



**HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT**  
ANNUAL REPORT 2007

## HHLA key figures

		HHLA Group			<sup>1,2</sup> Sub-group Port Logistics	<sup>1,3</sup> Sub-group Real Estate
		2007	2006	Change	2007	2007
Revenues	€ million	1,180.0	1,017.4	16.0 %	1,152.3	30.8
EBITDA	€ million	378.7	296.4	27.7 %	364.6	14.1
EBIT	€ million	287.6	218.1	31.9 %	277.0	10.3
EBT	€ million	256.9	186.8	37.5 %	251.3	5.3
Consolidated profit for the year	€ million	152.0	116.9	30.0 %	149.1	4.1
Consolidated profit for the year after minority interests	€ million	111.3	97.1	14.6 %	108.4	4.1
Earnings per share	€	1.57	1.38	13.8 %	1.60	1.04
EBITDA margin	%	32.1	29.1	3.0 pp	31.6	45.8
EBIT margin	%	24.4	21.4	3.0 pp	24.0	33.4
ROCE	%	27.4	24.4	3.0 pp		
Equity ratio	%	38.4	21.6	16.8 pp		
Cash flow from operating activities	€ million	246.7	199.7	23.5 %		
Investments	€ million	194.8	205.2	- 5.1 %		
Employees	as at 31.12.	4.565	4.215	8.3 %		

<sup>1</sup> Before consolidation between sub-groups. <sup>2</sup> Listed A-shares. <sup>3</sup> Non-listed S-shares.

# THE WORLD IS GROWING TOGETHER.

Goods flows and their accompanying data are linking up our world to an ever increasing extent. Hamburger Hafen und Logistik AG (HHLA) is actively and far-sightedly shaping this trend at one of the world economy's interfaces. With its efficient container terminals, high-performance transport systems, comprehensive logistics services and logistics real estate, HHLA constitutes a complete network between the overseas port and the European hinterland. Logistics chains are therefore created that promote growth in the world economy and thanks to the intermeshing of ecologically more compatible transport modes and routes, helping conserve the climate.

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# FOREWORD



The HHLA Executive Board (from l. to r.): Gerd Drossel, Dr. Stefan Behn, Klaus-Dieter Peters, Dr. Roland Lappin, Rolf Fritsch.

In 2007 HHLA Group maintained its profitable growth course and achieved best-ever figures with revenues of 1.18 billion euros as well as an operating result (EBIT) of 288 million euros. We once again succeeded in harnessing the momentum of our cargo handling, transport, logistics and real estate activities to attain double-digit growth of 16 percent in revenues and above-proportionate growth of 32 percent in result. This impressively confirms our strategy of sustained, value-oriented development of the Group.

The year 2007 was however not just extraordinarily gratifying commercially. A new chapter in HHLA corporate history opened on 2 November 2007 with the stock exchange introduction of our core business, port logistics. The placing of 31 percent of shares in the port logistics sub-group - accounting for 98 percent of group revenues - in the regulated market (Prime Standard) of the Frankfurt stock exchange and regulated market of the Hamburg stock exchange proved exceedingly successful. With the issue oversubscribed more than tenfold and an issue price of 53 euros, market value totalled around 3.7 billion euros. The appreciation shown for our business model and growth strategy has put us in a position to strengthen our own capital base and therefore to improve the fundamentals for maintaining our expansion course once again.

At least equally important is the application of the preponderant part of the proceeds of the issue, totalling 1.17 billion euros, for the expansion of Port of Hamburg infrastructure. Formerly the sole and now the majority shareholder in HHLA, in May 2007 the Free and Hanseatic City of Hamburg agreed a "Future Programme for the Port" with altogether around three billion euros due to be invested in port infrastructure by the year 2015. The takings of more than one billion euros generated by the City of Hamburg from HHLA's IPO represent a substantial contribution to the financing of this investment programme. Germany's most dynamic logistics hub can therefore be expanded as timing and demand require.

The obligation for still more transparency and information involved in our inclusion in Prime Standard is a welcome challenge for the further development of our

Group. Intensive dialogue with you, with our shareholders, customers, business partners and the general public, will assist us in maintaining HHLA's successful course. After modernizing HHLA's business model and group structure and focussing on designing the complete logistics chain between the overseas port and the customers in recent years, our task now and in future is to exploit the opportunities arising from the sustained steep growth in volumes.

In 2007 we continued our expansion according to plan with investments in the expansion of terminal capacities, transport services and logistics activities, while in the period 2008 - 2012 we intend to invest approximately 1.5 billion euros. An extremely important part is played here by intelligent solutions that facilitate more intensive and efficient use of infrastructure as well as optimization of interfaces in the logistics chain. HHLA's technological know-how means that it is optimally positioned here.

Nevertheless, the commitment, knowledge and motivation of its staff are the most crucial factor for HHLA's success. Their readiness to perform has decisively contributed towards mastering the incessantly growing demand and rapid pace of growth at our facilities and on our network, in all weathers and around the clock. Their close identification with HHLA was also apparent during the IPO. With a participation rate of 77 percent, the programme for staff involvement in purchasing HHLA shares was an outstanding success.

The world is growing together. We are proud that along with our staff, shareholders, customers and business partners, we are driving this process at one of the interfaces of the world economy.



Klaus-Dieter Peters  
Chairman of the Executive Board  
of Hamburger Hafen und Logistik AG



# REPORT OF THE SUPERVISORY BOARD

## **WORKING RELATIONSHIP BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD**

In the financial year 2007 the Supervisory Board carefully and regularly monitored the Executive Board's management of the business in accordance with the responsibilities entrusted to it by law, company articles and rules of procedure and with regard to the recommendations of the German Corporate Governance Code (GCGC). We advised on the company's further strategic development and important individual matters.

The Executive Board provided the Supervisory Board with regular, comprehensive and timely information, at meetings and in the form of written and verbal reports, especially on the state of HHLA and the Group, fundamental issues of company policy and strategy, investment plans and the personnel situation. In addition the Chairman of the Executive Board regularly informed the Chairman of the Supervisory Board in personal meetings outside the course of Supervisory Board meetings of all significant developments, important transactions and risk management. The Supervisory Board was involved

in all decisions of major significance for HHLA and the HHLA Group. This includes in particular all the key decisions in connection with preparing and implementing the stock flotation in November 2007. On the basis of its own thorough examination and in-depth discussions with the Executive Board, the Supervisory Board approved all the proposals presented for approval by the Executive Board in accordance with company articles and the Executive Board's instructions.

## **MEETINGS**

The Supervisory Board held four scheduled meetings and one special meeting in 2007, and made two resolutions by circulation of documents. As elections for the Supervisory Board took place in the reporting year, four of the previous Supervisory Board members whose period of office ended in 2007 (Dr. Peter von Foerster and Messrs Harald Erven, Fred Timm and Manfred Wilkens) and one newly elected Supervisory Board member (Mr Thomas Mendrzik) only took part in fewer than half of the Supervisory Board meetings held in 2007.



At each ordinary meeting the Supervisory Board dealt with the current course of business and the HHLA Group's earnings position in detail. On each occasion the Executive Board reported in particular on revenues, results and the personnel situation for the Group and for the individual segments as well as on the financial position and the further strategic and structural development of the Group.

The financial statements meeting held on 27 June 2007 focussed on reporting and discussions on the financial statements and the Management Report of HHLA, the consolidated financial statements and the Group Management Report for the financial year 2006. The auditors were present at the meeting, where they reported on the main results of their audit and were available to answer questions. Also on the agenda was the preparation of the Annual General Meeting 2007 including the Supervisory Board report to the General Meeting. The Supervisory Board also gave its approval to the result of negotiations on the company collective labour agreement.

At the constitutive meeting held on 7 September 2007 Prof. Dr. Witten was elected Chairman and Mr Wolfgang Rose Vice Chairman of the Supervisory Board, and members were elected for the Arbitration Committee, the Personnel Committee and the Finance Committee. In addition to the Supervisory Board Chairman and Vice Chairman, Messrs Gunther Bonz and Arno Münster were elected to the Arbitration Committee. Prof. Dr. Witten, Uwe Schröder, Gunther Bonz and Arno Münster were elected to the Personnel Committee and Dr. Klemmt-Nissen (Chairman), Arno Münster (Vice Chairman), Dr. Bernd Egert and Messrs Walter Stork, Jörg Klauke, and Uwe Schröder were elected to the Finance Committee. The meeting also concentrated on preparing the company's flotation and on the collective labour agreement concerning company shares for staff as part of the flotation, which the Supervisory Board approved.

In the course of the special meeting held on 19 October 2007 the Executive Board particularly reported on the status of the upcoming stock flotation of HHLA.

The last meeting in the reporting period took place on 13 December 2007. Discussions focussed on the budget for 2008, which the Supervisory Board approved. A further topic of discussion was the medium-term corporate planning for 2009–2012. The Executive Board also

reported extensively on risk management in the current financial year. The Supervisory Board adopted the statement of compliance with the GCGC and passed resolutions amending its rules of procedure and instructions for the Executive Board in order to implement certain Code recommendations. For transactions of fundamental importance the Supervisory Board also stipulated additional authorizations in the instructions for the Executive Board. At this meeting, as a consequence of the establishment of sub-groups (Port Logistics and Real Estate), a Real Estate Committee was formed to cover specifically the affairs of the property sector. Arno Münster, Thomas Mendrzik, Dr. Rainer Klemmt-Nissen and Dr. Bernd Egert were elected onto the new committee.

#### **COMMITTEE WORK**

The Finance Committee met three times in the reporting period: in March, June and December 2007. Its work concentrated on examining and discussing the financial statements of HHLA and the consolidated financial statements in detail, with a particular focus on the HHLA Group's adoption of IFRS accounting standards and the peculiarities this entails. The Finance Committee also dealt with a preliminary review of the budget for 2008 and the medium-term planning for 2009–2012 as well as with the result of negotiations on the company collective labour agreement. The Supervisory Board's rules of procedure were amended at the December meeting so that the Finance Committee is now also responsible for the duties of the Audit Committee in accordance with item 5.3.2 of the GCGC.

The Personnel Committee met twice in the reporting period and at both meetings in October and December dealt with matters concerning the Executive Board (including extending the appointment of Mr Gerd Drossel until 31 December 2008). The Supervisory Board's rules of procedure were amended at the December meeting so that the Personnel Committee (consisting for this purpose solely of shareholder representatives) is also responsible for the duties of the Nomination Committee in accordance with item 5.3.3 of the GCGC. Following its formation on 13 December 2007, the Nomination Committee did not meet in the few remaining days of the 2007 financial year.

The Real Estate Committee was also formed at the Supervisory Board's December meeting and likewise did not meet again in the 2007 financial year.

There was no need for the Arbitration Committee to meet in the reporting period.

### CORPORATE GOVERNANCE

At the meeting held on 13 December 2007 the Executive and Supervisory Boards discussed the statement of compliance with the GCGC and adopted the statement of compliance in accordance with Sec. 161 of the German Stock Corporation Act (AktG). It has been made permanently available to the general public at [www.hhla.de](http://www.hhla.de). The Executive Board and Supervisory Board report on the statement of compliance and HHLA's corporate governance in the Corporate Governance Report for 2007.

### AUDIT OF THE FINANCIAL STATEMENTS

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, were elected as auditors at the Annual General Meeting on 31 August 2007 and appointed by the Supervisory Board. The auditors carried out an audit of HHLA's financial statements as provided by the Executive Board in line with the provisions of the German Commercial Code (HGB), including the divisional financial statements for the A division (sub-group Port Logistics) and the S division (sub-group Real Estate) presented as part of the Notes, the consolidated financial statements including the sub-group financial statements for the A and S divisions in accordance with International Financial Reporting Standards (IFRS) and the management reports for HHLA and the Group. They expressed no reservations.

The Executive Board of HHLA also prepared a report on company transactions with related parties for the financial year 2007 in line with Sec. 312 of the German Stock Corporation Act (AktG). The auditors have audited this report, delivered a written report on their findings and having no objections to make, gave the following statement:

"On the basis of our audit and in our professional opinion we confirm that

1. the factual statements of the report are correct,
2. the consideration paid by the company for the transactions mentioned was not inappropriately high, or any detriment has been balanced,
3. with respect to the measures listed in the report there are no circumstances for an assessment substantially different from that of the Executive Board".

In accordance with Sec. 4 para. 5 of the company articles the Executive Board of HHLA also prepared a report on the relationship between the A division and the S division in the financial year 2007. The auditors have audited this report, delivered a written report on their findings and, having no objections to make, gave the following statement:

"On the basis of our audit and in our professional opinion we confirm that

1. the factual statements of the report are correct,
2. the consideration for transactions of the Port Logistics division and the Real Estate division listed in the report was not inappropriately high. Any expenses and income which could not be attributed directly to one division were distributed among them in line with the company articles."

As soon as they had been prepared and audited, the financial statements including the divisional financial statements, the consolidated financial statements including the subgroup financial statements, the management report for HHLA and the Group, the report on transactions with related parties, the report on the relationship between the A and S divisions and the auditors' report were distributed to all members of the Supervisory Board.

The Finance Committee and the Real Estate Committee have each carried out a preliminary review of the financial statements and reports at their respective meetings on 25 March 2008. In the financial statements meeting of the Supervisory Board on 27 March 2008 the Supervisory Board examined the aforementioned financial statements and reports as well as the proposal for appropriating net profit in detail and discussed them thoroughly. Representatives of the auditors were also present at this meeting; they reported on their major findings and were available to answer questions.

Having discussed the course and the results of the audit in detail and after an in-depth review of the auditors'

reports and the Executive Board's proposal for appropriating distributable profit and on the basis of its own review and evaluation of the financial statements including the divisional financial statements, the consolidated financial statements including the sub-group financial statements, the management reports for HHLA and the Group, the related parties report, the report on the relationship between the A and S divisions and the Executive Board's proposal for appropriating distributable profit, the Supervisory Board approved the result of the audit. The Supervisory Board concluded that in the final analysis it had no objections to make and in the financial statements meeting held on 27 March 2008 approved the financial statements, including the divisional financial statements, the consolidated financial statements including the sub-group financial statements, the management report and the Group management report as recommended by the Finance Committee and the Real Estate Committee. The financial statements of HHLA are thereby authorized. The Supervisory Board also concluded that following its review it had no objections to make to the Executive Board's statements on related parties and on the relationship between the A and S divisions. The Supervisory Board concurred with the Executive Board's proposal on the appropriation of net profit.

## PERSONAL INFORMATION

There were no changes in membership of the Executive Board in 2007. At the meeting held on 19 October 2007 the Supervisory Board extended the appointment of the Executive Board member Gerd Drossel until 31 December 2008.

The former Supervisory Board member Wolfgang Weskamp was appointed Managing Director of a dependent subsidiary (HHLA-Personal-Service-Gesellschaft mbH). He is replaced by Mr Thomas Lütje, who was appointed as a Supervisory Board member by Hamburg District Court as of 30 March 2007. In line with item 5.4.3 of the GCGC, the appointment was initially for the period until the end of the company's 2007 Annual General Meeting at which a resolution discharging the members of the Supervisory Board is passed.

By a unanimous vote taken at the General Meeting on 1 June 2007 Dr. Bernd Egert was elected to replace Dr. Johannes Ludewig, who had resigned his Supervisory Board seat with effect from 31 May 2007, for the remainder of the current period of office, i.e. until the end of the 2007 Annual General Meeting at which a resolution is passed discharging the Supervisory Board for 2006.

Elections for employee representatives to the Supervisory Board took place on 15–16 August 2007. Messrs Arno Münster, Jörg Klauke and Thomas Mendrzik were elected as new members. Messrs Wolfgang Rose, Uwe Schröder and Thomas Lütje were re-elected.

Dr. Peter von Foerster resigned from his position as member and Chairman of the Supervisory Board with effect from 31 August 2007. We would like to thank Dr. von Foerster for his work on the Supervisory Board, particularly as Chairman. The elections for shareholder representatives to the Supervisory Board took place in the course of the Annual General Meeting held on 31 August 2007. Prof. Dr. Peer Witten was elected unanimously as a new member of the Supervisory Board. Councillor Gunther Bonz, Dr. Bernd Egert, Dr. Rainer Klemmt-Nissen, and Messrs Rolf Kirchfeld and Walter Stork were unanimously re-elected as members. The new term of office runs until the end of the Annual General Meeting in 2012 at which a resolution discharging the Supervisory Board for 2011 is passed.

At its constitutive meeting on 7 September 2007 the Supervisory Board elected Prof. Dr. Peer Witten as Chairman and Mr Wolfgang Rose as Vice Chairman of the Supervisory Board.

The Supervisory Board would like to express its thanks to the Executive Board, the Works Council and all members of staff at HHLA and its affiliated companies for their great personal commitment and hard work. ■

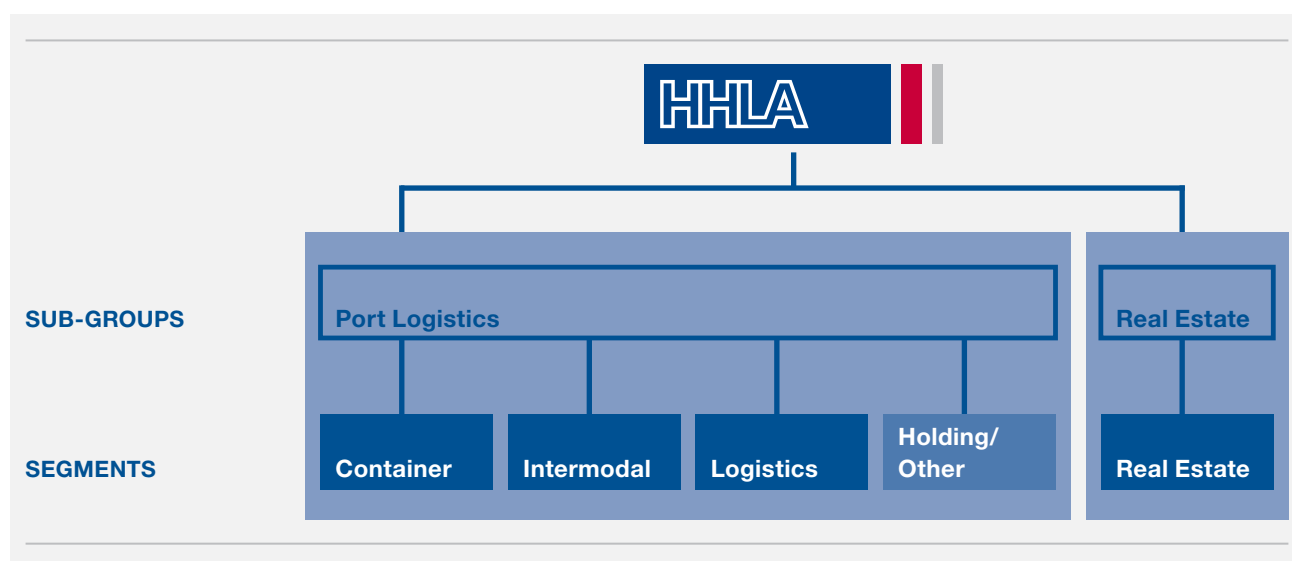
Hamburg, March 2008

Supervisory Board



Prof. Dr. Peer Witten  
Chairman

# GROUP STRUCTURE



With effect from 1 January 2007, the HHLA Group was divided into the sub-groups Port Logistics and Real Estate. HHLA's core port-related business, port logistics, was united in this new structure for the stock flotation in November 2007. The Class A shares listed on the stock exchange belong to the sub-group Port Logistics and only entitle shareholders to participate in the result and net assets of these operations.

The sub-group Port Logistics is made up of the Container, Intermodal and Logistics segments. When the Group was reorganized, the holding company/other division was also attributed to the sub-group Port Logistics, but it does not constitute an independent segment under International Reporting Standards (IFRS). It contains the Group holding

company with central functions such as finance, human resources, Group controlling, IT, etc. The properties specific to HHLA's port handling business and floating crane operations are also attributed to this division.

The sub-group Real Estate includes HHLA's properties which are not specific to port handling, i.e. the properties in the historic warehouse district and Fischmarkt Hamburg-Altona GmbH. The performance and the financial result of the sub-group Real Estate, which also has urban development objectives, are represented by the Class S shares. These shares are not traded on the stock exchange and are held to 100 percent by the Free and Hanseatic City of Hamburg (FHH).

# THE SHARE

## SUCCESSFUL START TO TRADING

In terms of enterprise value the flotation of Hamburger Hafen und Logistik AG on 2 November 2007 was the largest stock flotation in 2007. The issue was oversubscribed several times and the share started trading at euros 59.00 – 11.3 percent above the issue price of euros 53.00. The proceeds from the issue amounted to approx. euros 1.17 billion and went largely to the Free and Hanseatic City of Hamburg whose shares were sold.

The city intends to use the funds to contribute to further infrastructure development in the Port of Hamburg, so that the port can respond to anticipated growth in global trade and container traffic. The company received approx. euros 123 million of the proceeds, which HHLA used to strengthen its equity base for further investment in its container terminals, hinterland network and logistics operations.

Of the 69,920,500 Class A shares (sub-group Port Logistics) admitted to trading at the stock exchange, 22,000,000 shares were placed at the flotation. Of these, 2,325,000 Class A shares came from

a capital increase of the company and 16,875,000 Class A shares came indirectly from the Free and Hanseatic City of Hamburg as the existing shareholder. The banks underwriting the issue also arranged an over-allotment option for 2,800,000 Class A shares belonging indirectly to the Free and Hanseatic City of Hamburg as well. Free float accounts for around 30 percent of HHLA's share capital, which corresponds to 31 percent of the Class A shares listed for trading on the stock exchanges in Frankfurt and Hamburg.

More than 20 percent of the issue volume (including over-allotment) was sold to private investors. This also includes HHLA Group staff, who had priority allotment rights for some 0.5 percent of the issue volume.



The Executive Board of HHLA at the start of the trading on the Frankfurt Stock Exchange (from left to right: Rolf Fritsch, Gerd Drossel, Dr. Stefan Behn, Dr. Roland Lappin, Klaus-Dieter Peters).

