HHLA Segments

Container

€ 746.6 million
Revenue

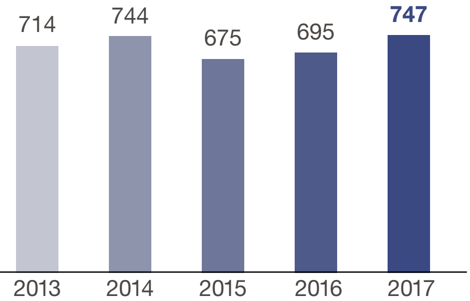
60 %
Share of revenue

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.

Key Figures

in € million	2017	2016	Change
Revenue	746.6	694.6	7.5 %
EBITDA	194.7	201.5	- 3.3 %
EBITDA margin in %	26.1	29.0	- 2.9 pp
EBIT	109.4	117.8	- 7.2 %
EBIT margin in %	14.7	17.0	- 2.3 pp
Container throughput in thousand TEU	7,196	6,658	8.1 %

Revenue
in € million



Logistics

€ 50.8 million
Revenue

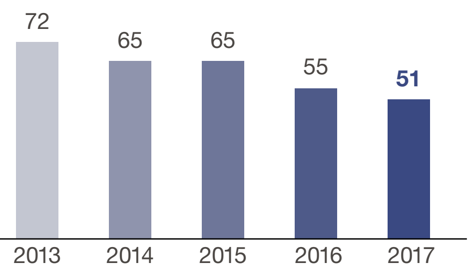
4 %
Share of revenue

In this segment, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. HHLA also markets its expertise in infrastructure and project development internationally.

Key Figures

in € million	2017	2016	Change
Revenue	50.8	55.0	- 7.6 %
EBITDA	6.9	2.4	pos.
EBITDA margin in %	13.7	4.3	9.4 pp
EBIT	2.6	- 1.7	pos.
EBIT margin in %	5.0	- 3.1	pos.
At-equity earnings	3.9	3.7	4.8 %

Revenue
in € million



2014: IFRS amendment of the consolidation method

Intermodal

€ 414.0 million
Revenue

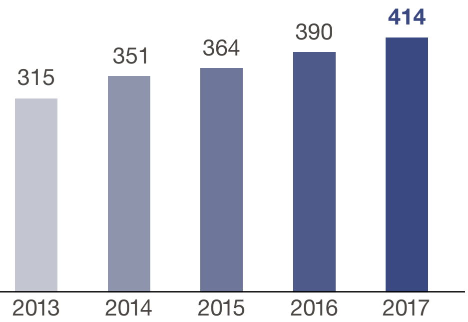
33 %
Share of revenue

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	2017	2016	Change
Revenue	414.0	390.1	6.1 %
EBITDA	95.0	79.6	19.3 %
EBITDA margin in %	22.9	20.4	2.5 pp
EBIT	69.9	55.9	25.1 %
EBIT margin in %	16.9	14.3	2.6 pp
Container transport in thousand TEU	1,480	1,408	5.2 %

Revenue
in € million



Real Estate

€ 37.9 million
Revenue

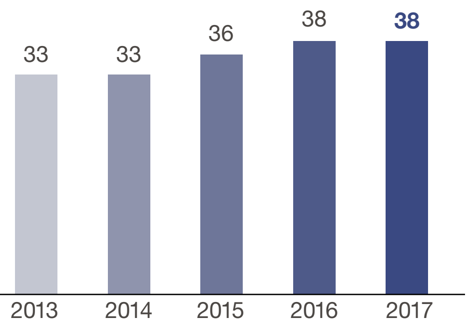
3 %
Share of revenue

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	2017	2016	Change
Revenue	37.9	37.7	0.6 %
EBITDA	21.3	21.1	0.9 %
EBITDA margin in %	56.2	56.0	0.2 pp
EBIT	16.3	16.0	1.5 %
EBIT margin in %	43.0	42.6	0.4 pp

