in a compact and efficient manner. Containers are stacked in several storage blocks. Rail-mounted gantry cranes are used to transport and stow the boxes.

ConRo ship
A vessel which can transport both containers and rolling cargo (see “Roro”).

Container gantry crane
A crane system used to load and discharge container ships. As ships are becoming larger and larger, the latest container gantry cranes have much higher, longer jibs to match.

Feeder/Feeder ship
Vessels which carry smaller numbers of containers to ports. From Hamburg, feeders are primarily used to transport boxes to the Baltic region.

Hinterland
A port’s catchment area.

Hub terminal (Hinterland)
A terminal which bundles and distributes consignments as handling hub. HHLA’s rail companies operate hub terminals like this in Ceska Trebova, Budapest, Dunajska Streda, Poznan and Prague.

Intermodal/Intermodal systems
Transportation via several modes of transport (water, rail, road) combining the specific advantages of the respective carriers.

North range
The North European coast. In the broadest geographic sense, this is where all the international ports in Northern Europe from Le Havre to Hamburg can be found. The four largest ports are Hamburg, Bremerhaven, Rotterdam and Antwerp.

Portal crane (also called a rail gantry crane or storage crane)
class="pdf-letter-spacing-reduced-02"Crane units spanning their working area like a gantry, often operating on rails. Also called a storage crane when used at a block storage facility, or a rail gantry crane when used to handle rail cargo.

RoRo
Short for “roll on, roll off”, RoRo is a means of loading cargo which can simply be rolled or driven onto or off a ship. Most rolling cargo consists of cars of trucks, but project cargo is also transported in this way on special trailers.

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 seaports and the hub terminals (hinterland).

Spreader
Weighing several tonnes, the spreader is the part of a container gantry crane or other crane used to grip then lift or lower containers.

Standard container
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.

Straddle carrier (also called a van carrier or VC)
A vehicle used to transport containers at the terminals. The driver manoeuvres their straddle carrier into position above a container and lifts it up. The vehicles can stack containers up to four high.

Tandem gantry crane
A highly efficient container gantry crane capable of unloading or loading two 40-foot containers or four 20-foot containers in a single movement. HHLA uses gantry cranes of this kind at the Container Terminal Burchardkai.

Terminal
In maritime logistics, a terminal is a facility where freight transported by various modes of transport is handled.

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.

Traction
The action of a locomotive pulling a train.

Transport performance
A performance indicator used for rail traffic, calculated as the product of the volume transported and the distance covered.

Ultra large vessel (ULV)
A mega-ship that is at least 330 metres long and/or 45 metres wide. This type of vessel is increasingly being used on routes between the Far East and Northern Europe in particular.

Financial Terms

At-Equity Earnings
Proportionate profit after tax attributable to a joint venture or an associated company, reported in the income statement under financial income.

Average Operating Assets
Average net non-current assets (intangible assets, property, plant and equipment, investment property) + average net current assets (inventories + trade receivables – trade liabilities).

Cost of Capital
Expenses associated with the use of funds as equity or borrowed capital.

DBO (Defined Benefit Obligation)
Defined benefit pension obligation relating to the pension entitlements of active and former employees, including probable future changes to pensions and salaries, earned and measured as of the reporting date.

Derivative Financial Instruments
Financial instruments traditionally used to hedge existing investments or obligations.

Dynamic Gearing Ratio
Financial debt (pension provisions + non-current and current liabilities to related parties + non-current and current financial liabilities – cash, cash equivalents, short-term deposits and receivables from HGV [cash pooling]) / EBITDA.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EBT
Earnings before tax.

Economy of Scale
A rule of economics which says that higher production quantities go hand in hand with lower unit costs.

Equity ratio
Equity / balance sheet total.

Financial Result
Interest income – interest expenses +/– earnings from companies accounted for using the equity method +/– other financial result.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards.

Impairment Test
Assessment of an asset’s value in accordance with IFRS.