## PRICE REMAINS FIRM DESPITE VOLATILE MARKET ENVIRONMENT

In Germany the DAX reached a new all-time high in the summer of 2007 and progressed to over 8,000 points by the end of October. The real estate crisis in America put an end to the optimism at the end of the year. Although it affected a number of German banks, its impact on the economy here was initially limited compared to the United States, however, and it remained at first a financial sector phenomenon. More serious was the uncertainty it provoked about knock-on effects in the real economy, which caused investors to shuffle their portfolios and increase their allocation to more liquid shares of bigger companies. This meant that the DAX closed up 22.3 percent whilst the secondary index MDAX hardly recovered and only reported a performance of 4.9 percent over the year.

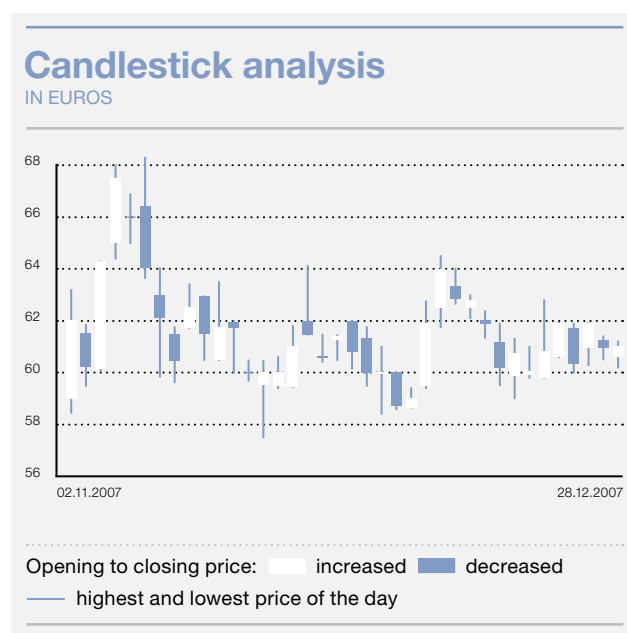
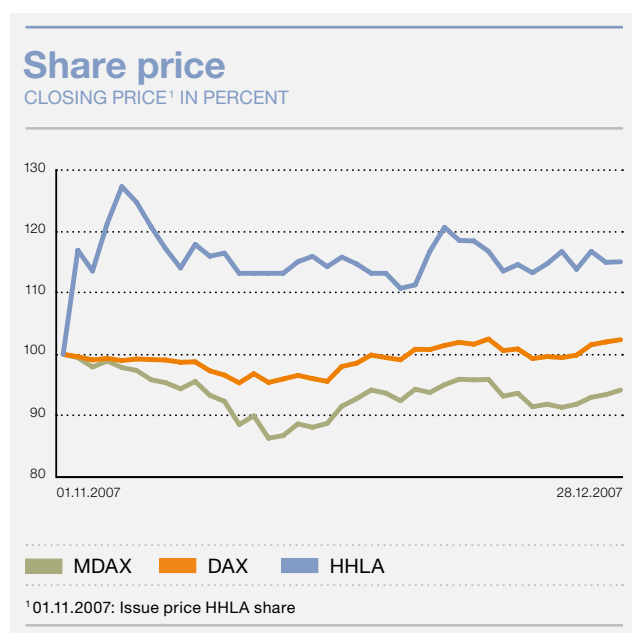
The initial trading price of the shares was determined at euros 59.00 and has since developed positively at levels above the placement price. In a volatile market environment, the share closed on the last trading day of 2007 at euros 61.00, which is approx. 15 percent above the placement price.

Daily turnover for the HHLA share during the 38 trading days averaged 544,984 shares, whereby the highest

turnover was realized, as expected, directly after the flotation. Stock market turnover and the market capitalization of the free float were sufficient for the HHLA share to make it into the group of the 50 largest companies after the DAX. On 5 March the HHLA share was therefore inaugurated into the secondary MDAX index with effect from 25 March 2008.

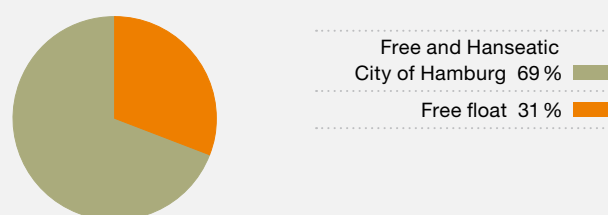
## INTENSIVE COMMUNICATION WITH THE CAPITAL MARKETS

During the preparations for flotation, management had talks with numerous investors in the course of an international road show. After the listing, HHLA continued to take advantage of considerable interest and maintained close contact with financial analysts, and both institutional and private investors. This will be pursued and expanded in future. As well as current information on HHLA, activities will include one-on-one meetings and conference calls, road shows and presentations at national and international investor events. The aim of all the investor relations activities is to present the development in value at HHLA transparently, so that the capital markets can make a realistic assessment of the company and arrive at a fair valuation.



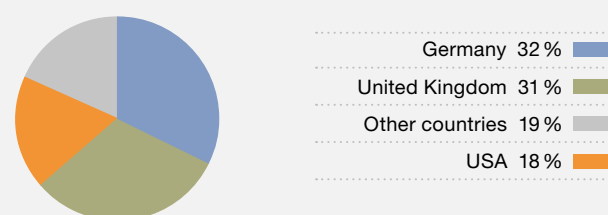
## Shareholder structure

CLASS A SHARES



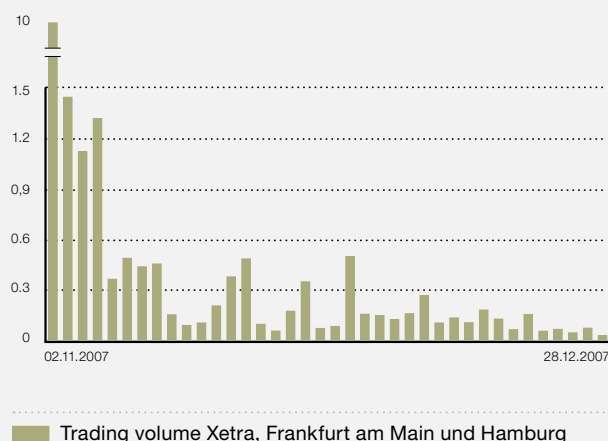
## Free float by region

AT FIRST LISTING



## Trading volume

IN MILLION SHARES



## Share issue and company data

<b>First listing</b>	2 November 2007
<b>Subscription period</b>	26 October–1 November 2007
<b>Price range</b>	€ 43.00–53.00 per Class A share
<b>Issue price</b>	€ 53.00
<b>Closing price at year-end</b>	€ 61.00
<b>Avg. daily trading volume<sup>1</sup></b>	544,984 shares
<b>Share capital</b>	€ 72,625,000, divided into 69,920,500 Class A shares (Subgroup Port Logistics) and 2,704,500 Class S shares (Sub- group Real Estate)
<b>Listed shares</b>	69,920,500 Class A shares
<b>Class A shares offered for sale</b>	
from capital increase	2,325,000
from existing shareholder	16,875,000
greenshoe (from existing shareholder)	2,800,000
<b>Joint lead managers</b>	Citi, J.P. Morgan
<b>Other syndicate partners</b>	Commerzbank, Berenberg Bank, Haspa, HSH Nordbank, M.M. Warburg, Bankhaus Lampe (selling agent)
<b>Lock-up period for existing shareholder</b>	18 months
<b>Type of shares</b>	No-par value registered shares
<b>Stock exchange segment</b>	Prime Standard
<b>Index</b>	MDAX
<b>Stock exchanges</b>	Regulated market, Frankfurt Stock Exchange, regulated market, Hamburg Stock Exchange
<b>Symbol</b>	HHFA
<b>ISIN</b>	DE000A0S8488
<b>WKN</b>	A0S848
<b>Common code</b>	32739903

<sup>1</sup>Xetra, Frankfurt am Main, Hamburg





A new container gantry crane arrives in Altenwerder on a specially equipped ship belonging to the Chinese manufacturer ZPMC.

# STRATEGY AND SERVICE





Networking different transport chains: on-dock container rail terminal at Burchardkai.

# NETWORK FOR EUROPE

HHLA has a both successful and groundbreaking strategy for handling the sustained growth momentum of global transport chains: integration of its segments along the logistics chain in Europe.

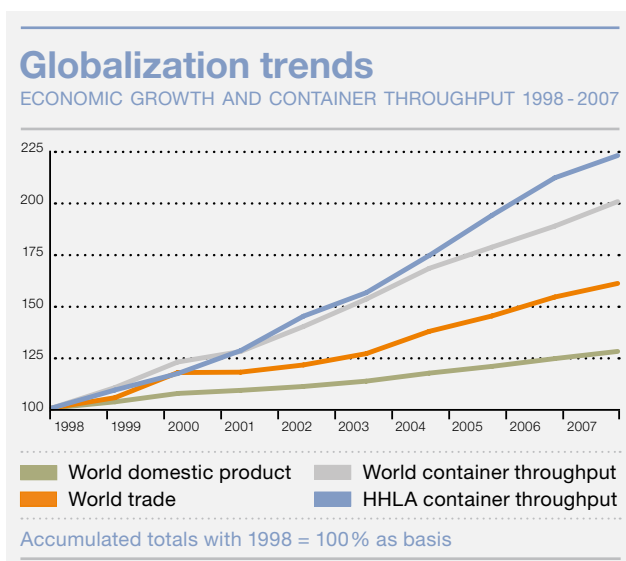
Burchardkai's on-dock rail container terminal is in full swing. Gigantic rail gantry cranes are loading steel boxes from all over the world at intervals of just minutes on to trains up to 700 metres long. Almost 500,000 standard containers reached or left the first and largest Hamburg container terminal by rail in 2007 – an advance of over 20 percent on the previous year. Here at the heart of HHLA Container Terminal Burchardkai, intercontinental and Euro-

pean transport chains are intermeshed with one another. On average, a fully laden train leaves or arrives at the facility almost hourly, for example to or from Eastern Europe, providing its flourishing national economies with a direct link to world markets.

For the Czech Republic, for example, one of Europe's fastest growing countries, the route to Hamburg is its nearest link with the sea. Even today, export hits remain glass and leather goods, while in return the country imports consumer durables from Asia that mainly reach it via the Port of Hamburg: textiles, toys, electronic equipment. 75 percent of goods transported between the Czech Republic and Germany are handled by rail. This is not least by HHLA's Metrans rail company that with its own railcars and terminals is market leader on seaport hinterland rail services with the Czech Republic, Slovakia and Hungary.

## EUROPE'S GATEWAY TO THE WORLD

Today Hamburg is the most important gateway to the world economy for the majority of the national economies in Eastern and Central Europe. That also applies most impressively to traffic via the Baltic ports linked by feeder ships with the Port of Hamburg. With 2.7 million standard containers, in 2007 seaborne traffic between Hamburg and the



states in the Baltic region reached a fresh record level with growth reaching almost twelve percent. While the Scandinavian services grew further at a high level, exchange of goods with countries on the southern and eastern coasts of the Baltic developed a special momentum. The Russian Federation has meanwhile advanced to third place among the Port of Hamburg's most important trading partners by sea, and traffic increased by around 22 percent. The same growth rate applied to transport volume with Poland, now ranked sixth among the Port of Hamburg's trading partners.

Conversely, the Port of Hamburg is also the gateway to Europe for the East Asian export trade. The Asia trade meanwhile accounts for a 56 percent share of containers handled via Hamburg. With a growth rate of 23 percent, the People's Republic of China alone boosted its volume to 3.2 million standard containers – a threefold increase on the year 2002, when at least 1 million containers were counted in Hamburg's China traffic. Hamburg thus succeeded in expanding its position as the leading European logistics hub for Asia and Eastern Europe, profiting from the intermeshing

of the world economy's most dynamic region with the "tiger states" of Eastern Europe. Nor should the link with Central Europe be forgotten, among other users being the German export trade that with 8.5 percent growth in exports once again captured the title of World Champion Exporter.

### VERTICALLY ALONG THE LOGISTICS CHAIN

One essential prerequisite for this sustained positive trend lies in Hamburg's location in terms of transport geography. Lying deep inland and close to the centers of economic activity in Central and Eastern Europe, the Port of Hamburg's hinterland constitutes an economic region with a population of over 400 million people. By road, many economic centers in Central and Eastern Europe lie between 200 and 450 kilometres closer to Hamburg than to the overseas ports in the area of the Rhine estuary.

HHLA with its strategic coverage has exploited these favourable starting conditions for a continuing success story sustained once again in 2007 by strong growth rates in volume, turnover and result. On the one hand, strategic coverage consists of the intermeshing of the Container, Logistics and Intermodal segments with a range of transport and logistics services providing the entire spectrum from cargo handling in the overseas port to delivery or collection at the customer's premises in the port's European hinterland. On the other, it also means equipping the ranges of services within the segments to combine maximum performance with flexibility, reliability and innovative solutions for the customers.

**Taking container handling:** In view of the trend towards larger and

## HHLA's hinterland network

GEOGRAPHICAL COVERAGE OF HHLA'S INTERMODAL COMPANIES



■ Combisped (feeders) 
 ■ CTD (trucks) 
 ■ Polzug (rail) 
 ■ Transfracht (rail) 
 ■ Metrains (rail)

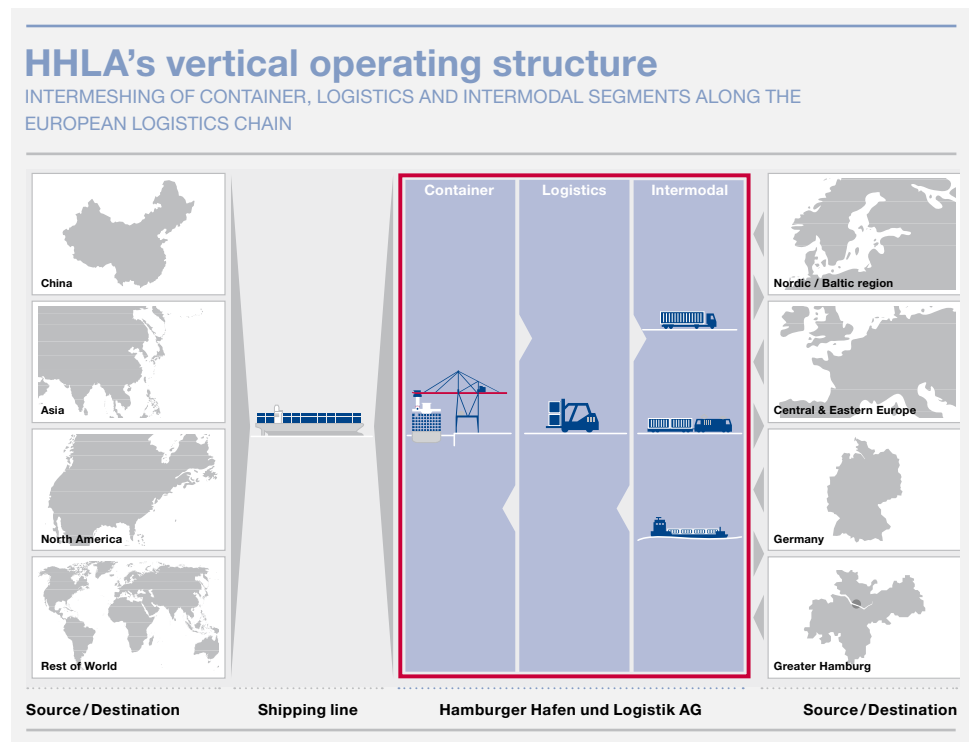
larger ships and ever greater cargo volumes per ship's call, HHLA already went for technological innovations at an early stage, with HHLA Container Terminal Altenwerder entering service in 2002 yet setting a benchmark for terminal automation still valid today.

**Taking logistics:** Altenwerder Logistics Center is a center for the most advanced storage and contract logistics located immediately adjacent to HHLA Container Terminal Altenwerder – and an essential link for goods flows.

**Taking hinterland transport:** Highly efficient HHLA transport companies operating block trains on shuttle services, their own inland terminals, container trucking by road, as well as a comprehensive range of transport-related services plus excellent knowledge of the regional markets concerned make a crucial contribution to the Port of Hamburg's competitive strength.

## GROWTH AS A CHALLENGE

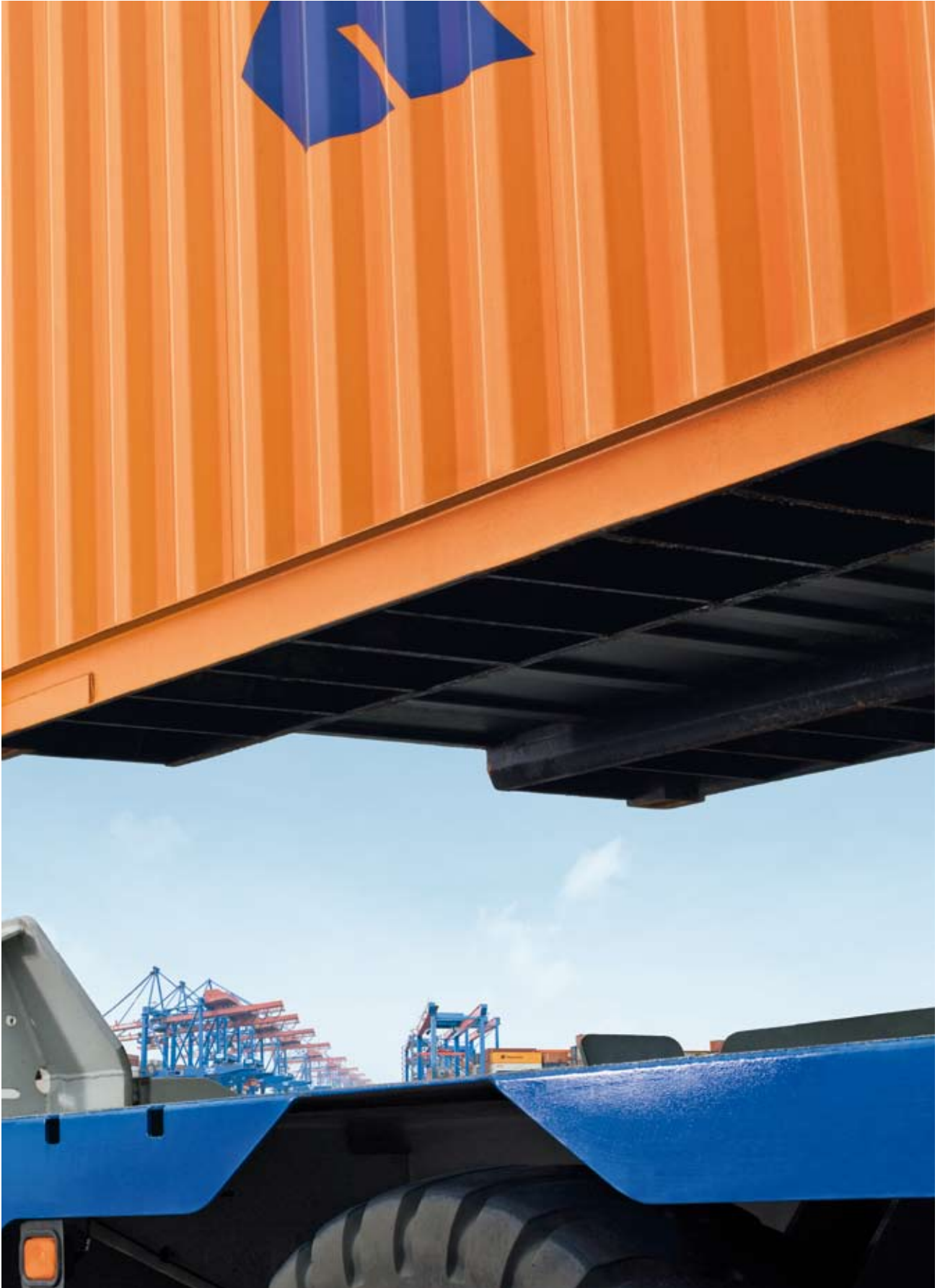
In the interplay of its business activities, HHLA optimizes Hamburg as a logistics hub and the European section of global logistics chains. The growth momentum of these global logistics chains again shaped the development of the economy in 2007. This momentum was again notable for repetition of an above-average rise in container traffic. This achieved a double-digit advance of 11.7 percent, substantially outpacing growth rates for world trade (6.6 percent) and the world economy (4.9 percent). Integration of the emergent national economies of Asia, especially China, but increasingly also of India, into worldwide production and distribution networks coincided with robust



growth in European foreign trade, notable for disproportionate progress by East European countries, some of which achieved growth in their foreign trade of well over 20 percent.

Sustained strong growth rates in container handling and traffic have for years exceeded the relevant forecasts. That presents special challenges for all players involved in serving global transport chains. This applies not least to HHLA, which in the last few years has grown faster than the worldwide container market. With the expansion programme commenced in 2004, the scene has been set for further leaps in capacities. For instance, the capacity of HHLA container terminals in the Port of Hamburg alone will be gradually increased from 6.7 million standard containers in 2008 to around 12 million in 2012. During the period 2007 to 2012, HHLA will invest around 1.5 billion euros in expanding its container terminals, its hinterland network and its logistics activities. This package of HHLA measures will be flanked by the City of Hamburg's investment programme that aims to invest around 3 billion euros in Port of Hamburg infrastructure by 2015.





“State of the art” in terminal technology: loading containers in Altenwerder.

# SMART EXPANSION

HHLA is expanding its container handling capacities with innovative concepts, thereby setting benchmarks for space productivity and infrastructure utilization.

7.2 million standard containers (TEU) were handled by the HHLA terminals of the Container segment in 2007. That is 50 percent more than the 4.8 million TEU in 2004, the year when HHLA launched its current terminal expansion programme. Within the last three years, HHLA throughput at the Altenwerder, Burchardkai and Tollerort terminals in Hamburg, along with the terminal in Odessa in Ukraine, therefore developed even more dynamically than world container handling, which had also grown at annual double-digit rates over the period, achieving a 36 percent increase.