Revenue
in € million



Segment Performance

Container Segment

Key Figures

in € million	2017	2016	Change
Revenue	746.6	694.6	7.5 %
EBITDA	194.7	201.5	- 3.3 %
EBITDA margin in %	26.1	29.0	- 2.9 pp
EBIT	109.4	117.8	- 7.2 %
EBIT margin in %	14.7	17.0	- 2.3 pp
Container throughput in thousand TEU	7,196	6,658	8.1 %

HHLA's container terminals handled 7,196 thousand TEU in the 2017 financial year, 8.1 % more than in the previous year (6,658 thousand TEU). The **volume development** in the reporting period was largely dominated by the realignment of shipping consortia and the resulting change in liner service structures. This positive development was facilitated by intensive sales activities and the provision of handling services in line with customer needs, especially with regard to ship sizes.

Container throughput at the three container terminals in Hamburg increased strongly by 8.3 % to 6,904 thousand TEU (previous year: 6,375 thousand TEU). This was mainly due to a 14.9 % year-on-year rise in Asia traffic (Far East–Northern Europe) and significant growth in feeder traffic in the Baltic region, especially to Sweden and Poland. By contrast, traffic to and from Russia was still affected by the EU's ongoing economic sanctions and only reached the prior-year level over the full twelve months, despite initial gains in the first half of 2017. The proportion of seaborne handling accounted for by feeders edged up to 24.5 % in 2017 (previous year: 24.0 %).

At the HHLA Container Terminal Odessa (CTO), container throughput rose slightly by 3.4 % to 292 thousand TEU (previous year: 283 thousand TEU). Due to overcapacities on the market, competition intensified further in 2017. Despite the slower volume trend, however, CTO continues to hold a dominant regional market position among the Ukrainian ports.

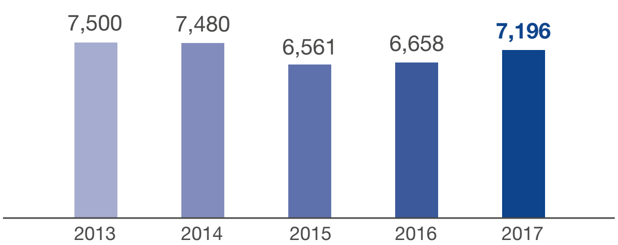
Revenue increased by 7.5 % year-on-year to € 746.6 million (previous year: € 694.6 million) and thus lagged somewhat behind the rise in seaborne volumes. Average revenue was affected by the slightly higher proportion of lower-margin feeder traffic, adjustments to individual handling rates due to the realignment of shipping consortia, and the temporary rise in storage charges. The average revenue per container handled at the quayside dipped by 0.6 % year-on-year in the 2017 financial year.

Changes in the segment's EBIT costs in the 2017 financial year stemmed largely from the increase in handling services and additional expenses. Total one-off expenses of approximately € 25 million related to measures for the organisational restructuring and harmonisation of existing pension schemes, which put further pressure on the cost structure in the 2017 financial year. The year-on-year increase in material costs was largely due to volume and price trends. IT costs increased due to the implementation of a new terminal operating system. All in all, EBIT costs were up by 10.5 %. Adjusted for the additional expenses, however, the increase was just 6.1 %. It should be noted that the anticipated utilisation-related economies of scale have not yet achieved their full impact on costs. The operating result (EBIT) amounted to € 109.4 million (previous year: € 117.8 million). The EBIT margin reached 14.7 % (previous year: 17.0 %). Adjusted by additional expenses, the operating result increased by 14.1 % year-on-year.

As shipping companies are still taking delivery of container mega-ships for the Far East–Europe trades, there is likely to be a further rise in the number of vessels of this size calling directly in Hamburg. With this in mind, the company continued to expand its facilities to cater for larger ships. Four additional automated storage blocks have been put into operation at the Container Terminal Burchardkai (CTB) and a further three container gantry cranes have been installed at the berth of the Container Terminal Tollerort (CTT).

