HHLA segments

Container

€ 758.9 million
Revenue

59 %
Share of revenue

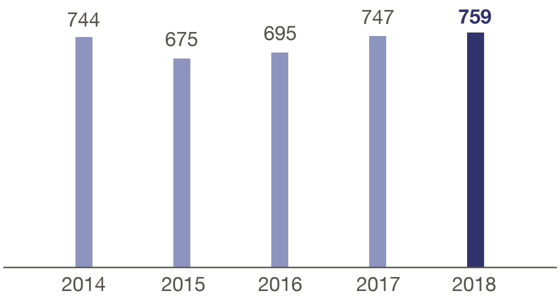
HHLA's container terminals link ships, rail networks and trucks to create an efficient transport chain. The terminals in Hamburg form the most important European hub between Asia and Central/Eastern Europe. HHLA also operates a container terminal in the Ukrainian city of Odessa as well in the Estonian city of Tallinn.

Key figures

in € million	2018	2017	Change
Revenue	758.9	746.6	1.7 %
EBITDA	209.8	194.7	7.7 %
EBITDA margin in %	27.6	26.1	1.5 pp
EBIT	131.6	109.4	20.3 %
EBIT margin in %	17.3	14.7	2.6 pp
Container throughput in thousand TEU	7,336	7,196	1.9 %

Revenue

in € million



Intermodal

€ 433.8 million
Revenue

34 %
Share of revenue

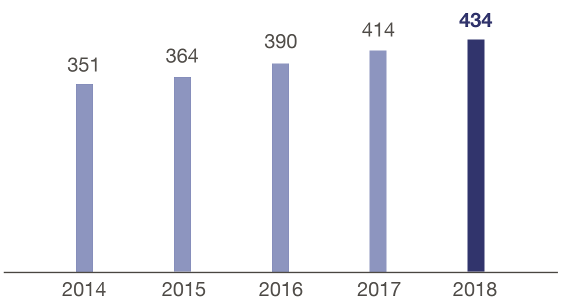
HHLA's rail companies operate a comprehensive transport and terminal network for container transportation and connect ports on the North and Baltic seas, as well as the northern Adriatic, with their hinterland. Transshipments by truck within the Port of Hamburg round off the service portfolio.

Key figures

in € million	2018	2017	Change
Revenue	433.8	414.0	4.8 %
EBITDA	112.7	95.0	18.7 %
EBITDA margin in %	26.0	22.9	3.1 pp
EBIT	89.1	69.9	27.5 %
EBIT margin in %	20.5	16.9	3.6 pp
Container transport in thousand TEU	1,480	1,480	0.0 %

Revenue

in € million



Logistics

€ 59.8 million
Revenue

4 %
Share of revenue

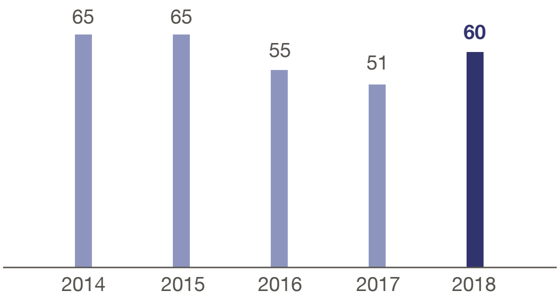
In this segment, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. Its service portfolio comprises both stand-alone logistics services (including airborne services) and entire process chains. HHLA also markets its expertise in infrastructure and project development internationally.

Key figures

in € million	2018	2017	Change
Revenue	59.8	50.8	17.7 %
EBITDA	10.0	6.9	44.0 %
EBITDA margin in %	16.7	13.7	3.0 pp
EBIT	5.6	2.6	120.0 %
EBIT margin in %	9.4	5.0	4.4 pp
At-equity earnings	4.4	3.9	13.2 %

Revenue

in € million



Real Estate

€ 39.3 million
Revenue

3 %
Share of revenue

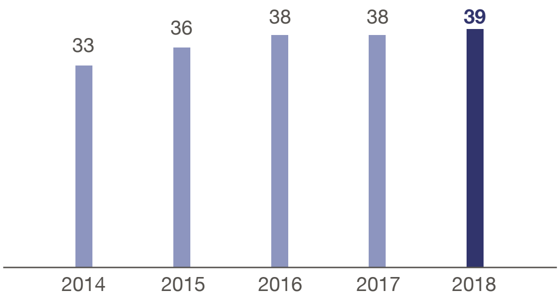
Following the sustainable renovation of Hamburg's landmarked Speicherstadt historical warehouse district to create an exemplary redeveloped quarter, HHLA is committed to intelligent site development and preserving the city's fishing tradition with the Hamburg-Altona fish market.