Only a few years ago, barely anybody was expecting sustained annual growth rates of over ten percent in container traffic. In the mid-1990s, long-term forecasts for container handling on the coast of Germany reckoned with a maximum annual increase of four to five percent. Had these forecasts proved correct, then the 6 million TEU already exceeded in the Port of Hamburg in 2003 would first have become reality in 2015. Even the forecasts for development of global container services did not go further than an upper limit of six to seven percent. Owing to the long planning periods required prior to building a new terminal and implementing infrastructure projects, these forecasting errors still have serious repercussions today. As logistics hubs for globally containerized transport chains, it is especially the overseas ports and their traffic links that face the challenge of adapting their performance to the rapid surge in demand within the shortest possible time.

## HIGH TECH FOR RESTRICTED SPACE

At the highly automated HHLA Container Terminal Altenwerder (CTA), still representing the “State of the art” in terminal technology in its fifth year in operation, the terminal of the future is already reality today. The lean terminal design with its short distances and IT-controlled integration of large container gantry cranes, unmanned transport vehicles (AGV) and compact storage blocks is tailor-made for the requirement profile of the new generations of mega container ships. The number of containers handled per ship’s call rose further once again in 2007. In handling 6,731 boxes, corresponding to 10,800 TEU, for the “Bunga Seroja Dua” on 9 July 2007, Altenwerder set a new record.

When HHLA took the decision on systems as part of the concept for its new terminal in Altenwerder in spring 1999, there was no talk yet of sustained throughput growth in the double-digit field. The, for those days, bold decision to make a great leap forward technologically has in retrospect proved correct. Since 1999 container growth rates have shot up – the Port of Hamburg alone has since then posted an average annual advance of 13 percent. So when it entered service in 2002, CTA brought the market additional handling capacity already urgently needed at the time. Of even more importance, perhaps, is that the new concept for the terminal defined the planning cornerstones for the terminal expansion programme that HHLA started at the end of 2004.

For this, HHLA project teams further developed the three principal components of a container terminal, improving

interplay between them and enabling quantum leaps to be implemented in the service capacity and space productivity of a terminal. In the process,

- waterside handling was optimized by the use of the modern mega container gantry cranes. HHLA Container Terminal Burchardkai, for example will have doubled its waterside throughput compared to 2006 by the time up-



Erection of a container gantry crane on Burchardkai.

grading is completed, without any change in the length of the quay wall;

- the erection of storage blocks produces an increase by a factor 2.0-2.5 compared to normal terminals in storage capacity that today is the bottleneck for terminal performance;
- construction of new on-dock rail container terminals and upgrading of existing ones facilitates assembly of block-trains directly at the terminal, which is one of the main requirements for optimal networking of the ocean-going ship and rail.

It is not just experience in Altenwerder that has benefited HHLA when implementing its growth programme in Hamburg and Odessa. Lessons learned in decades of operational practice at Burchardkai and Tollerort terminals, pioneers of container handling in Europe, as well as the consulting know-how of HHLA's HPC consultancy subsidiary, flow into the mixture of innovation and knowledge based on experience that represents terminal development by HHLA. The incorporation of the container terminals in HHLA's vertical strategy reinforces this approach and ensures that special attention is paid to optimization of landside interfaces.

## FRESH BOOST FOR CAPACITIES

In fiscal 2007 HHLA further gradually stepped up the capacity and performance of its facilities. This is all the more remarkable because all four HHLA container terminals are operating to the limits of capacity and at the same time urgently implementing their expansion and modernization programme:



Delivery of a container gantry crane at Altenwerder.

At **HHLA Container Terminal Altenwerder** the focus was on topping up storage capacity and further improvements in waterside handling. In taking its 14th mega container gantry crane and additional storage blocks (now totalling 26) into service, as well as by boosting the fleet of fully automated AGV to the present 74, in 2007 the terminal almost completed the third phase of construction.

With the start of quay wall strengthening for Berth 2, the taking into service of two container gantry cranes at Berth 8 and a start on erecting the first five storage blocks, **HHLA Container Terminal Burchardkai** has continued its expansion programme according to plan. In addition, five novel tandem-container gantry cranes have been ordered. In future these will enable two 40-foot containers to be handled simultaneously for the first time. Opened in summer 2006, the new on-dock rail terminal proved itself outstandingly in its first year of operation and achieved a boost in rail transport volume of almost 15 percent.

**HHLA Container Terminal Tollerort** set the scene for considerable expansion and improvement of its rail links with the start of construction of a new on-dock container

rail terminal. When the new terminal enters service in the second quarter of 2008, block-trains can be assembled at all three HHLA container terminals in Hamburg. The way is also now clear for further important stages of expansion: The enlargement of the Freeport required for terminal expansion on the site of the former colliery port has been sanctioned, and so has construction of a fifth berth.



Land has been in-filled for the Tollerort on-dock container rail terminal.

**Container Terminal Odessa** succeeded in maintaining its strong growth course in 2007, despite considerable obstacles caused by expansion and modernization measures. The third container gantry crane was taken into service in June 2007. The first stage of rebuilding of container storage was implemented in the second half of the year through site clearance and acquisition of two storage cranes.

HHLA is systematically continuing its programme for growth. The goal for expansion in 2008 is for total capacity of 8 million standard containers, 7.5 million TEU of these in Hamburg and over 0.5 million TEU in Odessa. Apart from expanding capacity through investments in such hardware as container gantry cranes and storage blocks, measures to optimize the information chain and all work processes, as



Rail gantry cranes being installed at Tollerort on-dock container rail terminal.

well as further improvements in the interface organization, are of special importance. After successful trial operation, the Altenwerder and Burchardkai terminals, for example, will be introducing what are known as AutoGates. For truck clearance, optical container recognition with direct data registered in the terminal control center and the opportunity for self-clearance for truckers improve data flow, while clearance times are also being considerably reduced. ■

## CONTAINER SEGMENT

The Container segment combines HHLA Group activities in the container handling field. With its terminals in the Port of Hamburg and in Odessa, in 2007 HHLA handled more than 7.2 million TEU, representing almost 12 percent

growth over the previous year. HHLA's three high-performance container terminals, Altenwerder, Burchardkai and Tollerort, underpin the Port of Hamburg's outstanding importance as a logistics hub.

Technical innovation and automated work processes ensure high productivity and short laytimes. Specialized service companies offer comprehensive box-related services. With its container terminal in the Sea Commercial Port of Odessa, HHLA is one of the leading terminal operators in the Black Sea region.





TV flat screens for Europe: HHLA's Polzug subsidiary organizes the rail logistics.

# EASTERN RAIL BOOM

Eastern Europe is integrating itself ever more strongly into the world economy – and HHLA's Polzug Intermodal GmbH subsidiary is right at the forefront of Poland's economic boom.

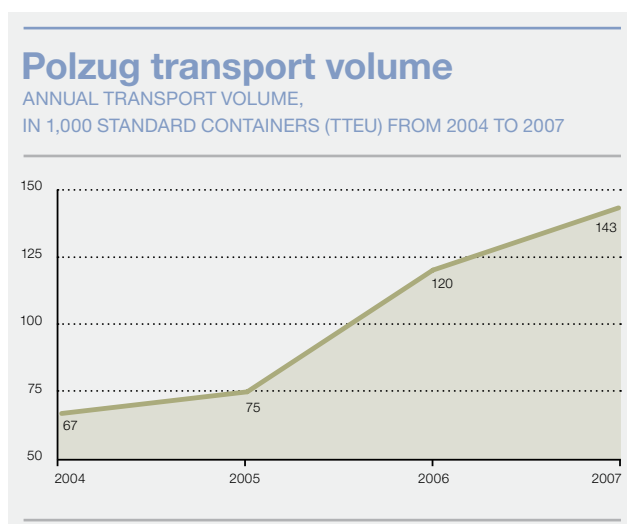
The largest European production location for flat TV screens? A rapidly growing car manufacturing industry? Annual export growth of over 20 percent? In recent years Poland as a European "tiger state" has developed at an impressive rate. Not least thanks to heavy investments by Asian corporations, in 2007 Poland became Europe's largest producer of TV flat screens. In car manufacturing as well, the trend was steeply upwards.

Ever stronger integration into the world economy of Poland with its 40 million inhabitants can stand as an example for the form and consequences of the current momentum of globalization. Incorporated into European and global logistics and added value chains, since joining the European Union Poland has experienced stable growth. Foreign trade with an advance of around 20 percent in both 2006 and 2007 grew distinctly faster than gross domestic product, which in 2007 managed growth of around 6 percent.

The growth rates of HHLA's Polzug Intermodal GmbH rail subsidiary are still more impressive. Having reported a steep leap in growth from 75,000 to 120,000 standard containers (TEU) in 2006, in 2007 the company boosted its transport volume by a further 23,000 TEU to the current 143,000 TEU, corresponding to a growth rate of almost 20 percent. Since Poland's accession to the European Union in 2004, Polzug has more than doubled its transport volumes.

## A LESSON ON GLOBALIZATION

Behind these dry statistics lies a practical lesson in current globalization that commenced with the founding of





The Polzug Intermodal GmbH network.

Polzug in 1991, shortly after the fall of the Iron Curtain. To avoid waits of several days for trucks at the German-Polish border and to improve the connection between the Hamburg container terminals and the Polish hinterland, Spedition Egon Wenk, HHLA and the Polish State Railways PKP started a regular container block-train service between the Port of Hamburg and Warsaw. Today Polzug Intermodal GmbH with its stakeholders HHLA, PKP Cargo (Polish State Railways) and DB Mobility Logistics AG (each with 33.3 percent) is one of the fastest growing companies in European rail traffic. Eight terminals in Poland's economic centers are served by regular block-train links with the North Sea ports of Hamburg, Bremerhaven and Rotterdam. Polzug's network with its offices, subsidiaries and agencies in Poland, Russia, the USA, the Ukraine, Georgia and Azerbaijan extends beyond the Russian Federation and even into Mongolia and Afghanistan.

As market leader for container seaport-hinterland services to Poland, Polzug is equally a beneficiary and co-organizer of the Polish way to globalization. This can be graphically demonstrated by one example, the European logistics chain for the production and distribution of TV flat screens. European Customs policy, Polish economic policy, European consumer behaviour, the location and distribution policy of Asian electronics groups, as well as Polzug Intermodal's range of transport logistics, have interacted here to supply European consumers with large flat screen TV.

**Product and market.** In 2005 demand for flat screen TV in the European Union amounted to 11.8 million units. Yet this demand has swiftly taken off. By 2010 the number sold in the EU should reach 45.5 million, of which a steeply growing proportion will consist of large-format 32-inch (LCD technology) and 42-inch (plasma technology) screens. With high import duties of 14 percent on LCD screens of more than 19-

inch diameter, the European Union has set a high financial hurdle for import of this segment of screens, which primarily satisfies demand for flat screen TV sets.

**Investment and production.** The world market leaders in the production of flat TV screens are Korean and other Asian groups that had already invested years ago in the relevant display technologies and had acquired the corresponding manufacturing know-how. The Polish government recognized the opportunities involved in settlement of companies in the home electronic entertainment industry. In special economic zones and newly established industrial parks, the foundations were laid for the formation of its own electronics clusters in which apart from final assembly operations, as many firms as possible from the supplies industry were to find a base. Favoured by European Customs policy and the strategic components of the greater proximity of sales markets, the scheme proved a complete success, especially with the TV flat screens. Of the ten billion euros of direct investments, those of Asian electronics groups play a significant part. In 2005 Poland produced 1.5 million flat screen TV – more than 10 percent of EU demand at the time. By 2010 production should have been boosted to 35 million units, then covering 75 percent of the European market.

**Transport logistics and Polzug.** Essential for this development – and that had already applied to the location

decision by the Korean group – are reliable and efficient transport logistics. Here is where Polzug comes in. It has always been part of the company's strategy to forecast future transcontinental goods flows to and from Poland and to compare these with its own performance potential. A feeling for world market trends and a good knowledge of Polish economic development and economic policy are as much part of the process as close familiarity with the conditions for transport and logistics to and from Poland. Aware that Poland would be actively encouraging settlements by Asian electronics groups, in 1996 Polzug Intermodal opened an office in Seoul, which was to brief groups in the Korean electronic home entertainment industry on production and distribution logistics in Poland and Europe. For instance, Polzug was in right from the start on the build-up of screen production in the electronics cluster near Wrocław. Components for final assembly of sets come from production facilities all over East Asia – via the Port of Hamburg and by high-performance, scheduled block-train services to the Polzug terminals in Poland – for example to Wrocław. Consignment tracking, interim storage in the terminal, Customs clearance – Polzug as a rail logistics company offers an all-round service, tying up the logistics chain between the container terminal in the overseas port and the Polish production facility. Polzug Intermodal is also involved in the export of the assembled flatscreen sets. On the shorter inner-European routes the truck dominates, while HHLA's rail company undertakes delivery to the sea-



Polzug rail terminal at Wrocław.

port for onward transport to the United Kingdom, Sweden and also overseas.

The Polzug system has proved its competitiveness vis-à-vis the competing carriers, Baltic feeders and trucking. Polzug Intermodal therefore remains market leader in cross-border traffic with Poland and Commonwealth of Independent States (CIS). For the future too, Polzug Intermodal can also reckon with substantial increases in volumes. Here special attention is being paid to expansion of the company's own national terminal and further extension eastwards.

## INTERMODAL SEGMENT

Linking German seaports with their hinterland in Europe, HHLA's intermodal companies offer a comprehensive transport network by rail, road and sea. In 2007 the HHLA network transported altogether some 1.7 million TEU,

an advance of over 8 percent on the previous year. The TFG Transfracht, METRANS and POLZUG Intermodal rail companies are each market leaders in their regions for container hinterland services. CTD Container-Transport-Dienst provides road container services for the short-haul area of the Hamburg metropolitan region and Northern Germany, but also on long-haul services. HHLA's combisped subsidiary covers the Baltic region via the Hamburg-Lübeck landbridge and Container Terminal Lübeck (CTL). From Lübeck it organizes feeder services with Finland and Russia.





Just-in-time logistics at O'Swaldkai: Edeka's banana ripening plant.

# SIMPLY BANANAS ...

HHLA Frucht- und Kühl-Zentrum GmbH last year handled cargoes totalling more than one million tons, including 770,000 tons of bananas. That is a record. HHLA's just-in-time logistics are the guarantor of its success.

They arrive so punctually that you could set your watch by them. Last night the "Esmeralda" delivered 6,000 pallets of bananas from Colombia and Costa Rica at 23:00. At the next berth the reefer ship "Condor Bay" from Ecuador has its hatch covers wide open. It is now 11:00. The staff of the HHLA fruit handling and refrigeration center have unloaded the "Esmeralda", a ship 150 metres long, in only two shifts. Their breath condenses in the cold atmosphere. The sky above them is cloudless.

Four such ships arrive every week at O'Swaldkai. While the ready-palletized fruit from the "Esmeralda" has been discharged, in each of four hatches of the "Condor Bay" ten stevedores are packing the cartons into the elevators that, operating like paternosters, heave the cartons out of the belly of the ship as far as the conveyor system of the complex of sheds. "As long as they smell of cardboard, all is well. If the cartons smell of bananas, something is rotten," explains the operator on the conveyor belt. With a peep through the inspection holes in the boxes, he satisfies himself that the bananas are green and unripe – for even if a single one begins to ripen, the others follow suit. The box then needs to be rejected. The bananas must ripen only in the chambers specifically provided, so that they can be delivered on the dot as luscious yellow fruit.

To ensure that the bananas survive the 12 to 14 day voyage from South America to Hamburg unripe, they are kept in the freighter's refrigerated belly at around 13.5° C. Each separate banana in the cartons is between 20 and 26 centimetres long. They need to be between 3.1 and 3.81 centimetres in diameter. This standard is adapted not only

because customers like having fruit of similar size but because it is important for the ripening process that bananas have grown to about the same extent. Smaller fruit ripen more quickly than larger ones.

In Germany the banana is the second most popular fruit after the apple. The average German consumes between eleven and twelve kilograms of bananas a year. Last year, around 770,000 tons of bananas were channelled through the sheds of HHLA's fruit-handling center without any inter-



A forklift picks up banana cartons.

ruption of the refrigerated chain. An additional 70,000 tons of pineapple, melons, apples, pears, grapes and citrus fruits were also handled. If the proportion of general cargo handled is added, then in 2007 HHLA's fruit-handling center exceeded the magical one-million ton mark.

“Rising throughput demands a high degree of operational organization,” says Michael Sieck, managing director of UNIKAI Lagerei- und Speditionsgesellschaft mbH and HHLA Frucht- und Kühl-Zentrum GmbH. To ensure this, a start was already made at the end of 2006 on restructuring O'Swaldkai. A central truck clearance gate was set up, where all truck handling is concentrated. 90 parking



Via elevators directly on to the conveyor belt.

spaces for trucks have been created, 35 of them with generous tractrix curves. In addition, the company is building a modern refrigerated store with an innovative high-bay warehouse. Capacity of the facility is thus being increased to around 8,000 pallet slots.

Meanwhile, the fruit-handling terminal is operating at speed. Every minute, palletising units are stacking banana

cartons on to pallets. Forklifts are performing their ballet: they shoot to and fro, forwards and backwards, stacking the pallets precisely in the refrigerated stores. Stacked on pallets, the cartons of bananas are transported by truck to ripening chambers in Germany and Scandinavia as well as Central and Eastern Europe.

Truck clearance also functions smoothly. Drivers report at the central gate and are given an E-Cityruf pager so that they remain accessible. As soon a driver's turn to load comes round, he is sent a box number indicating which load ramp he must drive to.

For Greater Hamburg, a proportion of the bananas are shifted by truck to EDEKA's 51 ripening chambers. This trading chain runs a ripening plant directly on O'Swaldkai. This was planned and built by HHLA. There the fruit are awakened from their sleep at between 14.5° and 18° C by conducting ethylene gas into the chambers. Ripening here lasts between four and eight days, depending on planned delivery date and the colour required by the customer.

“We are splendidly equipped to meet the challenges of the future,” Michael Sieck assures us. Including its fruit-handling and refrigeration center, O'Swaldkai is a focal point where tradition and progress go hand in hand. “There's no hanging around in this business,” says Sieck. It's a hot market. The “Esmeralda” has already cast off. Two more ships expect to be unloaded this week. ■

## LOGISTICS SEGMENT

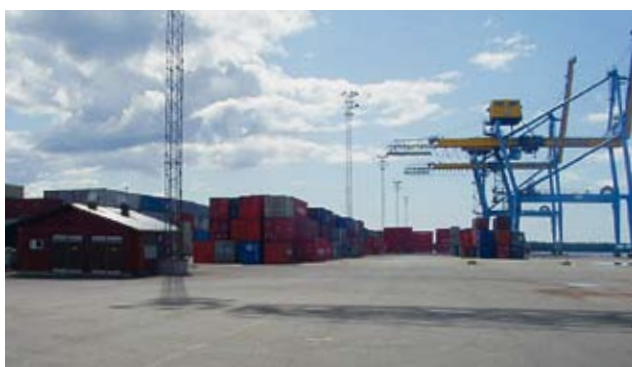
The companies of the Logistics segment combine to provide a broad range of services for port handling, transport, storage and distribution of goods of the most varied kinds. HHLA Frucht- und Kühl-Zentrum GmbH is the German market leader for fruit handling, and the same applies to Ulrich Stein Spedition for fruit logistics and also

to HANSAPORT, operator of the largest German coal/ore terminal. UNIKAI Lagerei & Spedition has established itself as a center of competence for vehicle logistics in the Port of Hamburg, also handling cruise ships at Hamburg Cruise Center. HHLA Rhenus Logistics provides high-calibre contract and storage logistics and has expanded ever since it was founded. HHLA expertise in developing port technology and concepts and in the planning of efficient transport chains is eagerly sought all over the world. This knowledge is conveyed and marketed by HPC Hamburg Port Consulting and its Uniconsult and Hamburg Port Training Institute (HPTI) subsidiaries, with their consultancy, analysis and planning services.

# CONTAINER FLOW FINNISH-STYLE

HHLA subsidiary HPC Hamburg Port Consulting's IT expertise is ensuring improved data and goods flow in the Finnish container port of Hamina.

When the "Anke Ehler" arrives in the port of Hamina, data on her cargo has been there some time. As soon as the feeder ship leaves HHLA Container Terminal Lübeck, cargo data is emailed ahead of her by the owners to Hamina Multimodal Terminals (HMT). HMT feeds this data into its EDP system and already ties up the work package for efficient handling of the vessel. By the time the "Anke Ehler" (length: 118 metres) has tied up at one of the three berths, cargo handling can start.



Container terminal in the Finnish port of Hamina.