Investments
Payments for investments in property, plant and equipment, investment property and intangible assets.

Operating Cash Flow
According to literature on IFRS key figures: EBIT – taxes + depreciation and amortisation – write-backs +/– changes in non-current provisions (excl. interest portion) +/– gain/loss on the disposal of property, plant and equipment + changes in working capital.

Revenue
Revenue from sales or lettings and from services rendered, less sales deductions and VAT.

ROCE (Return on Capital Employed before Taxes)
EBIT / Average Operating Assets.

Value Added
Production value – intermediate inputs (cost of materials, depreciation and amortisation, and other operating expenses); the value added generated is shared between the HHLA Group’s stakeholders, such as employees, shareholders, lenders and the local community.

Financial calendar

27 March 2019

Annual Report 2018
Analyst conference call

9 May 2019

Interim Statement January–March 2018
Analyst conference call

18 June 2019

Annual General Meeting

14 August 2019

Half-year Financial Report January–June 2019
Analyst conference call

13 November 2019

Interim Statement January–September 2019
Analyst conference call

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HHLA multi-year overview

in € million	2014	2015	2016	2017	2018
Revenue					
Port Logistics subgroup	1,171.2	1,111.0	1,146.0	1,220.3	1,258.5
Real Estate subgroup	33.5	36.5	37.0	37.9	39.3
Consolidation	- 5.1	- 5.7	- 6.0	- 6.4	- 6.6
HHLA Group	**1,199.6**	**1,141.8**	**1,177.7**	**1,251.8**	**1,291.1**
EBITDA					
Port Logistics subgroup	276.2	261.2	265.3	274.5	297.8
Real Estate subgroup	17.9	20.2	21.1	21.3	20.7
Consolidation	0.0	0.0	0.0	0.0	0.0
HHLA Group	**294.2**	**281.4**	**286.4**	**295.8**	**318.5**
EBITDA margin in %	24.5	24.6	24.3	23.6	24.7
EBIT					
Port Logistics subgroup	155.6	141.1	147.6	156.6	188.4
Real Estate subgroup	13.4	15.2	16.0	16.3	15.5
Consolidation	0.3	0.3	0.3	0.3	0.3
HHLA Group	**169.3**	**156.5**	**164.0**	**173.2**	**204.2**
EBIT margin in %	14.1	13.7	13.9	13.8	15.8
Profit after tax	**90.6**	**95.8**	**105.1**	**105.9**	**138.5**
Profit after tax and after non-controlling interests	58.9	66.7	73.0	81.1	112.3
Cash flow/investments/depreciation and amortisation					
Cash flow from operating activities	233.4	195.3	234.6	275.5	232.7
Cash flow from investing activities	- 114.5	- 130.2	- 48.9	- 131.2	- 203.4
Cash flow from financing activities	- 79.0	- 82.7	- 122.4	- 119.0	- 31.5
Investments	138.4	145.5	138.3	142.6	141.3
Depreciation and amortisation	124.9	124.9	122.4	122.6	114.2
Assets and liabilities					
Non-current assets	1,308.1	1,305.8	1,329.0	1,348.0	1,446.9
Current assets	480.0	444.6	483.9	487.3	526.0
Equity	546.7	580.6	570.8	602.4	614.8
Equity ratio in %	30.6	33.2	31.5	32.8	31.2
Pension provisions	443.6	415.6	460.5	448.9	448.9
Other non-current assets	475.3	563.6	567.6	544.9	665.7
Current liabilities	322.5	190.6	214.0	239.1	243.4
Dynamic gearing ratio	2.6	2.7	2.6	2.3	2.5
Total assets	**1,788.1**	**1,750.4**	**1,812.9**	**1,835.3**	**1,972.9**
Employees					
Employees as of 31.12.	5,194	5,345	5,528	5,581	5,937
Performance data					
Container throughput in million TEU	7.5	6.6	6.7	7.2	7.3
Container transport in million TEU	1.3	1.3	1.4	1.5	1.5

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