Key figures

in € million	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

Revenue

in € million



On submission of the application for its removal from the commercial register on 25 May 2018, the company HCC Hanseatic Cruise Centers GmbH i. L., Hamburg, was deconsolidated as of 30 June 2018 and is therefore no longer included in HHLA's group of consolidated companies.

The company POLZUG Intermodal GmbH, Hamburg, was merged with HHLA International GmbH, Hamburg, as of 1 January 2018 upon entry in the commercial register on 31 August 2018. The merger had no impact on HHLA's consolidated financial statements.

The Czech company JPFE-07 INVESTMENTS s.r.o., Ostrava, Czech Republic, which was not previously included in HHLA's group of consolidated companies, was merged with METRANS a.s., Prague, Czech Republic, as of 1 January 2018 upon entry in the commercial register on 12 December 2018. The merger had no material impact on HHLA's consolidated financial statements.

There were no other significant acquisitions, purchases or disposals of shares in subsidiaries, or changes to the group of consolidated companies. Notes to the consolidated financial statements, no. 3 Composition of the Group

Segment performance

Container segment

Key figures

in € million	2018	2017	Change
Revenue	758.9	746.6	1.7 %
EBITDA	209.8	194.7	7.7 %
EBITDA margin in %	27.6	26.1	1.5 pp
EBIT	131.6	109.4	20.3 %
EBIT margin in %	17.3	14.7	2.6 pp
Container throughput in thousand TEU	7,336	7,196	1.9 %

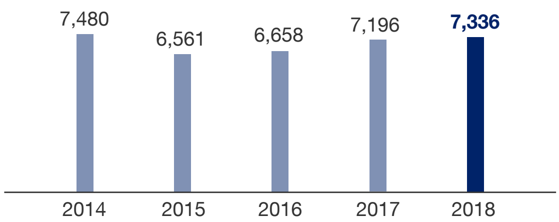
During the 2018 reporting year, the **volume development** at HHLA's container terminals increased slightly by 1.9 % to 7,336 thousand TEU (previous year: 7,196 thousand TEU).

The three **Hamburg container terminals** were almost able to match the strong prior-year figures with container throughput of 6,885 thousand TEU or - 0.3 % (previous year: 6,904 thousand TEU). Despite the loss of a South America service halfway through 2018 as part of the realignment of the shipping consortia, overseas traffic volumes remained stable with growth of 0.4 %. This was largely attributable to the 4.6 % increase in Asian traffic (Far East–Northern Europe) over the previous year. However, this was not sufficient to fully offset the 2.3 % decline in feeder traffic with the Baltic region. The proportion of seaborne handling by feeders decreased correspondingly to 24.0 % (previous year: 24.5 %).

Throughput at the **international container terminals** in Tallinn, Estonia, and Odessa, Ukraine, during the reporting period was 451 thousand TEU (previous year: 292 thousand TEU). It should be noted, that the figures for the previous year are only partly comparable as the container terminal in Tallinn was only integrated into the HHLA consolidated group at the end of the second quarter of 2018.

Container throughput

in thousand TEU



Revenue increased by 1.7 % year-on-year to € 758.9 million (previous year: € 746.6 million) and thus lagged slightly behind the rise in seaborne volumes. The share of local cargo increased, especially higher-margin, rail-bound throughput. After the temporary increase in storage fees of the past two years due to the realignment of shipping alliances, fees returned to their normal levels in 2018. Revenue generated by the international terminals came under pressure from competition. However, these negative effects were almost fully offset by the slightly decrease in the proportion of lower-margin feeder traffic and adjustments to individual handling rates. The average revenue per container handled at the quayside dipped slightly by 0.3 % year-on-year in the 2018 financial year.

EBIT costs for the segment decreased by 1.5 % in the 2018 financial year due to the absorption in the previous year of expenses for the organisational restructuring and harmonisation of pension systems amounting to around € 25 million. Adjusted for this effect, EBIT costs were 2.5 % higher than in the previous year. The main reasons for this were higher personnel expenses due to increased headcount following the integration of HHLA TK Estonia AS, union tariff rises in June 2018 and increased energy costs. The **operating result (EBIT)** improved strongly by 20.3 % to € 131.6 million (previous year: € 109.4 million). The EBIT margin rose by 2.6 percentage points to 17.3 % (previous year: 14.7 %).

