# Corporate strategy

HHLA is one of Europe's leading port and logistics companies with activities stretching beyond the Port of Hamburg into many parts of Europe. Together with its customers, HHLA develops logistical and digital hubs for the transport flows of the future. As a result, HHLA is paving the way for sustainable growth in its enterprise value.

In 2017, the HHLA Executive Board launched a business development process with the aim of strengthening the company's future viability and dynamism over the long term. The necessary changes are linked across all segments and underpinned by numerous measures. The defined objectives are pursued consistently.

HHLA's market environment is changing at an ever-greater pace. HHLA aims to harness this change quickly and successfully and in a determined and focused manner. To this end, HHLA is paying increasing

- attention to identifying and interpreting relevant trends, in order to derive value-adding initiatives.
- Flexibility with the aim and benefit of acting and evolving quickly.
- Efficiency and networking in order to remain ahead of the competition and generate added value.
- Search for, and integration of, new ideas.

HHLA draws on its considerable **creative power** to focus on the development of additional values. This also involves strengthening customer loyalty and its customer base.

HHLA is guided by key milestones as it builds its **future viability**. We come from Hamburg and are at home in Europe. As a gateway to the future, we offer our customers the best way to transport their goods safely, quickly and efficiently. We are currently sowing the seeds for additional, sustainable and profitable growth in our value creation to safeguard our future enterprise value.

Four initiatives have been identified to achieve these objectives:

- **Fit for the world of tomorrow:** Our core business is being strengthened to be able to enter the world of tomorrow sustainably and profitable. A corresponding programme for the future is being implemented. This programme aims to enhance competitiveness, quality and profitability.
- **Exploiting additional growth areas:** HHLA is tapping growth potential along the transport streams of the future, along the logistics value chain and in new, digital business models.
- **Organisation and corporate culture:** The company organisation and culture are being aligned with tomorrow's world. The client is being placed more than ever at the centre of activity.
- **Investments and finance:** The company will continue to gear its investments and operating results towards sustainable, profitable growth. HHLA applies a value-oriented approach to its strategic investments. The most important investment criteria are the growth prospects and anticipated return on capital of the investment projects.

The development of sustainable and profitable business is an integral component of HHLA. In particular, this includes the development of sustainable transport and logistics solutions that enable climate-friendly and space-saving operations while facilitating the conservation of resources and contributing to the economic result of HHLA.

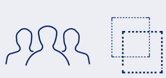
## Corporate strategy

Sustainably increasing enterprise value at HHLA

**Fit for the world of tomorrow**
HHLA is developing its existing core business for the challenges of tomorrow.

**Exploiting additional growth areas**
HHLA is focusing on profitable growth areas of tomorrow.

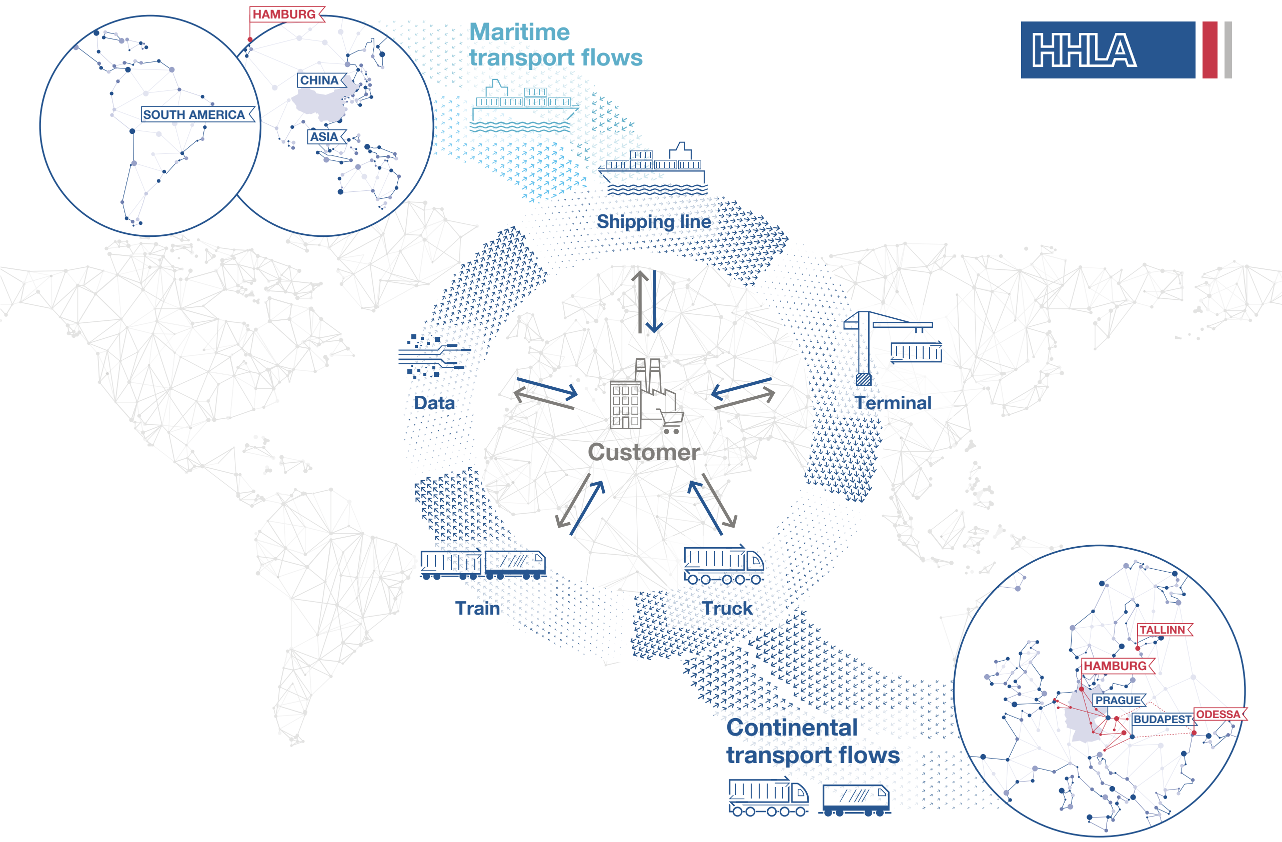
**Organisation and corporate culture**
HHLA is aligning its organisation and corporate culture for tomorrow.