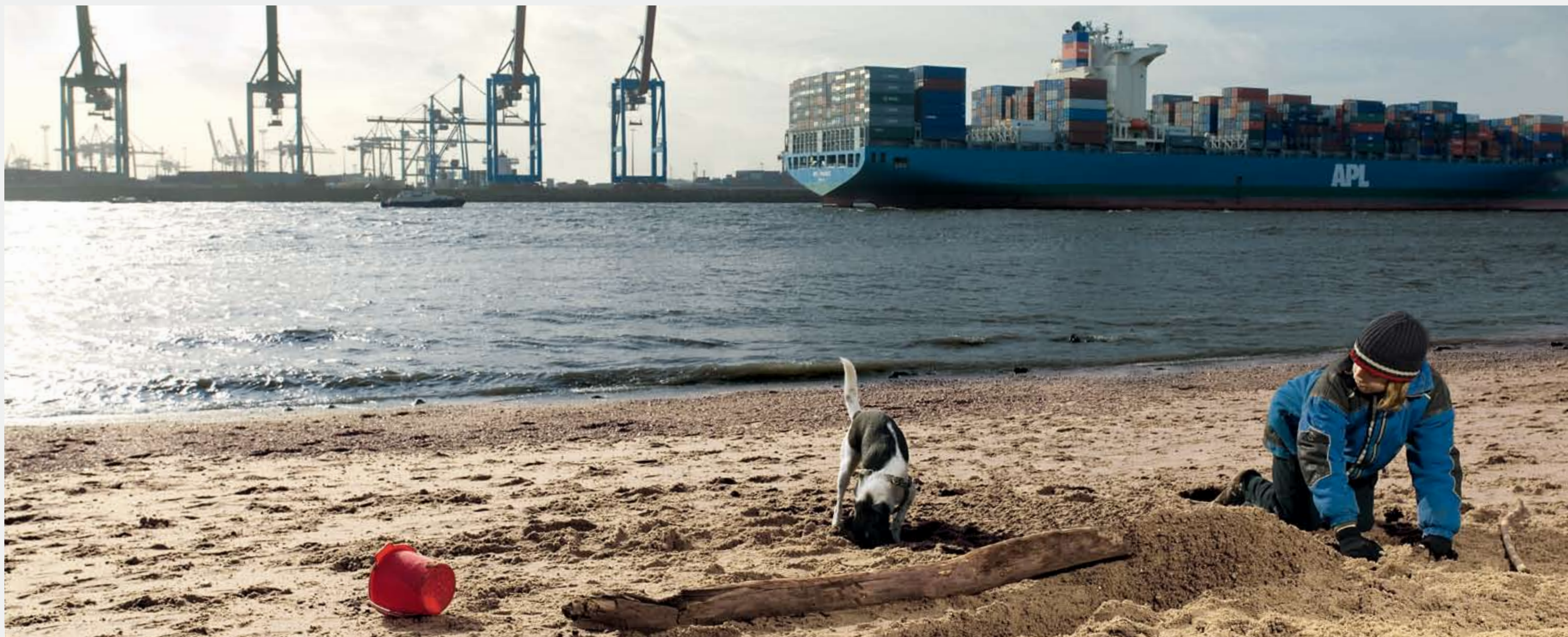
This is one example of the smooth intermeshing of the transport chain along which goods from East Asia reach the Baltic region via Hamburg – and at the same time, an example of HHLA's networked operations. In recent years its consultancy subsidiary HPC Hamburg Port Consulting GmbH has assisted the Finnish port operator HMT with the introduction of new system software that reinforces the container flow rate at the terminal. Container Terminal Information System (CTIS) coordinates all processes

for transshipment operations. CTIS ensures not only that the terminal operator (and also the customer) invariably knows the precise whereabouts of every container. On the basis of cargo data dispatched in advance, the programme generates orders showing in which sequences containers are to be stored and then again delivered at the terminal site. Since 2007, the 20 forklifts used to shift containers at the HMT facility have been equipped with data radio so that each of the drivers has their latest instructions transmitted directly to his cab. That simplifies and speeds up handling.

This technical progress was preceded by an intensive analysis of working processes at the HMT facility. HPC consultants, who have collected first-hand experience of cargo handling worldwide, discussed with the Finnish experts which improvements would be sensible and feasible at Hamina. Once tasks and goals had been defined, HPC adapted the terminal software it had itself developed to HMT's specific requirements, for example by programming interfaces to HMT's bookkeeping system and then trained the roughly 60 staff involved.

Now there is a Finnish version of CTIS – along with those in English, Cyrillic, Portuguese, Polish and Spanish. The programme is in use in the ports of Valparaiso, Odessa, Karachi, Lobito and Santos, but also at HHLA rail subsidiary Polzug's land terminals in Warsaw, Wrocław, Poznań and Katowice). Experienced consultancy combined with customized IT solutions – even in the language of the customer's country if required – form part of HPC's recipe for success. This is another way in which HHLA contributes to improved data flow along the logistics chain. ■





Child playing on the Elbe beach with HHLA Container Terminal Burchardkai in the background.

# RESPONSIBILITY





Job with an overview: container gantry crane driver at Burchardkai.

# FARSIGHTED SUSTAINABILITY

In HHLA's long-term business model ecology, commercial interests and social responsibility are very closely intermeshed.

Now, with HHLA Container Terminal Burchardkai currently being modernized and expanded for more than 600 million euros, it is first and foremost a business-driven investment. And this with a long-term view: container gantry cranes, container stores and container terminals are durable assets whose interplay in terminal operations is continually being optimized.

Those who build up and operate terminals and hinterland networks have to think holistically. Logistics hubs and transport networks have a wide-ranging influence on economic structure and conversely are driven by the production and distribution requirements of larger economic regions. The successful positioning of a port logistics operator like HHLA depends on a farsighted sustainable business model that is interwoven into the general development of infrastructure and business.

## CONSERVING RESOURCES

Using a model focussed on efficient use of space as well as equally intelligent and intensive use of infrastructure, the approach to expanding HHLA terminals while conserving resources, combines ecological, transport, national economic and commercial advantages. The same applies to the intermodal interlinking of ocean-going vessel and rail transport, whose specific system advantages can be excellently combined in an aligned transport chain: transport and energy efficiency that rise with increasing trans-

port volumes, leading not only to commercial but also to ecological efficiency of scale in the form of a reduction in consumption of resources per transport unit.

## PROMOTING STAFF

HHLA's ambitious growth programme and the Group's continual increase in performance have a solid base. The know-how, motivation and commitment of the staff are the foundations for the success of the company. To strengthen and secure these foundations, HHLA focuses on its long-term strategy. A large investment in vocational and in-service training, comprehensive health management with the accent on preventive medicine, modern collective bargaining with many socio-political innovations are the cornerstones of the holistic HR management concept.

## DIALOGUE WITH SOCIETY

For HHLA, communication, information and transparency are not only an obligation towards staff, customers and shareholders. Society too is entitled to comprehensive information regarding the company, its sphere of operations, its development and its positioning. The dialogue with society serves towards mutual understanding and is a central element in the company's perception of social responsibility. ■



Job with a future: vocational trainees at HHLA.



# JOBS WITH PERSPECTIVE

HHLA is offering its increasing number of staff comprehensive training opportunities, a forward-looking health protection and innovations in collective agreements.

More knowledge about the logistics chain: vocational and in-service training play a central role for HHLA's future-oriented HR management. With eight vocational training professions and four university sandwich courses, the company has a wide range of career openings on offer. The spectrum covers skilled port logistics workers, via IT specialists for systems integration and mechatronic engineers for refrigeration and air conditioning plant, and on to specialists in business administration and business informatics. With 128 vocational trainees and students the number of trainees in 2007 was 14 percent above the previous year.

HHLA's university sandwich courses are an alternative to conventional courses. Through long-term cooperation with Hamburg School of Business Administration (HSBA) and Nordakademie Polytechnic the sandwich courses provide a good balance of theory and practical learning phases. At HHLA the upcoming generation are involved in project teams and have the chance to prove themselves in specialist areas, gaining expertise. Michaela Kurth, a student business economist: "It is something special, when a project is implemented, which I have worked on."

## SIGNIFICANT INCREASE IN NUMBER OF STAFF

The number of staff at HHLA has once again increased as a result of the considerable growth in the Group in 2007.



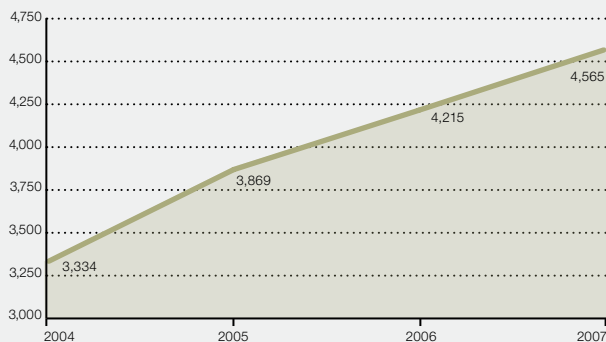
Michaela Kurth, student at HHLA.

With 4,565 staff on 31 December 2007, HHLA recorded growth of 350 staff, or 8.3 percent compared to the previous year. During the period between 2004 and 2007, HHLA increased its staff by a total of 37 percent or 1,234 staff. The biggest increase in the past fiscal year was registered by the Intermodal segment with an increase of almost 17 percent, now having 722 staff.

The Container segment remains the one with the highest number of staff, now standing at 2,848 (previous year: 2,630) with over 60 percent of all jobs in the HHLA Group.

## HHLA Group staff

FROM 2004 TO 2007



Staff at 31.12. of each year

Vocational and in-service training was in focus here too, with the Group's own vocational school qualifying 152 trainees to drive large equipment, namely container gantry cranes and van carriers.

In-service training also plays an important role in significant investment in training. More than 2,100 participants have taken part in some 450 training center courses and the highly comprehensive range of programmes including language training, IT and communications training, on to management training.

### SUPRA-COMPANY VOCATIONAL TRAINING STRENGTHENED

To continue meeting the challenges of the global economy, promptly and problem-oriented, during 2007 HHLA was involved in the preparations for the foundation of the Maritime Competence Center (ma-co), bringing its own training school into a supra-regional, supra-company training network, additionally consisting of Fortbildungszentrum Hafen Hamburg e.V. (FZH) and Hafenfachschule im Lande Bremen e.V. (hfs). On 1 January 2008 the new supra-regional HRD institute in North Germany started operating in the areas of logistics, port operations and shipping. Through ma-co, more than 2,000 long-term un-

employed alone should find new jobs in port logistics. The German federal government is supporting this 'seaport logistics training offensive' through the federal employment agency with some 80 million euros. Consolidating the vocational and in-service training institutes ensures a common level of qualification, making joint recognition possible for the various institutes. This special initiative for vocational and in-service training was created taking both the North Sea and Baltic ports into consideration. This will guarantee standard levels of competence within port handling and logistics at all locations in the German maritime economy.

### HEALTH AND SAFETY PAYS OFF

The HHLA operating units in Hamburg, that have regularly received awards for their exemplary health and safety, have once again given proof of their preventive health and safety management in 2007. With a considerable reduction in accidents at work by 7.5 percent, but still standing at 147, a further important advance has been made in our efforts for health and safety at work. At HHLA health and safety and preventive medicine are of outstanding significance, with the accent on prevention. On the terminals with their very demanding work round the clock and in almost all weathers, particularly maintenance of safety standards is of special importance. To safeguard this level of safety, HHLA operates a comprehensive health and safety management system, in which technical improvements and training go hand in hand. Safety training and sensitizing staff to risks are inherent parts of vocational training for drivers of large equipment such as container gantry cranes and van carriers. Training in concentration and consideration for others is included in the regular driving instruction sessions, especially those for van carrier drivers. Using a new training film, instructors analyze a real accident, drawing conclusions for driving technique and vehicle handling properties, which are then practiced under individual instruction. Improvements in technical equipment make both active and passive contributions to higher safety standards. When cornering, sensors ensure electronic stability control, reducing the speed of a van carrier should it be moving too fast.

## COLLECTIVE AGREEMENT WITH PROFIT-SHARING

HHLA Container Terminal Altenwerder (CTA) once again went innovative ways with its approach to collective agreements. As already with the introduction of the lifetime work savings account, which in the meantime has come into use in the majority of HHLA companies, CTA has once again taken on a pioneering role on the subject of profit sharing. The collective agreement completed in November 2007 regarding the involvement of employees in sharing the company's profits, has set a new remuneration benchmark, since the involvement of employees in profits, on such a wide basis, is so far unique across the Group.

For the fiscal year 2007 a payout dividend of fifty percent of an individual's monthly basic remuneration was agreed upon. This sum is made available by CTA in accordance with an agreed index. It is paid out provided that a certain number of days of absence is not exceeded.

## STAFF SUBSCRIBE TO HHLA SHARES

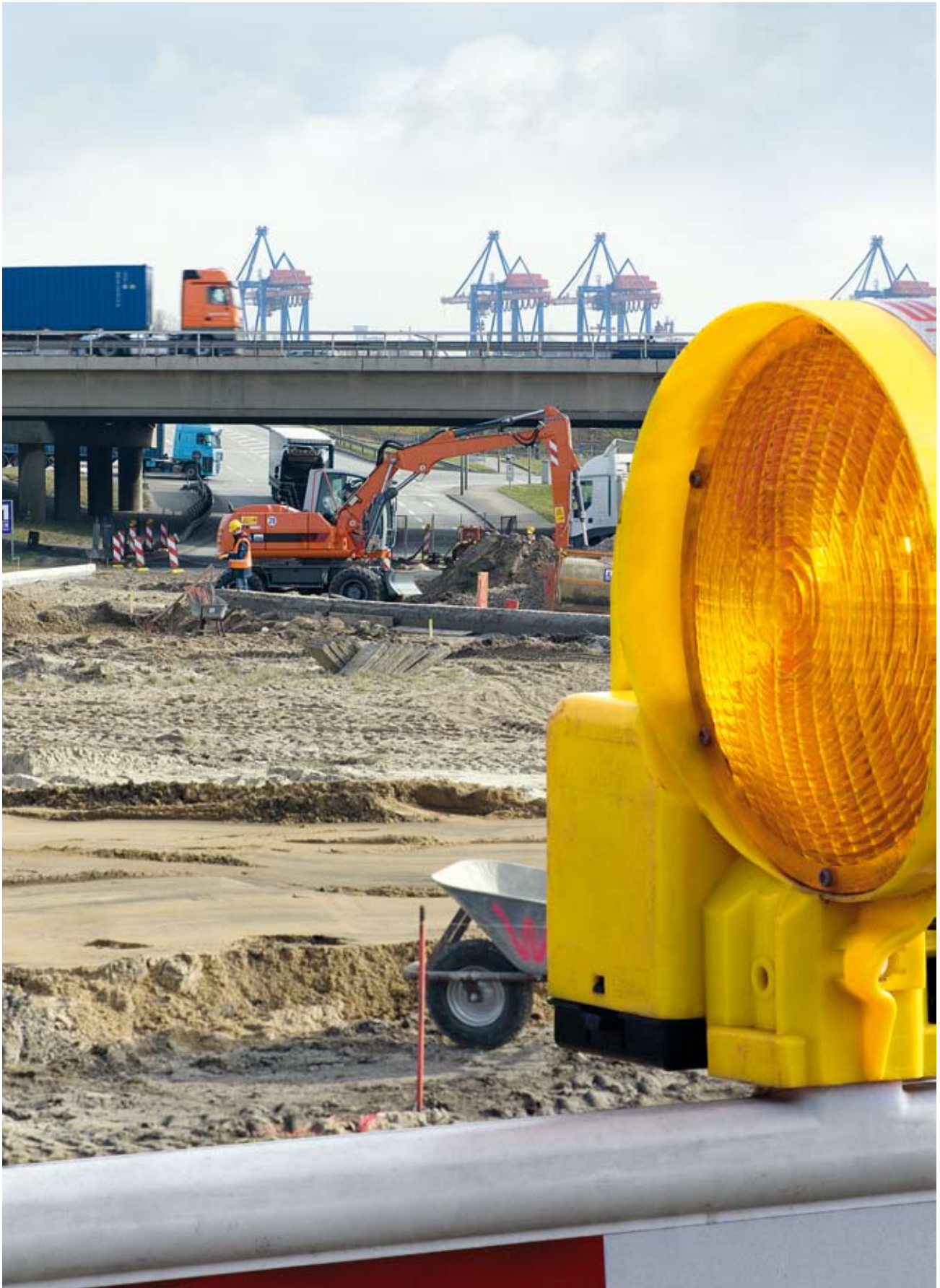
The programme for the acquisition of reduced price staff shares on the occasion of HHLA's IPO on 2 November 2007 was a huge success. All HHLA staff, including those at its German subsidiaries and majority stakeholdings, were entitled to participate, so long as they hold an unrestricted contract of employment or vocational training contract and have been employed for at least one year.

77 percent of the more than 3,000 entitled staff seized the opportunity to acquire HHLA shares for a nominal value of 2,800 euros. The model contained in a collective agreement facilitated the acquisition for half of the issuing price 53 euros. On request HHLA granted interest free loans to finance the purchase price. The only condition for acquiring shares was to keep them for four years.



16 of the 128: vocational trainees at HHLA.





The proceeds of HHLA's IPO flow into Port of Hamburg infrastructure: construction site in Finkenwerder.



# INNOVATION FOR THE LOGISTICS CHAIN

With its technological innovations, HHLA makes a significant contribution to global logistics chains' ability to function. The Group also strengthens both the economy and society with its substantial added value contribution.

Around 95 percent of intercontinental exchange of goods is handled by sea. The major seaports that collect these goods flows, distribute and tranship them and at the same time serve as nodal points for the accompanying data, are therefore assigned a key function for world trade.

In view of steep growth rates, steadily in double digits for container traffic, for example, the seaports threaten to become bottlenecks in the further development of world-wide logistics chains. To confront this challenge successfully, in the coming years, the container ports will have to considerably step up their efficiency. An outstanding role is played here by innovative technologies for enhancing site, facility and infrastructure productivity, and also by optimization of interfaces and data flows.

## TREND TOWARDS AUTOMATION

Several years ago, HHLA was already backing information technology and automation with its consultancy subsidiary HPC Hamburg Port Consulting as well as the construction of HHLA Container Terminal Altenwerder (CTA). The high degree of automation achieved at CTA for cargo handling storage processes has meanwhile proved its effectiveness. Handling both on the ship and



Control console of the Altenwerder terminal.

by rail and truck has been greatly speeded up, and the ratio of storage capacity to space used is also rising substantially. Additional processes such as Customs clearance can also be integrated in terminal control. An additional important effect is that the better the quality of data of those involved in the logistics chain - forwarders or shipping companies, for example - the more efficient the system of such a terminal becomes. To that extent, CTA makes also an impact in the pre-carriage and post-carriage processes, since it makes it attractive for the players in the logistics chain attractive to enhance the quality of their information and data chains and to network better with each other.

The trend actively shaped by HHLA, towards automation and the comprehensive utilization of information technologies in developing seaports and terminals, is gaining ever greater acceptance. This is becoming clear, and not only in the presentations and discussions at the industry's large conventions for experts such as the Terminal Operators Conference (TOC) in Istanbul in May 2007. Construction of automated storage blocks and the use of automated cranes are under way or in preparation at a growing number of terminals in Europe, the USA and Asia.

#### RESEARCH FOR SEAPORT LOGISTICS

With numerous projects, in fiscal 2007 HHLA strengthened its lead in terminal technology and forged ahead with a host of innovations for the logistics chain. The focus here was on optimization of operating processes at the container terminals:

- The **OLAS** project, subsidized by the Federal Ministry of Economics and Technology (BMWi), was started in spring 2007. The objective is "Optimization of logistics processes and new control procedures for Container Terminal Altenwerder having regard to its hinterland connection by road, rail and inland waterway ship". Among the subjects covered in the 18 work packages are innovative routing algorithms for the Automated Guided Vehicles (AGV), optimization of storage block control, as well as more rapid transfer from the terminal to trucks and trains with the help of improved data flows between the customers and the terminal.
- In 2007 five **innovative container gantry cranes** were ordered for HHLA Container Terminal Burchardkai (CTB) that will enable two 40-ft containers to be handled simultaneously for the first time in Europe. Control software for the downstream operating processes at the terminal has been adapted prior to deployment of these container gantry cranes, promising a distinct boost to cargo handling.
- As a supporting measure for the expansion of HHLA Container Terminals Tollerort (CTT), HHLA's Information Systems department developed a **new Terminal control system**. This Container-Basis-System for CTT makes the integration of such pioneering modules as the Customs system possible.



ZPMC manufactures HHLA's container gantry cranes in China.

- Introduction of **AutoGates** promises a considerable speeding up of truck clearance. In 2007 trials of these commenced at CTA and at CTB. Cameras record container and truck data on entry, transmitting this to the terminal IT systems, which further process it. The use of visual identification and inspection systems, automatically scanning essential vehicle and container data, facilitates more rapid container checks. At novel self-service terminals, moreover, truckers can clear themselves without having to leave their vehicles.
- **MaTIB** (Management for Transport and Incidents) is a project backed by the Federal Ministry of Education and Research (BMBF), with the aid of which more traffic should be shifted to rail. The aim is to make transport of containers on combined services more attractive by improving IT-based workflow management. This alliance project involves several sectors, and HHLA's Polzug Intermodal, HPC Hamburg Port Consulting and Uniconsult companies are participating. They are working on the development of a standard process to be used as the basis for assembling further IT systems for the relevant services. The project should be completed in 2008.

- Intensification of application-oriented research and development is promised by the initiative **ISETEC II**, Innovative **Seaport Technologies**, backed by the Federal Ministry of Economics, for which the projects were defined in 2007. As with the extremely successful ISETEC I in 1985-1995, the aim is to develop new technologies and logistics concepts as well as more efficient utilization of carriers for the hinterland connection. HHLA is involved here with a large number of projects.

### ADDED VALUE BOOSTS THE LOCATION

HHLA's active, and in many areas of seaport logistics, leading role in the development and implementation of innovative technologies is not the only way in which HHLA strengthens Germany as a business location. The successful IPO on 2 November 2007, for example, realized a substantial sum now being used to help finance expansion of the Port of Hamburg's infrastructure. The "Programme for the Future of the Port" agreed by the Hamburg senate in May 2007 provides for investments totalling around three billion euros by 2015. With the aid of receipts of more than one billion euros generated for the City of Hamburg by HHLA's IPO, the programme is now already financially secured. Germany's most important logistics hub can therefore be expanded as timing and demand require.

Once again distinctly higher in 2007, HHLA's contribution to the national economy is of at least equal importance. "(Net) added value" serves as one indicator of "value added to the national economy". This is calculated on the

### Added value in HHLA Group

IN MILLION EUROS

	2007	2006	2005	2007/06
Staff	279	252	228	11 %
Partners	152	117	69	30 %
Lenders	15	16	17	- 6 %
Taxes	105	70	44	50 %
Total	551	455	359	21 %

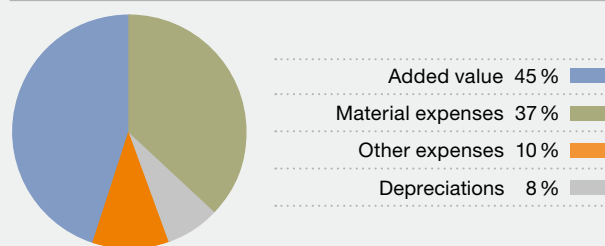
basis of the value of production less all input and depreciations. Amounting to 549 million euros, HHLA's added value reached a new record mark, topping the previous year's by more than 20 percent. The added value proportion also improved to 45 percent (previous year: 43 percent) of production value of 1.2 billion euros.

The added value contribution was distributed between staff, lenders, taxes and Group surplus on the year. The largest share of "HHLA added value" accrued to the staff, 279 million euros representing 50 percent of the total. This covers all expenditure on staff, including pension reserves. Next comes the Group surplus on the year of 152 million euros (28 percent), taxes at 105 million euros (19 percent) as well as payments to lenders at 11 million euros (3 percent).