During the reporting year, HHLA made further investments to ensure the future viability of its facilities. The main focus was on sustainable handling equipment and the promotion of transport by rail. Diesel-powered automatic guided vehicles (AGVs) at the Container Terminal Altenwerder (CTA) were replaced by battery-powered AGVs, which are practically emission-free. The rail station at the Container Terminal Buchardkai (CTB) was expanded from eight to ten platforms and equipped with two new rail-mounted gantry cranes. Additional storage areas will be developed at the Container Terminal Odessa (CTO).

Intermodal segment

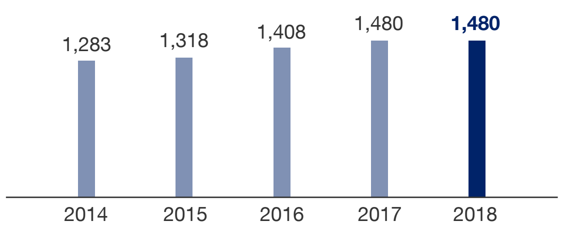
Key figures

in € million	2018	2017	Change
Revenue	433.8	414.0	4.8 %
EBITDA	112.7	95.0	18.7 %
EBITDA margin in %	26.0	22.9	3.1 pp
EBIT	89.1	69.9	27.5 %
EBIT margin in %	20.5	16.9	3.6 pp
Container transport in thousand TEU	1,480	1,480	0.0 %

In the highly competitive market for container traffic in the hinterland of major seaports, the **transport volumes** of HHLA's transport companies remained unchanged from the previous year at 1,480 thousand standard containers (TEU). Within the segment, however, the trend was uneven. Rail transportation rose year-on-year by a further 2.5 % to 1,168 thousand TEU (previous year: 1,140 thousand TEU). In particular, there was above-average growth in connections between the north German seaports, the Adriatic ports and the Central and Eastern Europe hinterland. There was also a further increase in continental cargo volumes. Transport volumes in Poland decreased significantly as a result of the scheduled realignment of POLZUG activities. Due to a significant decrease in freight volume in the greater Hamburg area, road transport fell by 8.3 % year-on-year to 312 thousand TEU (previous year: 340 thousand TEU).

Container transport

in thousand TEU



With growth of 4.8 % to € 433.8 million (previous year: € 414.0 million), **revenue** performed much better than transport volumes. This positive revenue trend resulted from a slight increase in rail's share of HHLA's total intermodal transportation from 77.0 % to 78.9 %, in combination with longer transport distances.

The **operating result (EBIT)** increased year-on-year to € 89.1 million (previous year: € 69.9 million). In addition to the positive trend in average revenues due to changes in the transport mix, the rise in EBIT was also attributable to lower depreciation and amortisation charges caused by an adjustment to the useful lives of container transport wagons. The terminal in Budapest, which started operations in mid-2017, also had a positive impact on the efficiency of HHLA's intermodal network. The EBIT margin rose by 3.6 percentage points to 20.5 % (previous year: 16.9 %).

HHLA continues to invest as needed in the expansion of its intermodal network. The decrease in route prices for German rail freight applied retroactively as of mid-2018 is bolstering the development of the intermodal service portfolio. HHLA's rail subsidiary METRANS put ten new multi-system locomotives into operation during 2018. It now has 85 shunters and locomotives as well as a fleet of over 2,800 container wagons. The network consists of 14 terminals in the hinterland, of which five function as large hub terminals.

In the past financial year, the activities of POLZUG (now METRANS Polonia) were fully integrated into the METRANS organisation. By pooling activities, the company was able to streamline its structures and processes, thereby enabling synergies to be realised. During the reporting period, HHLA also increased its stake in METRANS a.s., Prague, Czech Republic, and now holds 100 % of shares in the company.

Logistics segment

Key figures

in € million	2018	2017	Change
Revenue	59.8	50.8	17.7 %
EBITDA	10.0	6.9	44.0 %
EBITDA margin in %	16.7	13.7	3.0 pp
EBIT	5.6	2.6	120.0 %
EBIT margin in %	9.4	5.0	4.4 pp
At-equity earnings	4.4	3.9	13.2 %

The key financial figures for the Logistics segment include the vehicle logistics and consultancy divisions. In addition, the division for airborne logistics services was added in the fourth quarter of 2018. The results from dry bulk and fruit logistics are included in at-equity earnings.

The Logistics segment recorded significant sales growth in the fourth quarter, which was in particular due to temporary additional business in the field of vehicle logistics. For the year as a whole, the fully consolidated companies reported **revenue** of € 59.8 million, up 17.7 % on the prior-year figure (previous year: € 50.8 million).

The **operating result (EBIT)** far outstripped the increase in revenue and more than doubled during the reporting period, increasing by 120.0 % to € 5.6 million (previous year:

€ 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.