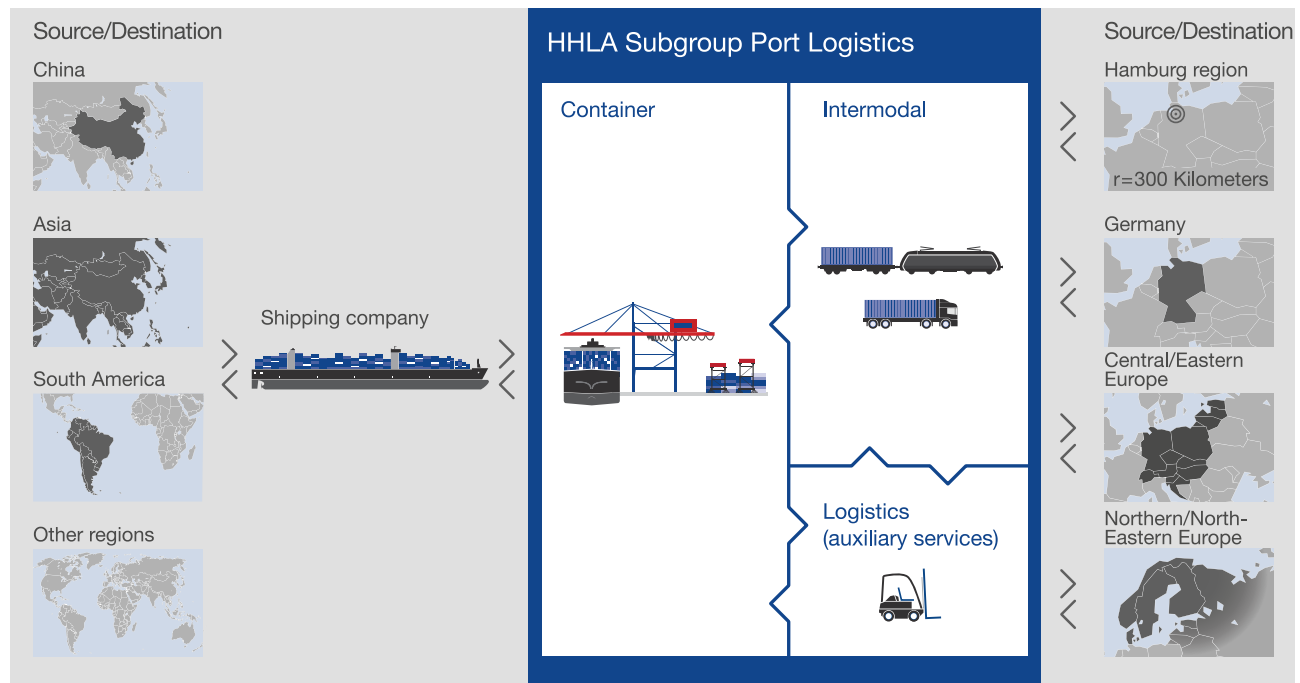


Vertical Integration

HHLA's Strategic Foundation



Corporate and Value Management

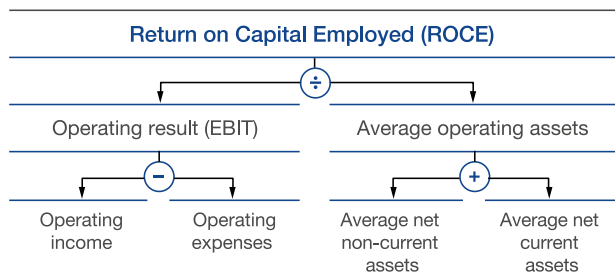
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities.

Financial Performance Indicators

The central financial management control figure is the key performance indicator ROCE, i.e. the return on capital employed. The HHLA Group calculates ROCE as a ratio of the operating result (EBIT) and the average operating assets used.

Value Management

ROCE – defining parameters and influential factors



Commercial activities are generally regarded as value-generating if the return on capital employed 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. Due to the ECB's ongoing expansionary monetary policy, the cost of capital before tax was adjusted from 10.5 % to 8.5 % in the 2015 financial year. This minimum interest rate also 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 which may distort the information provided by the value management system.

The HHLA Group's **operating result** (EBIT) fell year-on-year by 7.5 % to € 156.5 million in the 2015 financial year (previous year: € 169.3 million). ► see also Group Performance, page 43

With average operating assets almost unchanged at € 1,303.1 million (previous year: € 1,307.5 million) the return on capital employed was down 0.9 percentage points on the prior-year figure of 12.0 %. The minimum ROCE of 8.5 % for the 2015 financial year was exceeded by 3.5 percentage points.

The HHLA Group therefore generated a positive value added of € 45.7 million in the 2015 financial year (previous year: € 32.0 million).

Key Figures Value Added

in € million	2015	2014	Change
Operating income	1,191.0	1,241.0	- 4.0 %
Operating expenses	- 1,034.5	- 1,071.7	- 3.5 %
EBIT	156.5	169.3	- 7.5 %
Ø Net non-current assets	1,213.3	1,221.6	- 0.7 %
Ø Net current assets	89.8	85.9	4.5 %
Ø Operating assets	1,303.1	1,307.5	- 0.3 %
ROCE in %	12.0	12.9	- 0.9 pp
Capital costs before tax ¹ in %	8.5	10.5	- 2.0 pp
Capital costs before tax	110.8	137.3	- 19.3 %
Value added in %	3.5	2.4	1.1 pp
Value added	45.7	32.0	42.9 %

¹ Of which 5.0 % (previous year: 7.5 %) for the Real Estate subgroup

Non-Financial Performance Indicators

In the operating business units, various non-financial performance indicators are used in addition to the key performance indicator ROCE. For example, the number of handling moves per man-hour, energy efficiency or the number of containers handled per square metre – the land usage productivity – are important indicators for the quality of services rendered and the container terminals' performance. These and other performance indicators are therefore used intensively for the ongoing optimisation of specific operational processes.

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

In the 2015 financial year, HHLA mainly focused its resources and available capacity on continuing its research into battery-powered container vehicles for horizontal transport.

Battery-Powered Container Vehicles

Researching and developing eco-friendly drive systems is a key aspect of HHLA's sustainable business model. In collaboration with Gottwald Port Technology, Vattenfall Europe Innovation and several research bodies, HHLA is pursuing its BESIC project (Battery Electric Heavy Goods Transports within an Intelligent Container Terminal) which is funded by the German Federal Ministry of Economics and Technology. It aims to use modern information and communication technology to improve the planning and management of charging cycles for battery-powered automated guided vehicles (AGVs) at CTA – particularly at times when there is a surplus of renewable power in the grid. The primary goal in the development of this battery management system and in testing innovative energy storage systems is to improve the level of flexibility for terminal operations and to increase the share of power provided by renewable energies.

Performance Certified

In order to document their performance, CTA and CTT once again received certification in accordance with the Container Terminal Quality Indicator (CTQI) in the reporting year. The standard, which was developed by the Global Institute of Logistics and Germanischer Lloyd, checks criteria such as the safety, performance level and efficiency of a terminal on both the water and 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.