

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



Angela Titzrath

Heinz Brandt



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.