In making this substantial contribution to the national economy, HHLA proves the success of its sustained and value-oriented business model.

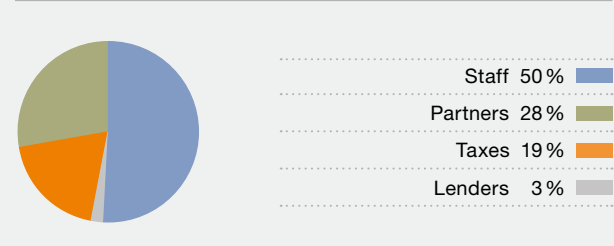
### Sources of added value

PRODUCTION VALUE (1.22 BILLION EUROS) = 100 %



### Application of added value

ADDED VALUE (549 MILLION EUROS) = 100 %





Saves 70 tons of CO<sub>2</sub> per year: diesel-electric van carrier at Tollerort.

# FULL SPEED AHEAD FOR CLIMATE PROTECTION

HHLA is applying numerous measures for the optimization of operating processes aimed at improving climate protection. Yet the most vital contribution here is made by container transport on the River Elbe.

Growing city + growing terminal = growing emissions of carbon dioxide? The cooperation agreement between the Hamburg water treatment authority (HSE) and HHLA Container Terminal Tollerort (CTT) signed in 2007 demonstrates that exactly the opposite is possible. Even at the planning stage of the Tollerort expansion project, intelligent solutions with climate protection in view were sought. One was found that can help save 1,000 tons of CO<sub>2</sub> per year, namely the use of district heating in the new administrative and workshop buildings at the Tollerort terminal. The big attraction here is that heating for the office block and the workshop is supplied without any increase in CO<sub>2</sub> emissions, because it is a by-product of burning off biogases from the sewage sludge from the Köhlbrandhöft sewage treatment plant nearby.

Along with ecological advantages, the solution devised also offers economic benefits. Heating with the waste heat of the treatment plant boosts the degree of utilization of the energy consumed in the treatment plant, since it only makes sense to exploit this in proximity to where it is produced. The new CTT administration building is connected by hot water pipes 1.5 kilometres long to the neighbouring treatment plant. Both partners profit from the solution found – through higher revenues and lower energy costs, respectively. This effect is boosted by intelligent building

management based on an optimization of energy consumption that helps to minimize the energy required for heating and cooling.

## VEHICLES WITH CLIMATE IMPACT

HHLA Container Terminal Tollerort also adopts innovations for climate protection in daily terminal operations. After a long phase of trials using vehicles built by different manufacturers, since 2004 the **Van Carriers** (VC) used for



Diesel-electric van carriers on Burchardkai.

horizontal transport between the container gantry cranes and the container storage blocks, and also for stacking containers, have gradually been converted from conven-





Modernization for climate protection: AGV fleet in Altenwerder.

tional hydro-dynamic to diesel-electric propulsion. The saving effect is enormous: a diesel-electric VC consumes up to 7 litres of diesel fuel less per hour in operation. With one VC in operation for over 4,000 hours a year, the reduction in consumption amounts to an annual saving of 70 tons of CO<sub>2</sub> emissions per vehicle. That represents almost 4,000 tons per year. An ecologically important side-effect is the saving of 26,000 litres of hydraulic oil that would be consumed by the vehicles with hydrodynamic propulsion. Conversion of the VC fleet to diesel-electric propulsion is also in full swing at HHLA Container Terminal Burchardkai. The 50 vehicles meanwhile fitted with a diesel engine powering electric motors via a generator together produce an annual reduction in CO<sub>2</sub> of almost 4,000 tons. At the high-tech terminal in Altenwerder fully automated unmanned transport units or **AGV** (Automated Guided Vehicles) provide transport between the container gantry cranes and the storage blocks. Here again, the age of diesel-electric propulsion dawned long ago. The terminal now has 20 climate-optimized AGV and another ten are to be added in 2008, boosting the CO<sub>2</sub> saving from 1,200 tons in 2007 to 1,800 tons.

**Forklifts**, the main transport vehicles used in storage logistics, could in future be causing less emission when

in operation. Trial operation of a forklift with a hydrogen fuel cell propulsion, is currently in progress at the Überseezentrum location. This would enable CO<sub>2</sub> emissions to be reduced by about six tons per vehicle per year.

#### LIGHT MANAGEMENT FOR THE TRANSPORT CHAIN

Anybody aboard a plane swaying across the Port of Hamburg and the Elbe towards Fuhlsbüttel airport in the dark can identify the vast illuminated expanse of the terminal on which work continues round the clock. In introducing a power management system at its Altenwerder and Burchardkai container terminals, HHLA aims to simultaneously reduce power consumption and optimize terminal illumination by introducing adjustable area illumination.

Indirect reduction of CO<sub>2</sub> emissions by reducing power consumption is also the aim of a project launched in 2007 for an electric power management system for reefer container slots at HHLA Terminals. Power is also being saved thanks to a large number of smaller measures on the container gantry cranes: among these are conversion of braking energy into electricity (utilization of reverse current through the use of Foucault current brakes), optimization of container gantry

crane lighting as well as the introduction of energy-saving anti-condensation heaters. By contrast, waste heat recovery from the electric cooling plant in the highly advanced refrigerated banana store at O'Swaldkai to be completed in 2008, has a direct impact on CO<sub>2</sub>. The heat gained reduces power consumption of the heating equipment at the banana store. A cautious estimate puts the potential saving at more than 100 tons of CO<sub>2</sub> per year.

HHLA is determined to carry on pursuing its course of saving energy and reducing CO<sub>2</sub> emissions. For this purpose, in 2007 an analysis of the potential was conducted at HHLA companies in the Container segment that are heavy consumers of energy. This supplies the basis for further measures and projects in the fields of climate protection and energy saving.

### ECOLOGICAL TRANSPORT CHAINS FOR EUROPE

Nevertheless, HHLA makes its most vital contribution to climate protection with the core of its operations, networking of carriers in the Port of Hamburg into a transport chain fit to face the future both ecologically and as part of the transport business. Here HHLA exploits the advantages of Hamburg's location in terms of transport geography. The city's favourable location makes it the optimal hub for goods transport between overseas and Central and Eastern Europe: the land route to Prague, for example, is about 300 kilometres shorter than from the Rhine estuary ports. An additional bonus is that at over 70 percent, the proportion of long-distance traffic carried by rail is the highest at any European overseas port. Hamburg is accordingly the ideal place for networking the ecologically and economically best carriers in each case.



An ecologically exemplary traffic route: containership on the Elbe.

On the Shanghai-Prague route, a container covers 97 percent of the total 21,000 of kilometres aboard the large ocean-going ship – from East Asia to the Elbe and deep inland to Hamburg. From the “rail port” of Hamburg, the remaining three percent to Prague, in fact over 700 kilometres, are almost always covered by rail, for instance direct from the container terminal aboard a block-train run by HHLA's Metrans subsidiary. This has commercial and ecological advantages: the complete cargo of an 8,000-TEU containership fills around 160 trains or 6,400 trucks. Whereas a truck consumes 4.1 litres of diesel fuel per 100 ton-kilometres, on rail traffic it is around 1.7 litres. Road traffic, moreover, produces a carbon emission of 8.9 kilograms per 100 ton-kilometres; rail attains no more than 2.4 kilograms.

In combination with the ecological advantages of transporting containers on a mega overseas containership, this results in exemplary global transport chains. From the climate protection angle, especially, therefore, the forthcoming deepening of the navigation channel on the Lower Elbe that will improve access to Hamburg for mega ocean-going vessels is one of the most significant infrastructure projects in Europe.





A symbol of maritime general cargo logistics: view from the bridge of the "Cap San Diego".

# PUTTING ACROSS PORT LOGISTICS

Promotion of vocational and in-service training and spreading knowledge of port logistics are the cornerstones of HHLA's commitment to society.

When the command "Cast off" rings out, even today the "Atlantic Swan" leaves her berth at the St. Pauli Landungsbrücken in Hamburg with incomparable grace. Built in 1961, the general cargo freighter "Cap San Diego" is off on a voyage – for example to Cuxhaven. The world's largest self-propelled museum ship is an important witness, perhaps the most beautiful one of all, to maritime general cargo logistics in the era prior to the container's triumphant advance. As one of the three partners in the Cap San Diego operating company, HHLA maintains this important piece of sea transport history. She was a regular visitor to HHLA Terminals in the 1960s.

Yet HHLA social engagement is by no means confined to imparting history. The focus is much more on conveying information about the present and future of port logistics. The aim is to facilitate insights into the every day practice in this sector and the way it functions, bringing people's view of its social and (world) economic relevance into sharper focus. The other priority in HHLA's commitment is the promotion of vocational and in-service training in logistics.

In 2007 HHLA once again supported the Hamburg School of Logistics that with its MBA courses provides university-level training for international specialists. HHLA also cooperates closely with Hamburg Vocational Training Centre (HAZ), supplying in-company and other training in the metalworking and electrical trades for disadvantaged young people, for example. With guided tours, information events and lectures, and also during its participation in the logistics trade fair "transport logistic" in Munich,



The "Cap San Diego" in her berth.

HHLA briefs experts from all over the world on know-how in such matters as cargo-handling technology, transport chain integration and logistics services.

Political decision-makers also gain insights on the spot that they can apply in their own working lives. Among many others to visit HHLA Container Terminal Altenwerder (CTA) in 2007, for example, were Peter Harry Carstensen, prime minister of Schleswig-Holstein, and Dagmar Wöhrle, parliamentary under-secretary and maritime coordinator in the German government. In the driver's cabin of a container gantry crane, they were each able to experience the reality of modern container handling at very close quarters. To enable a wider public to gain access to modern container handling sites, despite strict limitations on security grounds, since 2002 HHLA has cooperated with a Hamburg bus company that in 2007 was already able to chalk up 100,000 visitors on the port tour that includes HHLA's Altenwerder and Burchardkai container terminals.





Dagmar Wöhr, the German government's maritime coordinator, at HHLA Container Terminal Altenwerder.

On the record number of 800 coach tours in 2007, more than 30,000 trade visitors, tourists, students, and also a large number of interested people from the world of finance gained an insight into the development of cargo handling

and its role in global production of goods. The subsidized coach tour programme for schools also proved a great success, catering not only for numerous Hamburg schools but also for school groups from Cologne, Karlsruhe, Osnabrück, Stralsund, Berlin, Greifswald and Denmark.

Another highlight of our communication was set by the "Rückblende 2006" (Retrospects 2006) exhibition, featuring photographs and caricatures of political life in Germany. Around 160 works were shown in an exhibition open to the public at HHLA's head office in Speicherstadt between March and June 2007. For the fourth time, "Der Spiegel" magazine joined HHLA in organizing the Hamburg leg of this travelling exhibition.

Speicherstadt enjoys listed status as a historic monument and to enable it to appear in fresh splendour, the charitable body "Licht-Kunst-Speicherstadt" implemented an illumination project by Hamburg-based lighting artist Michael Batz. With donations from sponsors, tenants and also HHLA as its owner, the complex of warehouses took the stage thanks to an ingenious lighting scheme. Nightly illumination of Speicherstadt, once the largest and most modern logistics centre anywhere in the world, strengthens its role today as the active interface between downtown Hamburg and the new HafenCity now being built. The light art project staged here, moreover, is a model for numerous schemes of illumination in cities all over the world.



A model for many illumination projects: illumination of Speicherstadt in Hamburg.



# CORPORATE GOVERNANCE AT HHLA

The German Corporate Governance Code was introduced in 2002 by an eponymous government commission to establish recognized standards of responsible and transparent company management. It is updated annually. All German companies listed on a stock exchange must provide an annual statement on their compliance with the Code.

The code reinforces confidence in company management and control. HHLA therefore considers adherence to the corporate governance principles to be at the core of sound, value-based company management and gave it a high priority well before its flotation in November 2007. The Supervisory Board and Executive Board explicitly support the Code and the aims and purposes it pursues.

## **SUPERVISORY BOARD AND EXECUTIVE BOARD**

A basic principle of the German Stock Corporation Act is the dual system of management, which provides for an Executive Board and a Supervisory Board, each with independent responsibilities. The Executive Board manages the company and the Supervisory Board monitors the Executive Board. Membership of both boards at the same time is not permitted.

The Supervisory Board and Executive Board of HHLA cooperate closely to manage and supervise the company.

## **SUPERVISORY BOARD**

The Supervisory Board advises the Executive Board on running the company, monitors its work and is involved in decisions of fundamental importance. It decides on the composition of the Executive Board and approves the company's financial statements.

In accordance with the company articles and Sec. 95 and 96 of the German Stock Corporation Act (AktG), the Supervisory Board is made up of six representatives of the shareholders elected by the General Meeting and six representatives of the employees elected in accordance with the German Co-Determination Act (MitbestG). Unless the General Meeting specifies a shorter period, Supervisory Board members are elected for a period ending with the Annual General Meeting which passes a resolution discharging the Board for the fourth financial year following the start of their term of office. The financial year in which the term of office begins is not included.

Supervisory Board members are obliged to disclose any conflicts of interest to the Supervisory Board, particularly those which may arise as a result of an advisory role or board seat involving customers, suppliers, creditors or other business partners. The Supervisory Board shall inform the General Meeting in its report of any conflicts of interest which arose and how they were dealt with. If a member of the Supervisory Board has significant and not merely temporary conflicts of interest, this should result in the termination of their period of office. In the reporting year no members of HHLA's Supervisory Board had any conflicts of interest.

The company has arranged D&O insurance with an appropriate excess for members of the Supervisory Board.

The Supervisory Board carries out its work both in full council and in individual committees. In order to fulfil its duties as efficiently as possible the Supervisory Board has formed the following committees:

- The **Finance Committee** also has the role of the **Audit Committee** at HHLA. It is responsible for examining the documents on the annual financial statements, preparing the Supervisory Board decision on approving the company's financial statements, authorizing the consolidated financial statements and confirming the Executive Board's proposal for appropriation of the distributable profit. Furthermore it advises and supervises the Executive Board in matters of risk management and compliance. The committee makes recommendations for electing the auditors, forms an opinion on their suitability and independence, and appoints them to audit the financial statements and consolidated financial statements following their election at the Annual General Meeting. It agrees on the fees and determines the focus of the audit. The committee also prepares Supervisory Board meetings and resolutions of major financial importance such as significant borrowing and lending, guarantees for third-party liabilities, financial investments and other financial transactions. The Chairman of the Finance Committee, Dr. Rainer Klemmt-Nissen, has particular expertise and experience in the application of accounting principles and internal control procedures.

- The **Arbitration Committee** is formed for the purposes laid down in Sec. 31 para. 3 of the German Co-Determi-

nation Act. Its task is to make proposals for appointing members of the Executive Board if the statutory majority of two thirds of the Supervisory Board members' votes is not reached after the first round of voting.

- The **Personnel Committee** prepares the personnel decisions taken by the Supervisory Board, negotiates the terms and represents the company in signing, amending and terminating service contracts with members of the Executive Board, and approves the appointment and dismissal of senior managers with power of attorney on behalf of the Supervisory Board. The Personnel Committee also fulfils the role of Nomination Committee in line with the Corporate Governance Code, i.e. it suggests suitable candidates for the shareholder representatives on the Supervisory Board whom the Supervisory Board then nominates for election at the General Meeting. If the Personnel Committee meets as the Nomination Committee, only shareholder representatives are present.

- As HHLA is divided into two sub-groups a **Real Estate Committee** was formed for the Real Estate sub-group. This committee receives all Executive Board reports on behalf of the Supervisory Board and takes part in all affairs relating to the Real Estate sub-group. It also decides on the approval of the Supervisory Board for all transactions affecting the Real Estate sub-group requiring approval and all other matters for resolution by the Supervisory Board which wholly or principally relate to the Real Estate sub-group. The Real Estate Committee is furthermore responsible for examining the documents on the annual financial statements, preparing the Supervisory Board's decision on approving the financial statements, authorizing the consolidated financial statements, and confirming the Executive Board's proposal for appropriation of the distributable profit to the extent that these relate to the Real Estate sub-group.

#### EXECUTIVE BOARD

The Executive Board manages the company's business under the joint responsibility of its members. It determines the company's goals, its fundamental strategic orientation,

Group policy and organization. These particularly include steering the Group and managing its financial resources, developing a personnel strategy, appointing and developing managers and representing the company towards capital markets and the general public.

The Executive Board of HHLA is currently made up of five members. Company articles stipulate that it must have at least two members. The Executive Board members are appointed by the Supervisory Board.

The Executive Board provides the Supervisory Board on a regular, timely basis with full information on all matters affecting planning, the course of business, the risk position, risk management and compliance relevant to the Group. The Chairman of the Executive Board notifies the Chairman of the Supervisory Board without delay of any important events of fundamental significance for assessing the Group's position and performance, or for its management, and of any flaws in the monitoring system which may become apparent. Certain actions and transactions of the Executive Board require the approval of the Supervisory Board.

Members of the Executive Board are obliged to disclose conflicts of interest to the Supervisory Board without delay and to inform the other Executive Board members accordingly. Executive Board members may only take on other duties, especially Supervisory Board positions in companies outside the Group, with the approval of the Supervisory Board. In the reporting period, the members of HHLA's Executive Board had no conflicts of interest. Material transactions between Group companies and members of the Executive Board, their dependents, or companies closely associated with them require the approval of the Supervisory Board. All such transactions must be performed at arm's length. There were no transactions of this nature in the reporting period.

HHLA complies with the recommendations of the German Corporate Governance Code and the statutory regulations on disclosing remuneration for members of the Executive Board and Supervisory Board on an individual basis. The basic principles of the remuneration systems and remuneration paid are described in the remuneration report, which forms part of the management report.

## GENERAL MEETING

Shareholders exercise their rights, in particular their voting rights, at the General Meeting. According to the company articles the General Meeting takes place in Hamburg within the first eight months of each financial year. Each share entitles the holder to one vote in the General Meeting. There are no shares with multiple voting rights, preference shares or caps on voting rights.

Shareholders may exercise their voting rights at the General Meeting in person, by appointing a representative of their choice or by giving voting instructions to a proxy designated by the company. Detailed information on giving voting instructions is provided with the invitation to the General Meeting. The reports and documents required for the General Meeting by law, including the annual report, are published on the company's website together with the agenda.

## STATEMENT OF COMPLIANCE

The Executive Board and Supervisory Board dealt with matters of corporate governance on several occasions in 2007 and issued the joint statement of compliance for 2007 in accordance with Sec. 161 of the German Stock Corporation Act on 13 December 2007. The statement has been made permanently available to the general public on HHLA's website. In 2007, apart from the following exceptions, HHLA complied with the recommendations of the German Corporate Governance Code as published on 14 June 2007 and also intends to comply in the current financial year and thereafter.

## DIVERGENCE FROM THE RECOMMENDATIONS

- In accordance with item 3.8 sentence 3 of the Code the company should agree on a suitable excess when arranging D&O insurance for the Management and Supervisory Boards. At HHLA, these insurance contracts currently only include a suitable excess for members of the Supervisory Board. An excess for Executive Board members is not in place at present due to the standard practice in the past.

- Item 4.2.3 deals with share options or similar arrangements as variable components of remuneration for Executive Board members. HHLA does not currently have such a long-term incentive programme for members of the Executive Board. As there are currently no incentive systems based on listed securities, the specific information to be provided in the Corporate Governance report under item 7.1.3 of the Code does not apply.
- Items 4.2.4 and 4.2.5 deal with the individual disclosure of remuneration for members of the Executive Board. In line with the recommendation and with the statutory obligation as a publicly listed company, individual disclosures have been made for the first time in the remuneration report, which forms part of the management report.
- In accordance with item 5.3.2 an Audit Committee is to be formed to deal with various matters relating to accounting, risk management, compliance and auditing the financial statements. The Supervisory Board's rules of procedure were extended accordingly at its meeting on 13 December 2007. The Finance Committee also fulfils the role of the Audit Committee.
- Item 5.3.3 deals with forming a Nomination Committee and the parties to be represented on it. Previously, shareholder representatives on the Supervisory Board were appointed by the Hamburg Senate Commission for public companies based on proposals by the relevant Senate departments. The Supervisory Board's rules of procedure were extended in line with the Code's recommendation in its meeting held on 13 December 2007. Now the Personnel Committee also acts as the Nomination Committee (when it is only composed of shareholder representatives).
- Item 5.4.7 deals with the remuneration of Supervisory Board members and its disclosure. The remuneration of Supervisory Board members was completely revised in the course of HHLA's flotation. The basic structure of the new remuneration system is disclosed and described for the first time in the remuneration report, which forms part of the management report.

## DIRECTORS' DEALINGS

Pursuant to Sec. 15a of the German Securities Trading Act (WpHG), members of the Supervisory and Executive Boards, other managers and people closely associated with them must notify the company and the federal financial supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht [BaFin]) without delay if they purchase or sell HHLA shares above a threshold of 5,000 euros in any calendar year.

In 2007 the company was informed of one notifiable purchase (as presented in the table below), which HHLA has published on its website under Corporate Governance/ Directors' Dealings. In total, the Executive Board and Supervisory Board did not own more than 1 % of shares issued by HHLA on 31 December 2007.

### Directors' dealings 2007

<b>Name</b>	Arno Münster (Member of the Supervisory Board)
<b>Transaction</b>	Purchase
<b>Financial instrument</b>	Registered common shares (A shares)
<b>ISIN</b>	DE000A0S8488
<b>Transaction date</b>	02.11.2007
<b>Stock exchange</b>	Frankfurt
<b>Number of securities</b>	118
<b>Unit price (€)</b>	53
<b>Total volume (€)</b>	6,254

## TRANSPARENCY

HHLA informs capital market participants and interested members of the general public about the situation of the Group and important company developments especially by means of its financial reporting (annual report and interim reports), conferences for financial analysts and the

press, press releases and ad hoc releases as necessary and the General Meetings. The website ([www.hhla.de](http://www.hhla.de)) is an important communications tool, where all relevant information is made available simultaneously in both German and English. In addition to comprehensive information on the HHLA Group and the HHLA share it also includes a financial calendar giving an overview of the main events.