Development in Container Throughput

in thousand TEU



Intermodal Segment

Key Figures

in € million	2017	2016	Change
Revenue	414.0	390.1	6.1 %
EBITDA	95.0	79.6	19.3 %
EBITDA margin in %	22.9	20.4	2.5 pp
EBIT	69.9	55.9	25.1 %
EBIT margin in %	16.9	14.3	2.6 pp
Container transport in thousand TEU	1,480	1,408	5.2 %

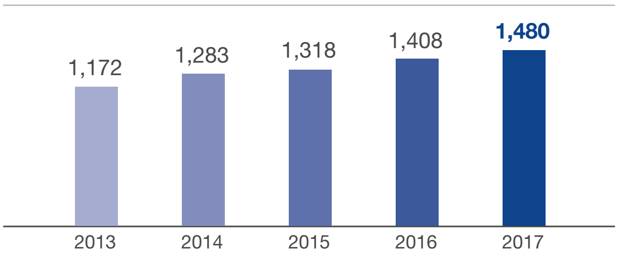
HHLA's transport companies achieved significant growth in the highly competitive market for container traffic in the hinterland of major seaports. **Transport volumes** rose by 5.2 % to 1,480 thousand standard containers (TEU), compared with 1,408 thousand TEU in the same period last year. This trend was driven by growth in both rail and road transportation. Compared with the previous year, rail transportation rose by a further 4.7 % to 1,140 thousand TEU (previous year: 1,089 thousand TEU). In particular, there was above-average growth in connections between the Adriatic ports and the Central and Eastern Europe hinterland. Continental cargo volumes rose strongly, too. Despite the challenging market environment, road transport also made very good progress with year-on-year growth of 6.8 % to 340 thousand TEU (previous year: 319 thousand TEU) due to strong freight volumes in the greater Hamburg area.

With growth of 6.1 % to € 414.0 million (previous year: € 390.1 million), **revenue** performed slightly better than transport volumes. The marginal decline in rail's share of HHLA's total intermodal transportation from 77.4 % to 77.0 % was more than offset by longer transport distances in rail transport.

The **operating result (EBIT)** increased year-on-year to € 69.9 million (previous year: € 55.9 million) and thus clearly outperformed the volume and revenue trend. The improvement in earnings was mainly due to increased transport volumes and further gains in train capacity utilisation. Earnings in the previous year were also depressed by additional expenses of € 7.2 million pertaining to a lease for a terminal site in Poland.

Development in Container Transport

in thousand TEU



HHLA continues to invest as needed in the expansion of its intermodal network. HHLA's rail subsidiary METRANS put six new multi-system locomotives into operation in the first half of 2017. It now has more than 70 shunters and locomotives and a fleet of over 2,500 waggons. In June 2017, the fourth METRANS hub terminal was also officially opened in Budapest. With this facility, HHLA is expanding its hinterland network to include another strategic hub. Its location in the heart of Europe makes it the perfect interface between the North European seaports, the Adriatic, and Central, East and South-East Europe. The network of the HHLA rail subsidiaries METRANS and POLZUG therefore consists of 13 terminals in the hinterland, five of which function as large hub terminals.

Work to integrate POLZUG's activities into the METRANS organisation commenced in the past financial year. By pooling activities, the company aims to streamline structures and processes, thereby enabling synergies to be realised.

Logistics Segment

Key Figures

in € million	2017	2016	Change
Revenue	50.8	55.0	- 7.6 %
EBITDA	6.9	2.4	pos.
EBITDA margin in %	13.7	4.3	9.4 pp
EBIT	2.6	- 1.7	pos.
EBIT margin in %	5.0	- 3.1	pos.
At-equity earnings	3.9	3.7	4.8 %

The key financial figures for the Logistics segment include the vehicle logistics and consultancy divisions. The results from dry bulk and fruit logistics are included in earnings from associates.

