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

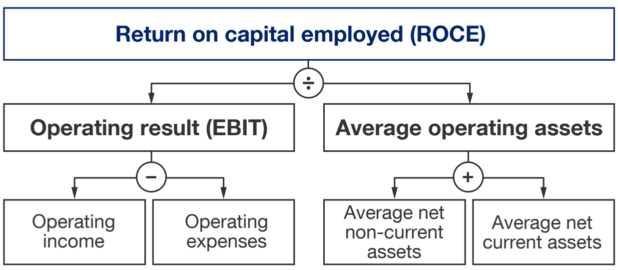
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2018 financial year.

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.