### RISK MANAGEMENT

The HHLA Group's risk management system is described in detail in the "Risk management" chapter of the Annual Report. In accordance with statutory regulations, it is designed to identify significant risks for the HHLA Group and its operating companies in advance, so that they can be minimized, diversified, transferred or avoided. The risk strategy and risk policy are largely derived from the results of the risk inventory carried out every year for strategic risks, market risks, staff risks, IT risks, financial risks and other risks, including specific segment risks. In performing its duties, Risk Management receives vital support from the Controlling and Internal Audit departments.

### ACCOUNTING AND AUDITING

Since the 2006 financial year, the accounts for the HHLA Group have been prepared in accordance with International Financial Reporting Standards (IFRS). This annual report provides further information on IFRS in the Notes to the consolidated financial statements. The individual financial statements for HHLA are prepared in line with the commercial accounting regulations of the German Commercial Code (HGB).

The consolidated financial statements and the individual financial statements are prepared by the Executive Board and approved by the Supervisory Board. They are audited by auditors elected by the General Meeting. The audit performed includes an extended audit as stipulated under Sec. 53 of the German Budget Principles Act (HGrG). This requires an audit and assessment of the company's proper management and financial situation as part of the audit of the financial statements.

Hamburg, March 2008

Hamburger Hafen und Logistik Aktiengesellschaft

Supervisory Board

Executive Board





Rail Mounted Gantry Cranes at HHLA Container Terminal Burchardkai.

# FINANCIAL INFORMATION

# FINANCIAL INFORMATION

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## HHLA key figures

		2007	2006	Change
<b>Group</b>				
Revenues	€ million	1,180.0	1,017.4	16.0 %
EBITDA	€ million	378.7	296.4	27.7 %
EBIT	€ million	287.6	218.1	31.9 %
EBT	€ million	256.9	186.8	37.5 %
Consolidated profit for the year	€ million	152.0	116.9	30.0 %
Consolidated profit for the year after minority interests	€ million	111.3	97.1	14.6 %
<b>Container</b>				
Revenues	€ million	692.6	589.7	17.4 %
EBITDA	€ million	317.1	244.7	29.6 %
EBIT	€ million	247.8	185.5	33.6 %
Container throughput	TTEU	7,229	6,469	11.7 %
Employees	as of 31.12.	2,848	2,630	8.3 %
<b>Intermodal</b>				
Revenues	€ million	331.9	282.1	17.7 %
EBITDA	€ million	47.8	36.1	32.4 %
EBIT	€ million	37.3	27.7	34.7 %
Container transport*	TTEU	1,651	1,525	8.3 %
Employees	as of 31.12.	722	618	16.8 %
<b>Logistics</b>				
Revenues	€ million	118.6	114.2	3.8 %
EBITDA	€ million	17.3	15.8	9.5 %
EBIT	€ million	12.7	12.0	6.2 %
Employees	as of 31.12.	462	459	0.7 %
<b>Real Estate</b>				
Revenues	€ million	30.8	27.1	13.7 %
EBITDA	€ million	14.1	15.3	- 7.8 %
EBIT	€ million	10.3	13.8	- 25.4 %
Employees	as of 31.12.	39	39	-
<b>Further key figures of the Group</b>				
Earnings per share	€	1.57	1.38	13.8 %
ROCE	%	27.4	24.4	3.0 pp
EBITDA margin	%	32.1	29.1	3.0 pp
EBIT margin	%	24.4	21.4	3.0 pp
Equity ratio	%	38.4	21.6	16.8 pp
Cash flow from operating activities	€ million	246.7	199.7	23.5 %
Investments	€ million	194.8	205.2	- 5.1 %
Employees	as of 31.12.	4,565	4,215	8.3 %

\* The transport volume was fully consolidated.



# GROUP MANAGEMENT REPORT

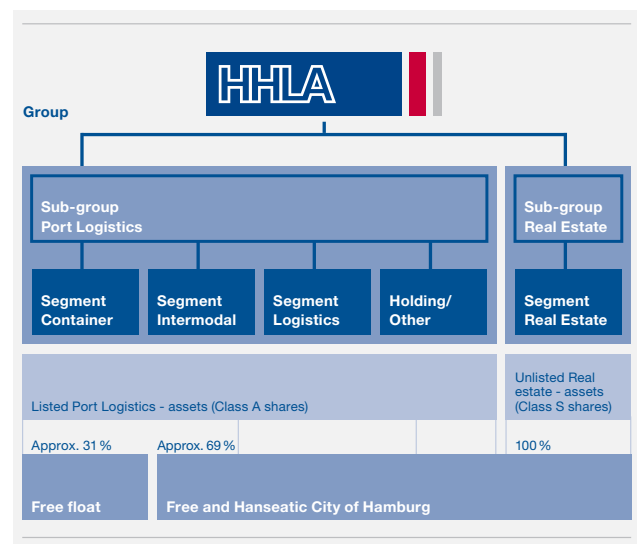
- Double-digit revenue growth of 16.0 % to € 1,180.0 million
- Above-average EBIT growth of 31.9 % to € 287.6 million
- Return on capital employed (ROCE) up to 27.4 %

## GROUP OVERVIEW

The HHLA Group is a leading company in the European seaport transportation industry. As an integrated handling, transport and logistics provider, the Group offers services along the value chain between the international port and the European hinterland. Since it was founded, HHLA has also developed and let properties in Hamburg. Hamburger Hafen und Logistik Aktiengesellschaft acts as the strategic management holding company for the HHLA Group. Operations are carried out by the 38 domestic and 5 foreign subsidiaries which make up the group of fully consolidated companies.

With effect from 1 January 2007, the HHLA Group was divided into the sub-groups Port Logistics and Real Estate. HHLA's core port-related business, port logistics, was united in this new structure for the stock flotation in November 2007. The Class A shares listed on the stock exchange belong to the sub-group Port Logistics and only entitle shareholders to participate in the result and net assets of these operations.

The sub-group Port Logistics is made up of the Container, Intermodal and Logistics segments. When the Group was reorganized, the holding company/other division was also attributed to the sub-group Port Logistics, but it does not constitute an independent segment under International



Reporting Standards (IFRS). It contains the Group holding company with central functions such as finance, human resources, Group controlling, IT, etc. The properties specific to HHLA's port handling business and floating crane operations are also attributed to this division.

Through its sub-group Port Logistics, HHLA is a leading port logistics company in the European North Range – the ports between Hamburg and Le Havre. The geo-

graphic focus of its business is on the Port of Hamburg and its hinterland. The Port of Hamburg is a major international hub for container transport by sea and land near the North Sea coast of Germany, with excellent hinterland links to the economies of Central and Eastern Europe, Scandinavia and the Baltic region.

The sub-group Real Estate includes HHLA's properties which are not specific to port handling, i.e. the properties in the historic warehouse district and Fischmarkt Hamburg-Altona GmbH. The performance and the financial result of the sub-group Real Estate, which also has urban development objectives, are represented by the Class S shares. These shares are not traded on the stock exchange and are held to 100 % by the Free and Hanseatic City of Hamburg. Under a separate agreement, the City of Hamburg is responsible for indirectly assuming any losses for the sub-group Real Estate.

## HHLA MANAGEMENT STRUCTURE

As a German stock corporation (Aktiengesellschaft), HHLA AG has the dual system of management and supervision typical in Germany. The Executive Board manages the company autonomously and the Supervisory Board appoints, advises and monitors the Executive Board. A detailed overview of the duties and powers of the two boards and the Supervisory Board committees can be found in the Corporate Governance.

## GROUP SEGMENTS

### CONTAINER

The Container segment is HHLA's most important segment and the one which generates the greatest revenue, pooling the Group's container handling operations. These consist of processing container ships (loading and unloading containers) and transferring containers to other means of transport (e.g. rail waggons, lorries or feeder vessels). HHLA operates three high-performance container terminals in Hamburg (Altenwerder, Burchardkai, and Tollerort, abbreviated to CTA, CTB und CTT) and also operates a container terminal in Odessa, Ukraine. The portfolio is completed by additional container

handling services such as storing, cleaning, maintenance and repair as well as container leasing and trading.

The course of business in the HHLA Container segment in the financial year 2007 is described in more detail in the chapter "Course of business and economic situation" of this management report.

### INTERMODAL

The Intermodal segment is the second largest segment within HHLA by revenue and earnings. As a core element of HHLA's business model, which is vertically integrated along the transportation chain, the segment provides transport services by different modes of transport (i.e. by rail, road or water) between the ports in the North Range and the Central and Eastern European hinterland as well as to Scandinavia and the Baltic region. Its service portfolio also includes loading and unloading transport vehicles and site handling. This segment also operates a container terminal at the Port of Lübeck, which acts as an integrated component and hub for hinterland traffic to the Baltic region.

Information on the course of business in the HHLA Intermodal segment in the financial year 2007 can be found in the chapter "Course of business and economic situation" of this management report.

### LOGISTICS

The Logistics segment forms the third pillar of HHLA's vertically integrated business model and offers an additional range of services. These cover a wide range of specialist handling, contract logistics and consulting services including handling bulk goods, fruit, motor vehicles and other break bulk cargo. Its service portfolio is not just made up of individual logistics services but also covers entire process chains for the international procurement and distribution of merchandise. In this segment HHLA also provides consultancy and management services for clients in the port and transport industries. Most of the logistics services are supplied with partners in the form of joint ventures.

More on the course of business in the Logistics segment in 2007 can be found in the "Course of business and economic situation" chapter.

## REAL ESTATE

The Real Estate segment is identical to the sub-group Real Estate. Its business activities are connected with developing, letting and managing properties in the peripheral port area of Hamburg. These include the historical warehouse district, which is the largest complex of traditional warehouses in the world. HHLA has approx. 300,000 sq m of commercial space in a central location. Other prime properties are managed by Fischmarkt Hamburg-Altona GmbH in the exclusive fish market area on the Northern bank of the river Elbe. The segment's core competencies are real estate services tailored to the customers' requirements, such as sales, property management, facility management, project development and construction.

## CORPORATE STRATEGY

HHLA's strategy is aimed at developing its leading position as a port logistics group in the European North Range. By virtue of its vertical integration along the logistics chain between international seaports and the European hinterland, HHLA is well positioned to derive above-average benefits from growth in global trade. HHLA's businesses are of mutual benefit to one other. Greater handling volumes at the Port of Hamburg result in more traffic for hinterland transportation and increased demand for logistics services. Similarly, offering high-performance transport systems and high-quality logistics services also generates additional freight for the HHLA container terminals.

The focus of business operations will therefore remain on Hamburg, the Baltic Sea region, Central and Eastern Europe, the Northern Adriatic and the Black Sea. HHLA intends to maintain its technological leadership and earn an attractive return on capital.

The following strategic measures form the basis for achieving these strategic goals:

### ■ Adding capacity and boosting efficiency in the HHLA Container segment

We intend to develop capacities flexibly at the three HHLA container terminals in Hamburg (CTA, CTB and CTT) in line with the anticipated rise in demand. HHLA

also plans to take part in the tender expected to take place for developing additional terminals at the Port of Hamburg and thereby secure its long-term growth prospects in Hamburg. Ongoing efficiency gains are also planned in handling services. The basis for these improvements is a consistent focus on the design and operations of the container terminals in the Port of Hamburg to make the most efficient possible use of space, manpower and capital, and continually raising quality standards by deploying innovative technologies and processes.

### ■ Expansion of transport capacities and network control in the HHLA Intermodal segment

We intend to make continuous improvements to the HHLA Intermodal segment's portfolio by expanding its intermodal services within a network of rail, road and feeder vessels. As well as increasing the range and scope of services, HHLA is also seeking to extend its control over the intermodal network. We intend to reinforce our rail operations by further consolidating the position of our intermodal subsidiaries in their respective markets, whereby the geographic focus will be on the growth markets of Central and Eastern Europe and investment will be principally for train cars and hinterland terminals. These activities are to be supported by developing our HGV services and offering innovative feeder solutions, which we expect will contribute to increasing our vertical integration in this area.

### ■ Growth in specialized areas within the HHLA Logistics segment

In the Logistics segment, HHLA benefits from growth in specialized areas where we can apply our considerable expertise in port handling. As well as systematically pursuing the development of its specialized activities, the Group also intends to grow selectively and opportunistically in potentially lucrative areas. The focus will be on specialized handling (e.g. RoRo, fruit or bulk cargo handling). Supplementary logistics services related to handling at maritime ports such as fruit transport, contract logistics and consulting are also offered.

### ■ Offering additional complementary services along the entire value chain

HHLA provides an increasingly complete container transport network from the international port to the hinterland and we intend to extend this network in order to reinforce our market leadership in the individual segments along the value chain. This will mean offering complementary segment-specific services (e.g. empty container storage, container repairs, etc.) and also realizing synergies between the individual segments.

### ■ Make consistent and even more effective use of the Port of Hamburg's advantageous geographic position as a transport hub

HHLA intends to continue making effective use of the Port of Hamburg's advantageous geographic location as a transport center and to develop its position as an international hub with connections to the Far East – particularly China and India – and to the Baltic Sea region. We plan to support this expansion by extending our intermodal services, which we expect to bring a greater share of growth in the Central and Eastern European economies as well as to secure our present levels of local traffic volumes.

### ■ Reinforce technological and efficiency leadership

The HHLA Group plans to continue developing its leading position in handling technology and efficiency. Innovative technologies and processes are to be deployed to do so, especially to make more efficient use of space, manpower and capital at the container terminals. We also intend to keep developing our IT infrastructure. To ensure that we are largely independent of IT services providers, mission-critical systems are to be developed and maintained internally to the extent that standard modules cannot be purchased and implemented.

### ■ Develop and maintain our client portfolio

The HHLA Group intends to expand its client portfolio by maintaining its quality leadership, i.e. by continuing to ensure customer satisfaction with regard to the speed, reliability and flexibility of the services on offer and thereby to guarantee long-term customer loyalty. We plan to pursue

the multi-user concept systematically, as in our opinion it secures a balanced client portfolio over the long term and ensures that services remain profitable.

### ■ Value-based approach to strategic investments

In its strategic investments, the HHLA Group follows a value-based approach. The investment focus is on the existing core businesses – Container, Intermodal and Logistics. The main decision-making criteria for investment projects are growth prospects and the expected return on capital. To avoid building up unused capacities, capacity will be developed in response to demand as determined by customer dialogue. HHLA also intends to take advantage of potential acquisitions and equity investments outside Hamburg, when they constitute strategically sensible add-ons and contribute to value creation.

More detailed information on how the company strategy was implemented in the individual HHLA segments in 2007 can be found in the chapter "Course of business and economic situation".

## COMPANY AND VALUE MANAGEMENT

HHLA's primary objective is to increase enterprise value sustainably. Since 2004, a Group-wide value management system has therefore been in place to plan, coordinate and monitor our operations. The central value-based management indicator is ROCE (return on capital employed), which at Group level should be above 20 %.

Indicator	2007	2006	Change
ROCE	27.4 %	24.4 %	3.0 pp
EBIT	€ 287,6 million	€ 218,1 million	31.9 %
Average operating assets	€ 1,050.8 million	€ 893.3 million	17.6 %

Within the HHLA Group, ROCE is calculated as follows:

$$\text{ROCE} = \frac{\text{EBIT}}{\text{average operating assets}}$$



The numerator – EBIT – corresponds to operating earnings before interest and taxes. The denominator is determined by looking at the assets and consists of the amount of average net non-current assets (intangible assets, property, plant and equipment, investment properties and financial assets) and average net current assets (inventories plus trade receivables, less accounts payable).

More information is available in the “Course of business and economic situation” chapter.

## MARKET POSITIONING

The Port Logistics business was able to benefit from strong growth in global freight volumes over recent years. These developments are primarily due to sinking transport costs and the removal of barriers to trade. This resulted in an increasingly internationalized division of labour in the fields of procurement, production and distribution, whereby the international goods trade primarily takes place by sea. In the last two decades, container shipping has been the fastest-growing sector of the global shipping industry. In addition to the efficiency gains brought by the standardized container, the greater inte-

gration of emerging economies in Central and Eastern Europe as well as in Asia has led to a strong increase in global container traffic.

With a container volume of 9.9 million standard containers (TEU – twenty-foot equivalent unit) in 2007, the Port of Hamburg is one of the ten leading international seaports worldwide for container throughput and takes second place in Europe immediately after Rotterdam.

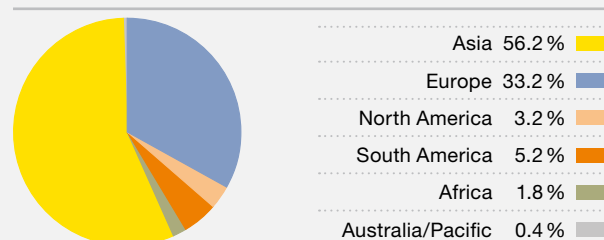
As the most easterly North Sea port, Hamburg offers ideal conditions as a hub for the entire Baltic region and hinterland transport to Central and Eastern Europe. The long-established trading relations between the Port of Hamburg and Asian markets also strengthen Hamburg's role as a major European container hub.

### Top 10 global container ports in 2007 IN MILLION TEU

	2007	2006
1 Singapore	27.9	24.8
2 Shanghai	26.2	21.7
3 Hongkong	23.9	23.5
4 Shenzhen	21.1	18.5
5 Busan	13.3	12.0
6 Rotterdam	10.8	9.7
7 Dubai	10.7	8.9
8 Kaohsiung	10.2	9.8
9 Hamburg	9.9	8.9
10 Qingdao	9.5	7.7
<b>Total</b>	<b>163.4</b>	<b>145.5</b>

Source: Hafen Hamburg Marketing e.V.

### Sea-going container throughput IN THE PORT OF HAMBURG BY REGION 2007



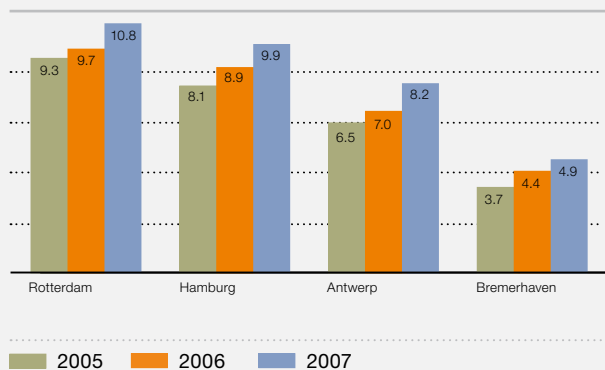
Source: Hafen Hamburg Marketing e.V.

The relevant port services market for HHLA is along the North Sea coast between Hamburg and Le Havre (known as the North Range), which is characterized by a relatively high port density. Currently, the greatest competition is between the ports in Rotterdam, Hamburg, Antwerp and Bremerhaven – known as the Hamburg-Antwerp Range. The Port of Hamburg's market share of total volume in these ports was 29.3 % in 2007.

With its Container segment, HHLA is in direct competition with other terminal operators in Hamburg and the North Range. The relevant competitive factors are principally capacities, reliability and container handling speed. Ease of sea access and the port's connections to the hinterland also have an effect on the competitive

## Container throughput volumes

IN THE NORTH RANGE PORTS 2005 - 2007 IN MILLION TEU



Source: Hafen Hamburg Marketing e.V.

position of terminal operators. At the Port of Hamburg, HHLA is the largest container handling operator with a throughput volume of 6.7 million TEU in 2007, outstripping its competitors by a large margin. In 2007, HHLA was responsible for approx. 68 % of all container throughput in the Port of Hamburg. In the Hamburg-Antwerp Range, HHLA's market share was 20.0 %.

The market served by the HHLA Intermodal segment is defined by competition amongst a wide range of different suppliers. HHLA is well positioned in each of its specialized services with a mix of carriers within its vertically integrated business model. The segment benefits particularly from Hamburg's position as the most important railway hub in Europe. TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, for example, provides transportation services for rail-based hinterland traffic within Germany, to Austria and Switzerland, making it market leader in seaport-hinterland traffic with German seaports. The METRANS Group is the leading provider of rail connections between the international German seaports in Hamburg and Bremerhaven and the Czech Republic, Slovakia and Hungary. The POLZUG Group has a strong competitive position in rail-based transportation from Hamburg, Bremerhaven and Rotterdam to the Central and Eastern European hinterland (especially Poland, Ukraine and Russia), and through to Central Asia.

The HHLA Logistics segment serves different market sectors, some of which are highly specialized and fragmented. For example, HHLA's fruit and refrigeration center is the market leader for fruit handling in the metropolitan Hamburg region and number two in the North Range. Via its equity interest in the Hansaport terminal, HHLA also has a stake in Germany's largest seaport terminal for loose bulk cargo.

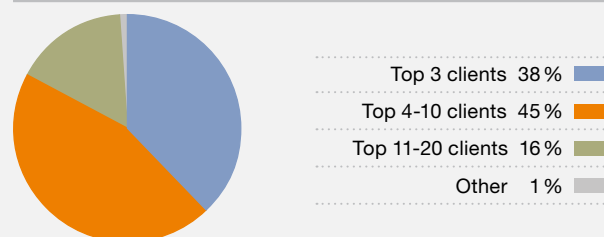
## SALES AND CLIENT STRUCTURE

HHLA's client base in the Container and Intermodal segments mainly consists of shipping and transport companies. Services in the HHLA Logistics segment are aimed at a variety of customer groups, from retailers (in the field of fruit logistics) to other operators of ports and logistics centers (in the area of port consulting).

The clients responsible for the largest share of revenues are the global container shipping companies and consortia. In processing and allocating berths, HHLA's container terminals treat ships from all shipping companies equally (multi-user principle) and can therefore offer their customers a uniformly high level of service. HHLA's client base currently includes 18 of the 20 largest container shipping companies, including the three biggest container shipping alliances in the world (The New World Alliance, Grand Alliance and the CKYHS Group). In 2007, the three largest clients accounted for some 38 %, the ten largest clients for 83 % and the 20 largest for 99 % of revenues at HHLA's container terminals in Hamburg. HHLA has been doing business with 75 % of its most important clients for more than 20 years.

## Revenue distribution

FOR THE HHLA CONTAINER SEGMENT IN 2007



Sales activities revolve around classic key account management. These are not only aimed at selling services but also at optimizing processes for the clients and helping them to add value. HHLA therefore has key account managers for the container shipping companies, who are responsible for providing wide-ranging strategic and operating advisory services. The key account managers inform the container shipping companies on a regular basis about the latest technological developments at HHLA's container terminals and advise them on ways of increasing the efficiency of their intermodal container transport via the Port of Hamburg.