The companies of the Logistics segment once again made varying progress in 2017. The fully consolidated companies reported **revenue** of € 50.8 million, down 7.6 % on the prior-year figure (previous year: € 55.0 million). This was largely due to the discontinuation of project and contract logistics activities in the 2016 financial year. By contrast, revenue in the vehicle logistics division rose strongly.

The **operating result (EBIT)** increased to € 2.6 million in the reporting period, compared to an operating loss of € -1.7 million in the previous year due to project and contract logistics losses.

The performance of the companies included in **at-equity earnings** also varied during the reporting period. There was an upturn in dry bulk handling, while earnings from fruit logistics remained below the prior-year figure. Total earnings from associates rose by 4.8 % to € 3.9 million (previous year: € 3.7 million).

Real Estate Segment

Key Figures

in € million	2017	2016	Change
Revenue	37.9	37.7	0.6 %
EBITDA	21.3	21.1	0.9 %
EBITDA margin in %	56.2	56.0	0.2 pp
EBIT	16.3	16.0	1.5 %
EBIT margin in %	43.0	42.6	0.4 pp

Hamburg's office rental market made good progress in 2017. According to Grossmann & Berger's latest market report, 640,000 m^2 of office space was let in the reporting period, corresponding to year-on-year growth of 16 %. Due to high demand, Hamburg's vacancy rate fell by 0.8 percentage points to a new record low of 4.3 %.

Against this market background, HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued their positive revenue and earnings trend. As a result of virtually full occupancy in both areas, **revenue** rose by 0.6 % year-on-year to € 37.9 million (previous year: € 37.7 million) in 2017.

The **operating result (EBIT)** increased by 1.5 % year-on-year to € 16.3 million (previous year: € 16.0 million). This was largely due to increase in revenue from existing and newly developed properties while maintenance costs remained constant. The EBIT margin of 43.0 % achieved in the 2017 financial year (previous year: 42.6 %) once again testifies to the economic success of HHLA's long-term, value-oriented portfolio development strategy.

Events after the Balance Sheet Date

No significance events occurred after the balance sheet date of 31 December 2017. ▶ See also Note 52 of the Notes to the Consolidated Financial Statements, page 148

Business Forecast

Macroeconomic Environment

Global economic momentum strengthened in 2017. Rising political uncertainty and existing structural problems have not adversely affected the stronger economic recovery as yet. The International Monetary Fund (IMF) expects this upward trend to continue in the regions relevant to HHLA during the forecast period. The IMF's experts believe that the German economy will maintain its robust upward trajectory with growth of 2.3 %. In the emerging economies of Central and Eastern Europe, the pace of expansion picked up markedly in 2017. The IMF anticipates economic growth of 4.0 % in 2018. Due in part to the sanctions still imposed on the Russian Federation, its economic output is likely to be largely unchanged from the previous year with GDP growth of 1.7 %. The IMF has upgraded its outlook for the Chinese economy slightly and now expects growth of 6.6 %. Meanwhile, the IMF's experts forecast a rise in global GDP of 3.9 % in 2018. Global trade volumes are expected to grow by 4.6 %.

Growth Expectations for GDP

in %	2018	Trend vs. 2017
World	3.9	↗
Advanced economies	2.3	→
USA	2.7	↗
Emerging economies	4.9	↗
China	6.6	↘
Russia	1.7	→
Eurozone	2.2	↘
Central and Eastern Europe (emerging european economies)	4.0	↘
Germany	2.3	↘
World trade	4.6	→

Source: International Monetary Fund (IMF), January 2018

Sector Development

Following a significant increase in container throughput in 2017, the market research institute Drewry expects the momentum to slow in 2018 with growth of 4.3 %. Growth will be driven in particular by the shipping regions of Asia (+ 4.5 %), Latin America (+ 4.6 %) and especially Africa (+ 6.1 %). Throughput growth in China – the Port of Hamburg's most important shipping region – is expected to be slower than in the previous year but to remain robust at 5.5 %.

Container throughput growth in the European shipping regions is likely to remain moderate, but below the prior-year level. Scandinavia, the Baltic, the Eastern Mediterranean and the