**Investments and finance**
HHLA is aligning its investments and operating results for sustained and profitable growth of tomorrow.

### The HHLA service network

HHLA connects its customers with maritime and continental transport streams




In the listed Port Logistics subgroup, activities to cement and expand the current market positioning are governed by the following guidelines:

In the **Container segment**, HHLA aims to be an efficient, highly automated and high-performance port service provider with a strong hinterland network and cutting-edge, digital customer solutions. In order to achieve this, the design and operation of HHLA's container terminals are systematically geared to maximum efficiency of space and manpower, while innovative technologies and processes are used to achieve continuous improvements in quality standards. Another area of focus is the mission to develop HHLA into a green port within a sustainable and emission-free transport chain. HHLA's container terminals are supposed to collaborate across all terminals wherever possible in order to benefit from each other and continuously boost the efficiency of handling services.

In the **Intermodal segment,** HHLA strives to be a quality and efficiency leader and aims to leverage this leading position in order to profit from the transport streams of the future. METRANS will play an important role along the hubs and connecting lines of the logistics network, both in Europe and beyond. Thanks to efficient networking between the Intermodal segment and the other activities of the HHLA Group, HHLA is able to offer its customers a perfectly coordinated range of services. Besides enhancing the scope and range of its services, HHLA also focuses on increasing its vertical integration.

With its **Logistics segment**, HHLA aims to strengthen Hamburg's all-purpose port and drive forward its future-oriented diversification. The business prospects of the Frucht- und Kühl-Zentrum, Ulrich Stein and UNIKAI are being further enhanced. HPC is positioning itself as a leading international specialist and strategic consultancy for the maritime industry. The segment's potential is being harnessed to develop further services in the logistical and digital value chains.

In addition to purely organic growth, HHLA examines opportunities for acquisitions in order to tap new growth areas along the logistical value chain. Potential acquisitions and equity investments focus on port projects and shareholdings in attractive growth markets. HHLA's interest is based on the economies of scope offered by the existing network and the opportunities it presents to tap additional growth potential along the transport flows of the future. In this way, the company aims to identify and occupy new digital business models.

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

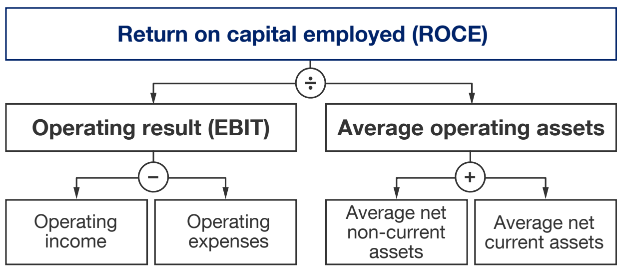
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2018 financial year.

### 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.