€ 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 expactation 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.