The HHLA Intermodal and Logistics segments are organized differently in response to heterogeneous customer needs. Sales activities are therefore decentralized, taking place at individual company level.

## STAFF

In the reporting year the number of employees at HHLA rose by 350 or 8.3 % to a total of 4,565. 2,848 employees, or 62.4 % of the total, were employed in the Container segment, making it the most personnel-intensive division in the HHLA Group.

3,537 employees or 77.5 % of the total were employed in Germany. Compared to 2006, the number of staff involved with the Port of Hamburg went up by 172 or 5.4 % to 3,387 (on 31 December 2006: 3,215).

### HHLA Group employees

Segmente	31.12.2007	31.12.2006	Change
Container	2,848	2,630	8.3 %
Intermodal	722	618	16.8 %
Logistics	462	459	0.7 %
Real Estate	39	39	–
Holding company/ Other	494	469	5.3 %
<b>Total</b>	<b>4,565</b>	<b>4,215</b>	<b>8.3 %</b>

In 2007, HHLA again made considerable investments in vocational and professional training. The central human

resources department developed a new management training programme and the first modules are due to begin in 2008. The Group's own Port Academy ran 449 training courses in 2007, of which 152 led to qualifications as a container gantry crane or straddle carrier driver. A total of 2,152 staff members took part in the training courses. HHLA has 128 vocational trainees and students on sandwich courses (previous year: 112), preparing for qualifications in 14 different professions. HHLA's commitment to training is also visible in its close collaboration with the Hamburger Ausbildungszentrum (HAZ). The HAZ is joint training center run by public-sector companies and the leading energy utilities in Hamburg. It offers apprenticeships for metalworkers and electricians both within companies and outside.

In the course of the stock market flotation an employee share programme was agreed as part of the wage settlement and has since been successfully carried out.

The number of notifiable accidents at work (not including to and from work) dropped by 7.5 % compared to the previous year (159) to 147.

## PURCHASING

Group purchasing is organized centrally in the management holding division. It manages and coordinates all purchasing and procurement activities for the Group. The strategic focus of purchasing is to ensure that capital goods, services and other products are available at the required quality and price dependably and over the long term.

Procurement of goods and services is structured into four groups, which are each coordinated by a goods manager. In this way, requirements and procurement activities can be combined across the Group and internal customer requirements met in terms of service and quality. Great importance is attached to involving suppliers as strategic partners in the development of products, facilities and processes. Suppliers are therefore regularly reviewed and rated for reliability, quality, innovation, flexibility and cost structure.

Timely procurement of supplies and spare parts is vital to ensure that handling equipment is ready for use. This makes high demands of flexibility and automation in the procurement department.

Last year a number of projects were initiated or continued to increase the quality of processes and data. These included the further development of eProcurement and the introduction of a compliance check. The compliance check is HHLA's response to a UN Security Council anti-terrorism resolution. A software-enabled review is intended to ensure that HHLA only works with business partners who do not appear on official sanctions lists.

## RESEARCH AND DEVELOPMENT

One of HHLA's strategic objectives is to constantly improve the efficiency of its operating systems and thereby its competitiveness by developing application technologies.

Activities carried out in 2007 included taking part in the MaTIB project (Management of Transport and Incidents in Rail Traffic) which is sponsored by the German Federal Ministry for Education and Research. Its aim is to make container transport in intermodal traffic more attractive by improving the IT-based workflow management. Until now there have been no sufficiently broadly accepted data standards, particularly for the interfaces. This makes it impossible to transmit data from one transport mode to another without interruptions. From the HHLA Group, POLZUG, HPC Hamburg Port Consulting and Uniconsult are taking part in the cross-sector project. They are working on developing a process standard on which additional IT systems for the different hinterland carriers can be based. This involves the management and monitoring of workflow processes, for example, which actively track each individual transport using predefined transport events.

Another of the HHLA Group's research projects is OLAS, which focuses on optimizing logistics processes and new coordination procedures for the Container Terminal Altenwerder. This is a project sponsored by the Federal Ministry for Economics and Technology which is intended to realize further efficiency gains and higher container throughput at the state-of-the-art Container Terminal Altenwerder and its hinterland connections to road, rail and inland waterways.

18 work packets have been created to examine and optimize areas such as innovative routing algorithms for the automated guided vehicles (AGV) at the Container Terminal

Altenwerder, an improved graphic overview of the terminal at the control bay, or higher-performance storage and recovery strategies in the container warehouse. Cutting-edge technologies for identifying and tracking containers are analyzed and prepared for practical implementation.

OLAS began in spring 2007 and is due to run until 2010. In its first year, OLAS concentrated particularly on increasing container throughput by developing a multiple-load mode for the AGV. Together with optimized routing algorithms and warehouse strategies, this will enable significant increases in handling volumes between the quay-side and the container warehouse.

In addition to the IT developers at HHLA, the Container Terminal Altenwerder and Uniconsult are also taking part in the OLAS project.



# ECONOMIC ENVIRONMENT

## MACROECONOMIC DEVELOPMENT

The global economy again grew strongly in 2007, expanding by 4.9 % according to the International Monetary Fund's World Economic Outlook. This is the fourth consecutive year in which growth has outpaced its ten-year mean. Towards year-end the economic climate darkened considerably, however, primarily in response to the US property crisis.

The Asian emerging economies again drove growth last year, expanding gross domestic product (GDP) by 9.6 %, with China a head above the rest at 11.4 %. The driving forces behind this expansion were primarily gross fixed capital formation and strong exports. Growth in Central and Eastern Europe remained buoyant at 5.5 %. Within the eurozone, economic growth was 2.6 % in real terms. This was driven by private consumption and gross fixed capital formation as well as overseas demand. The higher growth figure of 2.9 % for the 27 EU member states is explained by above-average expansion in Eastern European countries.

In Germany too, the economic upturn continued throughout 2007. Real GDP went up by 2.5 %. German products were in high demand on world markets, enabling exports and a sharp rise in infrastructure investment to contribute to growth. Private consumption did not make itself felt, however, due to the VAT increase, higher energy prices and general price increases.

The Free and Hanseatic City of Hamburg recorded above-average growth for Germany at 2.8 %. Thanks to its port, Hamburg benefited disproportionately from increasing world trade, which at 6.6 % continues to expand faster than global GDP.

In 2007, throughput volumes saw another above-average increase in the Hamburg-Antwerp Range, according to research by Hamburg Hafen Marketing GmbH, up 12.6 % to 33.8 million TEU, of which Hamburg claimed a market share of 29.3 %.

Thanks to the high performance of Hamburg's port economy and its advantageous geographical location as a transport hub between the Far East, the Baltic region and Central and Eastern Europe, the Port of Hamburg again saw a substantial increase in container handling business. Container volumes in Hamburg rose by 11.6 % to 9.9 million TEU. The highest growth rates in container traffic were with China (+ 23.0 %), Denmark (+ 22.0 %), Russia (+ 21.6 %), Poland (+ 21.5 %) and Brazil (+ 21.3 %).

## SECTOR DEVELOPMENT

Container throughput rose worldwide by 11.7 % in the reporting period. Volumes in Northern Europe went up by the same amount.

## COURSE OF BUSINESS AND ECONOMIC SITUATION

### EARNINGS POSITION

#### GROUP

From a management perspective, 2007 was a highly successful year which met with the ambitious expectations at Group level in full.

The HHLA Group continued its course of profitable growth in 2007 and reported increases in volumes, revenue and earnings. Container throughput again went up strongly compared to the previous year by 11.7 % to 7.2 million TEU (6.5 million TEU). This was largely due to greater container traffic with the Far East and Eastern Europe. Hinterland traffic rose despite difficult economic conditions by 8.3 % to 1.7 million TEU, principally as a result of rail-based Eastern European traffic.

The sub-group Port Logistics made a major contribution to performance in the reporting period and was responsible for 97.6 % of external revenue and 96.3 % of operating earnings (EBIT). The sub-group Real Estate with the historic Hamburg warehouse district and the Fischmarkt Hamburg-Altona GmbH accounted for 2.4 % of revenue and 3.7 % of operating earnings (EBIT) in the same period.

Total revenue for the HHLA Group went up in the reporting period by 16.0 % to €1,180.0 million, taking it significantly over the €1 billion mark (previous year: €1,017.4 million). This dynamic growth was the result of continuing robust volume increases and improved revenue quality, including above-average warehousing revenue. Exchange rates or changes in the group of consolidated companies did not have a significant effect in the reporting period.

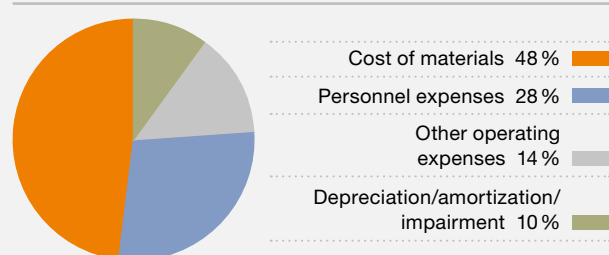
Other operating income climbed by 38.0 % to €30.8 million (previous year: €22.3 million), largely due to reversals of provisions and disposals of property, plant and equipment as well as claims for damages and insurance compensation.

The cost of materials and services rose as a result of increased handling and transport services by 14.2 % to €453.6 million (previous year: €397.2 million). Despite higher energy prices, the cost of materials and services remained roughly stable as a percentage of revenue at 38.4 % (previous year: 39.0 %), largely due to continued improvements in the use of resources.

Personnel expenses went up by 10.4 % year on year to €261.5 million (previous year: €236.8 million). This was mainly due to an increase in the number of staff from 4,215 in 2006 to 4,565 (+8.3 %), higher wage settlements and exceptional expenses for the employee share programme in the course of the flotation (€3.8 million). Ongoing productivity increases meant that personnel expenses declined as a percentage of revenue to 22.2 % (previous year: 23.3 %), however.

Other operating expenses were 8.4 % above the previous year's at €126.6 million. The rise was principally due to expenses of €6.8 million in connection with the flotation recognized in profit and loss. The costs of flotation also included further expenses of €2.5 million, which were directly offset against equity with no effect on profit and loss. Flotation costs of €3.1 million were indirectly reimbursed by the Free and Hanseatic City of Hamburg. The remaining other operating expenses were primarily due to rental and maintenance expenses, which increased by less than revenues.

#### Cost structure



Operating earnings before depreciation and amortization (EBITDA) went up by 27.7 % to € 378.7 million (previous year: € 296.4 million). The EBITDA margin improved by 3 percentage points to 32.1 %. Due to ongoing capital expenditure to increase capacity, depreciation and amortization increased almost in line with revenues (more information on capital expenditure in the financial year is available in the “Financial position” section). This meant that the operating result (EBIT) of € 287.6 million outstripped last year’s figure by 31.9 %.

The financial result improved slightly by 1.8 % to € 30.7 million, largely as a result of greater interest income on higher average cash balances compared to the previous year.

The corporation tax reform adopted on 6 July 2007 which takes effect from 2008 onwards meant that deferred tax assets and liabilities needed to be revalued. This resulted in an exceptional non-cash tax expense of € 10.2 million, which caused the effective tax ratio to go up temporarily.

Net profit after tax and minority interests reached € 111.3 million in the reporting period – an increase of € 14.2 million or 14.6 % year on year. The increase in minority interests is primarily due to the outstanding performance of companies with minority shareholders such as the Container Terminal Altenwerder and METRANS Group.

Return on capital employed (ROCE) picked up in 2007 by 3.0 percentage points to 27.4 %, as the improvement in EBIT outpaced the increase in committed capital. This means that the value-based management indicator for the HHLA Group remains well above the target threshold of 20 %. More information on ROCE can be found in the section “Company and value management”.

## HHLA CONTAINER SEGMENT

Despite restrictions due to the ongoing expansion programmes, there were further increases in handling volumes at the HHLA container terminals in the Port of Hamburg and in Odessa in 2007. The volume of 7,229 TTEU represented year-on-year growth of over 11.7 % (2006: 6,469 TTEU).

At the HHLA container terminals in Hamburg, volumes went up by 10.5 % to 6,698 TTEU as expected, in line with increased capacity (2006: 6,062 TTEU). Extension work

at the Container Terminal Altenwerder and the initiation of conversion work to increase productivity at the Container Terminal Burchardkai and the Container Terminal Tollerort enabled handling capacities to be increased to cover a large part if not all of the rapid rise in demand. The terminals continued to benefit from the continued expansion of traffic from the Far East and Eastern Europe. Exceptionally vigorous growth was recorded at the HHLA Container Terminal Odessa. For the first time, more than half a million standard containers were processed, representing year-on-year growth of 30 %, despite ongoing extension work.

These positive developments in volumes and an improved revenue quality meant that the Container segment was able to increase its revenues by 17.4 % compared to the previous year, posting revenues of € 692.6 million. The earnings indicators EBITDA and EBIT also showed considerable improvement over the previous year, coming in at € 317.1 (+29,6 %) and € 247.8 million (+33,6 %) respectively. The reasons behind this performance include the trend towards larger ships and the further increase in average container volumes per ship, productivity gains, economies of scale due to operating the terminals at higher capacity, and a higher-quality service mix. Adjustments to the quay tariffs intended to shorten container standing times at the terminals (reduction in the number of free days, changes in warehousing fees) also led to higher warehousing fees in the introductory period in 2007.

As demand for handling services is still increasing rapidly, the expansion programme forged ahead to create more warehousing capacity and handling throughput at the HHLA container terminals. This included starting work on extending the station terminal at the Container Terminal Tollerort. Further progress was also achieved in utilizing capacity at the terminals by extending operating times for vehicle and railway processing, primarily at night and on the weekends. Investments in process improvements and expanding and updating the IT systems also enabled better service delivery.

## HHLA INTERMODAL SEGMENT

The seaport–hinterland traffic which is pooled in the Intermodal segment benefited from the continued dynamic development of container handling volumes in 2007. Trans-

port volumes went up by 8.3 % to 1,651 TTEU (2006: 1,525 TTEU). Bottlenecks in infrastructure and transport processing meant that the operating environment was difficult, however, and this was exacerbated by the German engine drivers' strike in late 2007. Nevertheless, increased volumes caused revenues to rise by 17.7 % to € 331.9 million and led to even greater growth in EBITDA and EBIT, which totalled € 47.8 million (+ 32.4 %) and € 37.3 million (+ 34.7 %) respectively. Earnings growth was generated primarily by an active price policy, further productivity gains, and higher load factors for trains and facilities – sometimes up to the limits of capacity.

Traffic with Eastern Europe developed particularly strongly. The railway subsidiaries POLZUG (Poland and CIS) and METRANS (Czech Republic, Slovakia and Hungary) increased their transport volumes by some 20 % each. METRANS was able to expand its services considerably by continually developing capacities at the terminals and investing in its own rail waggon fleet. POLZUG benefited particularly from investment by Asian consumer goods manufacturers in Poland and the demand this generated for container transport by rail on trans-European routes.

Tough competition in the Baltic Sea feeder market meant that the volume and results of the Baltic transports organized by the combisped Group were below expectations. Improvements in earnings quality from chartering cheaper types of vessel were unable to make up for declining load factors in the reporting period.

Transfracht increased the frequency of its services for hinterland transport in the German-speaking region in 2007 and established new connections to Switzerland. CTD was able to report growth in local and long-distance road transport and since spring 2007 has also been operating from a new office in Bremen.

#### HHLA LOGISTICS SEGMENT

The Logistics segment developed well again in 2007, with revenue growth of 3.8 % to € 118.6 million. Although business developments of HHLA Rhenus Logistics failed to live up to our expectations, the earnings indicators EBITDA and EBIT improved again by 9.5 % and 6.2 % respectively at segment

level. EBITDA therefore totalled € 17,3 million and EBIT came in at € 12,7 million. This earnings performance was driven largely by the specialist handling group, which posted EBIT growth of over 30 % and ran at full capacity.

The companies operating at the multifunctional terminal O'Swaldkai were also able to increase volumes and revenues. The rise was due to higher tonnage, optimization in operating procedures with significant productivity gains, economies of scale and improvements in earnings quality. This meant that handling in the fruit and refrigeration center exceeded the million tonnes marker, reaching 1.03 million tonnes (+ 4.7 %).

Thanks to its cooperation with the Italian shipping company Grimaldi which began on 1 January 2007, UNIKAI Lagerei- und Speditionsgesellschaft mbH (vehicle logistics) was able to further develop its market position in vehicle loading. The number of vehicles rose by 9.5 % to 142,000. By continuing the modernization programme for the O'Swaldkai Terminal and the successful steps to cut costs and increase productivity, the company prepared the way for further revenue and earnings growth.

Hansaport again reported new records for handling volumes, revenues and earnings in 2007. Volumes of ore and coal went up by 8 % year on year and set a new record of 15 million tonnes. Even stronger earnings growth was due to higher volumes and, above all, to increased productivity at constant staff numbers.

The consultancy business also continued its profitable growth in 2007, with double-digit expansion in its earnings contribution.

#### HHLA REAL ESTATE SEGMENT

The Hamburg real estate market continued to perform well in 2007, as reflected in turnover of 585,800 sq m and a low vacancy rate of 7.2 %, according to data from Jones Lang LaSalle. This gives Hamburg the lowest vacancy rate of the five main property centers in Germany.

In 2007, the port area from the historical warehouse district to the Northern banks of the Elbe again proved to be one of the most attractive sub-segments for office space in Hamburg. Given this positive operating environment, the HHLA Real Estate segment was able to achieve new letting



figures well above last year's, especially for new developments in the warehouse district. Revenue went up by 13.7 % from € 27.1 million to € 30.8 million, principally due to the letting of 20,000 sq m in Warehouse P for the full year.

Fischmarkt Hamburg Altona GmbH also reported earnings growth due to positive performance in letting commercial space, particularly in the Elbkaihaus, which is now fully let.

Due to non-recognizable expenses specific to particular properties for providing additional space and exceptional income in the previous year from the sale of a property at the historical fish market, EBITDA declined by € 1.3 million to € 14.1 million. Segment EBIT dropped from € 13.8 million in the previous year to € 10.3 million. Adjusted for the exceptional income in the previous year, earnings went up by € 1.0 million or 10.4 % year on year.

## FINANCIAL POSITION

### PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

HHLA's financing activities are aimed at ensuring the long-term financial stability and flexibility of the Group. Financing future capital expenditure is a particularly important aspect of this.

A series of measures to increase shareholders' equity over recent years culminated in 2007 with the company's stock market flotation. As of 31 December 2007 the Group equity ratio was 38.4 % (previous year: 21.6 %). This meant that the equity ratio was on target at above 30 % in the reporting year.

The HHLA Group manages its financing centrally. Group clearing enables the best possible use of resources, optimizes net interest and reduces dependence on external sources of funding.

For its funding, HHLA mainly uses medium and long-term loans as well as finance leases. As of 31 December 2007, bank debt amounted to € 286.3 million (previous year: € 320.0 million) and finance lease liabilities to € 21.8 million (previous year: € 24.6 million).

With expenditure of € 194.8 million for investments, the Group drew on external financing totalling € 82.5 million in the reporting year. Finance leases were only utilized to a limited extent. The Group made unscheduled repayments of approx. € 21.4 million on loans (previous year: € 0).

With the exception of the operating leases discussed in Note 39 to the consolidated financial statements, there are no significant off-balance sheet financial instruments. The leases relate primarily to long-term agreements with the Free and Hanseatic City of Hamburg and the Hamburg Port Authority for letting land and quay walls in the Port of Hamburg and the historical warehouse district.

Due to the Group's current financial situation, lines of credit are not of great importance. At the balance sheet date, the Group had unused lines of credit amounting to some € 10 million. In HHLA's opinion, higher credit facilities could be arranged at any time if medium-term liquidity planning were to reveal a need.

Of total cash and cash equivalents of € 212.8 million, € 6.3 million were subject to restrictions in the Ukraine on the transfer of currency abroad as at the balance sheet date.

As HHLA also has access to a wide range of borrowing opportunities outside the capital market, the company does not currently see the need for an external rating. Instead we ensure that existing and potential creditors can arrive at appropriate internal credit ratings by providing them with extensive information.

### CASH FLOW STATEMENT

Net cash from operating activities rose in the financial year 2007 by 23.5 % to € 246.7 million, largely as a result of the

## Cash flow statement

IN MILLION EUROS

	1-12   2007	1-12   2006
Cash and cash equivalents on 01.01.	36.5	105.1
Cash flow from operating activities	246.7	199.7
Cash flow from investing activities	- 174.7	- 248.9
- of which expenditure on investment in property, plant and equipment, investment properties and intangible assets	- 192.3	- 169.7
- of which proceeds on disposals of property, plant and equipment, non-current assets and the sale of companies and equity investments	23.5	10.8
- of which expenditure for acquiring interests in consolidated companies and other expenditure	- 5.9	- 90.0
Free cash flow	72.0	- 49.2
Cash flow from financing activities	131.9	- 19.7
Change in net cash	203.9	- 68.9
Change in net cash due to exchange differences	0.4	0.3
Cash and cash equivalents on 31.12.	240.8	36.5
- of which receivables from HGV from cash clearing	28.3	14.4
- of which liquid funds minus liabilities on current accounts	212.5	22.1

excellent earnings performance. Net cash used for investing activities in 2007 amounted to € 174.7 million in the same period. This includes expenditure for investments in property, plant and equipment, investment properties and intangible assets totalling € 194.8 million, and other outpayments of € 3.4 million. This was offset by total payments of € 23.5 million received from the sale of property, plant and equipment, non-current assets, and the disposal of companies and operations. Adjusted for payments for company acquisitions and disposals, net cash of € 185.0 million was spent on investing activities. The figure was therefore above the comparable amount for the previous year (€ 161.3 million).

In line with the development of cash flow from investing activities, the free cash flow – the total cash flow from operating and investing activities – went up significantly to € 72.0 million.

Despite paying an HHLA dividend of € 15 million, the cash flow from financing activities increased to € 131.9 million, principally due to the issue proceeds from the stock

flotation. Cash and cash equivalents, which also include the credit balance from cash clearing with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH on the balance sheet date, amounted to € 240.8 million as of 31 December 2007.

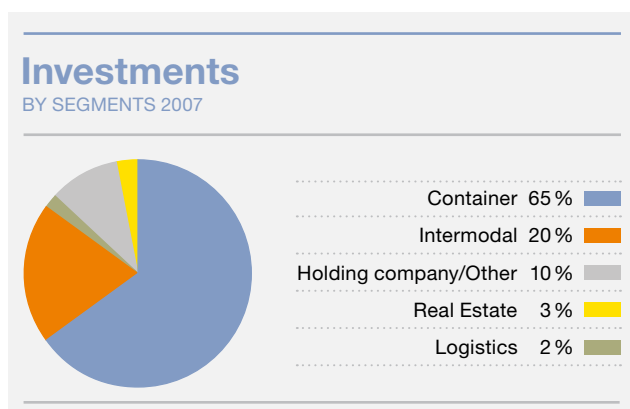
### CAPITAL EXPENDITURE

In the reporting year, 194.8 million<sup>1</sup> (previous year: € 205.2 million) was spent on property, plant and equipment, investment properties and intangible assets. The HHLA Container segment accounted for the largest share of Group capital expenditure at € 126.5 million.

To further increase handling capacity, a new berth for five twin-gantry cranes is being built at the Container Terminal Burchardkai and several stacking cranes for automatic block warehouses are being installed. Further progress was also made on developing logistics software.

The expansion of the Container Terminal Altenwerder also continued as scheduled in 2007. Major elements

<sup>1</sup> Real estate transferred to the Group as part of the acquisition of consolidated companies (2007: € 2.5 million) is not reported in the cash flow statement as expenditure on investment in property, plant and equipment and investment properties.



of the third construction phase were completed, as was an additional office building with some 5,000 sq m of usable space. The Container Terminal Altenwerder also took delivery of and began operations with a new container gantry crane.

Track was moved and three rail cranes were installed as part of the expansion of the railway terminal at the Container Terminal Tollerort. Work also started on extending handling areas and constructing operating and workshop facilities including a car park.

At the HHLA Container Terminal Odessa, a third gantry crane and two new warehouse cranes went into service.

In the HHLA Intermodal segment, capital expenditure was highest at the METRANS Group. Investments included new handling equipment and additional rail wagons.

Capital expenditure in the Real Estate segment was mainly for the conversion and refurbishment of several warehouse blocks which are being adapted for use as office space, cafés and restaurants, and retail.

Cash flow from operating activities was sufficient to cover total capital expenditure in 2007.

These investments are part of an expansion programme to extend handling capacity in the Container segment at the Port of Hamburg to some 12 million TEU per year in successive phases up to 2012. The focus is on productivity gains in existing terminal areas by means of the latest container handling technology. Also planned are the development of high-performance hinterland connections, the expansion of logistics activities and additional real estate developments.

## ACQUISITIONS AND DISPOSALS OF COMPANIES

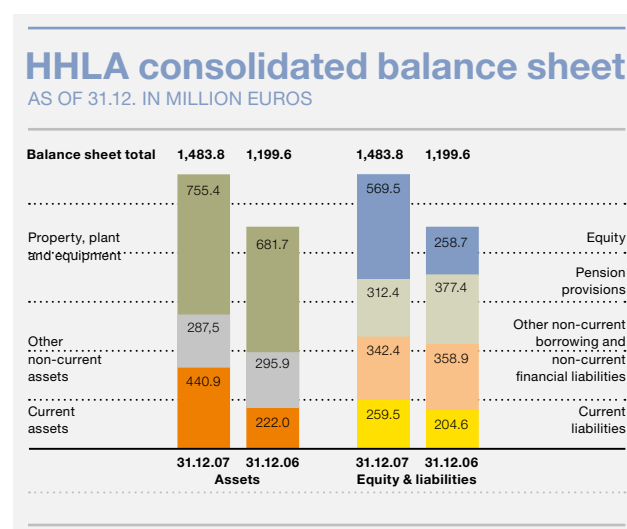
METRANS a.s. bought back own shares for € 1.2 million due to a change in the shareholder structure. HHLA's equity interest in METRANS a.s. went up from 50.09 % to 51.05 %.

In 2007, METRANS a.s. bought UMSP Property a.s. in Prague for the equivalent of € 1.6 million in order to gain more space. The company was included in the HHLA group of consolidated companies.

As of 1 January 2007, Grimaldi Compagnia di Navigazione SpA took an equity stake of 49 % in UNIKAI Lager- und Speditionsgesellschaft mbH. In addition to paying the purchase price of € 12.5 million, Grimaldi undertook to pay T€ 500 into the capital reserve.

## CONSOLIDATED BALANCE SHEET

As of 31 December 2007 HHLA's consolidated balance sheet total was € 284.2 million higher than at year-end 2006 at € 1,483.8 million. Non-current assets were above the comparable figures for 31 December 2006 at € 1,042.9 million. This was due to continued capital expenditure on property, plant and equipment and investment properties. Depreciation and amortization had the opposite effect, as did adjustments to deferred taxes in the wake of the corporation tax reform taking effect from 2008 and the use of tax losses carried forward.



The issuing proceeds from stock market flotation prompted an increase in cash and cash equivalents which, together with the revenue-driven growth in trade receivables, took current assets up to a total of € 440.9 million.

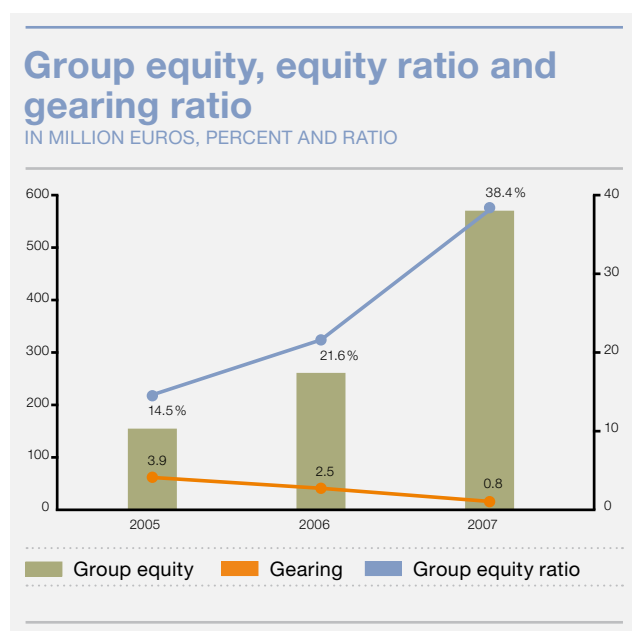
Shareholders' equity rose by € 310.8 million to € 569.5 million compared to year-end 2006. This was largely the result of net profit of € 152.0 million for the reporting period and the equity increases of € 123.2 million from the stock flotation and the sale of a minority stake to the Italian shipping company Grimaldi. Group equity also includes actuarial gains from raising the discount rate used to calculate pension provisions. Equity was reduced by the deferred taxes recognized without effect on profit and loss as a result and the distribution of a dividend of € 15 million. Overall the equity ratio improved by 16.8 percentage points to 38.4 % (previous year: 21.6 %).

Non-current liabilities dropped to € 654.8 million as at the balance sheet date. As interest rates went up towards the end of 2007 – largely due to the American financial crisis – the discount rate used to calculate the present value of pension provisions was raised to 5.25 % (previous year: 4.25 %). The effect of this actuarial change was to reduce pension provisions by € 65.0 million to € 312.4 million as of the balance sheet date. Other non-current

provisions primarily consisted of reserves for demolition obligations and other non-current staff provisions for obligations such as phased early retirement entitlements. Other non-current financial liabilities went down from € 358.9 million to € 342.4 million, principally as a result of debt repayment. The increase in other liabilities for operational reasons meant that current liabilities rose to € 259.5 million. This includes provisions for anticipated rental increases and staff provisions.

Gearing – the ratio of net financial borrowing and pension provisions to Group equity – declined as of 31 December 2007 to 0.8. This was due to a significant increase in equity, the repayment of debt and adjustments to pension provisions from the higher discount rate.

At the time the Management Report was prepared there were no significant changes in the Group's financial position.





# REMUNERATION REPORT

## EXECUTIVE BOARD REMUNERATION

In accordance with Sec. 11 para. 2 of the Hamburger Hafen und Logistik AG (HHLA) company articles, the Supervisory Board is responsible for signing and terminating service contracts with members of the Executive Board. The Supervisory Board has transferred responsibility for amendments to service contracts in particular to a Personnel Committee. This committee discusses and reviews the structure of the Executive Board's remuneration system on a regular basis. When conducting such reviews, the Personnel Committee considers HHLA's size and area of operations, its financial position and the amount and structure of Executive Board remuneration in comparable companies.

The remuneration for the Executive Board members is made up of a performance-unrelated basic annual salary, a performance-related bonus and other benefits (primarily the use of a company car). The amount of the bonus depends on the consolidated net profit before tax and minority interests, adjusted for additions to retirement benefit provisions and any extraordinary income from the disposal of companies and land. The bonus may not exceed a certain fixed amount per financial year.

The current remuneration structure does not include any components which act as long-term incentives.

In addition to this, each Executive Board member is entitled to a pension. Pensions are paid to former Executive Board members either after five or eight years' work on the Executive Board, or if they leave the Board for reasons unrelated to the Board member, or as a result of incapacity or due to reaching retirement age. Pensions consist of a percentage of the entitlement salary, which is based on the annual basic salary. The percentage is between 35 % and 50 %.

Surviving married partners of Executive Board members receive a widow(er)'s pension of 60 % of the pension entitlement.

Should the pension entitlement be suspended or no longer exist on leaving the Executive Board, transitional pay will apply for a limited period based on the annual basic salary. These provisions are not included in all Executive Board members' service contracts.

If the service contracts include a change of control clause, Executive Board members will receive their financial entitlement for the remaining duration of their contract, discounted by 2 % p.a. and discharged in a one-off payment.

## Individual remuneration of Executive Board members for 2007

IN EUROS

	Performance-unrelated payments		Performance-related components	Total remuneration
	Basic salary	Supplementary payments		
Klaus-Dieter Peters	325,000.00	11,499.84	401,453.79	737,953.63
Dr. Stefan Behn	225,000.00	6,176.44	301,453.79	532,630.23
Gerd Drossel	225,000.00	28,359.60	301,453.79	554,813.39
Rolf Fritsch	225,000.00	25,155.00	301,453.79	551,608.79
Dr. Roland Lappin	225,000.00	6,240.00	301,453.79	532,693.79
<b>Total</b>	<b>1,225,000.00</b>	<b>77,430.88</b>	<b>1,607,268.95</b>	<b>2,909,699.83</b>

This does not affect their pension entitlements. Mr Fritsch's service contract does not contain this clause.

The members of the Executive Board received total remuneration of € 2.9 million for their work in 2007.

The change in DBO is primarily due to an increase in the assumed interest rate to 5.25 % and an adjustment in the expected dynamization.

Actuarial gains of € 7.9 million were recorded in equity with no effect on profit and loss.

Former members of the Executive Board and their surviving dependents received total payments of € 510,186.86. Total provisions of € 6,911,526.00 have been made for pension obligations to former members of the Executive Board and their surviving dependents.

creases by 35 % if dividends are paid out to the holders of Class A shares for the financial year in question.

Supervisory Board members who belong to a committee receive an additional T€ 2.5 per committee per year while the Chairman of the committee receives T€ 5.0. However, the total may not exceed T€ 10.0.

Furthermore, Supervisory Board members receive a meeting attendance fee of € 250.00 per meeting of the Supervisory Board or one of its committees.

For the period from 1 January 2007 to 1 November 2007, each Supervisory Board member received a meeting attendance fee of € 80.00.

Total remuneration of € 46,197.90 was paid to the Supervisory Board.

## Pension entitlements

AS OF 31.12.2007 IN EUROS

	Change in pension provisions under IAS 19
Klaus-Dieter Peters	- 1,402,488.00
Dr. Stefan Behn	- 1,324,113.00
Gerd Drossel	- 2,237,992.00
Rolf Fritsch	- 1,249,576.00
Dr. Roland Lappin	- 1,680,577.00
<b>Total</b>	<b>- 7,894,746.00</b>

## SUPERVISORY BOARD REMUNERATION

In accordance with Sec. 16 of HHLA's company articles, Supervisory Board members are remunerated as resolved by the Annual General Meeting. This remuneration is based on the scope of the Supervisory Board members' activities and the company's financial position and success. This remuneration has been revised with effect as of 2 November 2007.

The members of the Supervisory Board receive fixed remuneration of T€ 10.0 per financial year. The Chairman receives three times this amount and the Vice Chairman receives twice the standard figure. This remuneration in-

## Individual remuneration of Supervisory Board members for 2007

IN EUROS

	Fixed remuneration	Variable remuneration	Remuneration for committee work	Meeting fee	Total
Prof. Dr. Peer Witten	5,000.00	1,750.00	833.33	–	7,583.33
Dr. Peter von Foerster	–	–	–	190.40	190.40
Gunther Bonz	1,666.67	583.33	416.67	160.00	2,826.67
Dr. Bernd Egert	1,666.67	583.33	416.67	80.00	2,746.67
Harald Erven	–	–	–	80.00	80.00
Rolf Kirchfeld	1,666.67	583.33	–	755.00	3,005.00
Jörg Klauke	1,666.67	583.33	416.67	750.00	3,416.67
Dr. Rainer Klemmt-Nissen	1,666.67	583.33	833.33	160.00	3,243.33
Dr. Johannes Ludewig	–	–	–	–	–
Thomas Lütje	1,666.67	583.33	–	830.00	3,080.00
Thomas Mendrzik	1,666.67	583.33	–	500.00	2,750.00
Arno Münster	1,666.67	583.33	833.33	750.00	3,833.33
Wolfgang Rose	3,333.33	1,166.67	–	1,052.50	5,552.50
Uwe Schröder	1,666.67	583.33	833.33	910.00	3,993.33
Walter Stork	1,666.67	583.33	416.67	910.00	3,576.67
Fred Timm	–	–	–	160.00	160.00
Manfred Wilkens	–	–	–	160.00	160.00
<b>Gesamt</b>	<b>25,000.00</b>	<b>8,750.00</b>	<b>5,000.00</b>	<b>7,447.90</b>	<b>46,197.90</b>

## ADDITIONAL INFORMATION

IN ACCORDANCE WITH SEC. 289 PARA. 4 AND SEC. 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY NOTES BY THE EXECUTIVE BOARD

1. The company's subscribed capital is € 72,625,000, divided into 72,625,000 shares; of which 69,920,500 are Class A shares and 2,704,500 are Class S shares (share classes). The Class S shares only represent a shareholding in the net profit/loss and net assets of the S division, and the Class A shares only represent a shareholding in the net

profit/loss and net assets of the remainder of the company (A division). That part of the company which deals with the acquisition, holding, selling, letting, management and development of properties not specific to port handling is known as the S division. All other parts of the company (sub-group Port Logistics) are known as the A division. The

dividend entitlement of holders of Class S shares is based on the portion of the net profit attributable to the S division and the dividend entitlement of holders of Class A shares is based on the remaining portion of net profit (company articles, Sec. 4 para. 1). Each share entitles the holder to one vote at the General Meeting (company articles, Sec. 20 para. 1) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG). If the statutory laws require a special resolution to be taken by holders of a given class of shares, only the holders of this class of shares are entitled to vote.

**2.** In the course of the company's stock market flotation, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV), a wholly owned subsidiary of the Free and Hanseatic City of Hamburg, and HHLA-Beteiligungsgesellschaft mbH, Hamburg (HHLA-BG), a wholly owned subsidiary of HGV, pledged to the accompanying bank consortiums not to sell any of the company's shares or otherwise dispose of HHLA shares or financial instruments linked to company shares within 18 months of the stock being listed on the Frankfurt Stock Exchange without the prior approval of the consortium banks. To the knowledge of the Executive Board there are no further restrictions on voting rights or the transfer of shares, including any such from agreements between shareholders.

**3.** As stated in the voting rights notification issued as per Sec. 21 para. 1 of the Securities Trading Act (WpHG) by the Free and Hanseatic City of Hamburg, HGV, and HHLA-BG, dated 6 November 2007 and 4 January 2008, HGV and the Free and Hanseatic City of Hamburg respectively currently hold 69.71 % of the voting rights in the company and HHLA-BG holds 18.89 % of the voting rights. The voting rights held by HGV and HHLA-BG are each attributed to the Free and Hanseatic City of Hamburg under Sec. 22 para. 1, sentence 1 no. 1, sentence 3 of the Securities Trading Act (WpHG); the voting rights held by HHLA-BG are attributed to HGV pursuant to Sec. 22 para. 1 sentence 1 no. 1 of the Securities Trading Act.

**4.** There are no shares with special rights granting powers of control.

**5.** There exists no control of voting rights with respect to employees holding shares.

**6.** Members of the Executive Board are appointed and dismissed in accordance with Sec. 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Sec. 31 of the Co-Determination Act (MitbestG) and Sec. 8 of the company articles. These stipulate that the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. In accordance with Sec. 31 of the Co-Determination Act (MitbestG), it decides by a 2/3 majority of its members. If this majority is not reached, the Arbitration Committee has one month following the vote by the Supervisory Board to make a proposal for the appointment. Other proposals may also be made to the Supervisory Board in addition to the proposal by the Arbitration Committee. A simple majority is sufficient for voting on the proposals made to the Supervisory Board. In the event that voting is tied, the Chairman of the Supervisory Board has two votes in a second round of voting in accordance with Sec. 31 para. 4 of the Co-Determination Act (MitbestG).

Amendments to the company articles can be made by means of a resolution of the General Meeting. Any such amendment becomes effective when it is recorded in the Company Register. In line with Sec. 179 and 133 of the German Stock Corporation Act (AktG) and Sec. 22 of the company articles, a simple majority of the votes cast at the General Meeting is sufficient for amendments to the company articles. If a capital majority is necessary in addition to the majority of votes, a simple majority of the share capital present when the resolution is passed is adequate. Exceptions to this rule are amendments to the company articles for which the law mandatorily requires a larger majority. In accordance with Sec. 11 para. 4 of the company articles, the Supervisory Board is authorized to make amendments to the company articles which relate only to their edition. If an amendment to the company articles would change the relationship between Class A and Class S shares, respective special resolutions by the Class A and Class S shareholders affected are required as per Sec. 138 of the German Stock Corporation Act (AktG).



**7. A)** Subject to the approval of the Supervisory Board, the Executive Board is authorized under Sec. 3 para. 4 of the company articles to increase the company's share capital until 1 September 2012 by issuing up to 33,797,750 new registered Class A shares for subscription in cash and/or in kind in one or more steps by up to € 33,979,750.00 (authorized capital 1). The statutory subscription rights of holders of Class S shares are excluded. The Executive Board is further authorized to exclude the statutory subscription rights of holders of Class A shares,

**AA)** if the capital increase is by subscription in cash and does not exceed 10 % of that proportion of the share capital attributable to Class A shares,

**BB)** if it increases the share capital for the purpose of acquiring companies, equity stakes in companies, parts of companies, intellectual property rights such as patents, trademarks or licences to use them or other product rights by subscription in kind,

**CC)** as necessary for equalizing fractional amounts or

**DD)** in order to offer the new shares for sale to employees of the company and its subsidiaries (employee shares).

**B)** Subject to the approval of the Supervisory Board, the Executive Board is also authorized under Sec. 3 para. 5 of the company articles to increase the company's share capital until 1 September 2012 by issuing up to 1,352,250 new registered Class S shares by subscription in cash and/or in kind in one or more steps by up to € 1,352,250.00 (authorized capital II). The statutory subscription rights of holders of Class A shares are excluded. Subject to the Supervisory Board's approval, the Executive Board is also authorized to exclude the statutory subscription rights of holders of Class S shares as necessary to equalize fractional amounts.

**C)** The company's General Meeting held on 24 September 2007 authorized the Executive Board under Sec. 71 para. 1 no. 8 of the German Stock Corporation Act (AktG) from the end of the day on which the General Meeting was held

until 23 March 2009 to acquire via the stock exchange or a public offer, in whole or in part, in one or more steps, company Class A shares of up to 10 % of the current share capital relating to Class A shares for purposes other than trading in its own shares.

Together with other Class A shares held by the company or attributable to it under Sec. 71a et seq of the German Stock Corporation Act (AktG), the shares acquired may not at any time constitute more than 10 % of the company's share capital relating to Class A shares. At the discretion of the Executive Board the purchase can be made via the stock exchange or by means of a public purchase offer made to all shareholders. If the Class A shares are acquired via the stock exchange the amount paid by the company per Class A share (without incidental costs of purchase) may not be more than 5 % above or below the average market price for the company's Class A shares in the Xetra final auction (or a similar successor system) at the Frankfurt Stock Exchange on the last five trading days before the purchase. If the purchase is made by means of a public offer to all shareholders it is permissible if the price offered per Class A share (without incidental costs of purchase) is not more than 20 % above or below the average market price for the company's Class A shares in the Xetra final auction (or a similar successor system) at the Frankfurt Stock Exchange on the last ten trading days before publication of the decision to make the purchase offer. The volume of the offer may be restricted. If total acceptance of the offer exceeds this amount, acceptance must be pro rata. The priority purchase of smaller quantities of up to 100 Class A shares per shareholder may be admitted, and any possible rights of other shareholders to sell their Class A shares restricted accordingly.

On 24 September 2007 the General Meeting also authorized the Executive Board, subject to the approval of the Supervisory Board, to resell Class A shares purchased under the authorization to acquire the company's own Class A shares, ruling out other shareholders' subscription rights in full or in part, by means other than via the stock exchange or by an offer to all shareholders; to the extent that (i) these Class A shares are sold at a price not significantly below the market price of company shares of the same class at the time of the sale. In this case the number of shares to be

sold, together with new shares issued under Sec. 186 para. 3 sentence 4 of the German Stock Corporation Act (AktG) since this authorization came into effect, ruling out subscription rights, must not exceed 10 % of the company's share capital in the form of Class A shares at the time this authorization comes into effect and is exercised, or (ii) if the shares are given as consideration or partial consideration to third parties in the course of mergers with other companies or to acquire companies, equity stakes or parts of companies.

On 24 September 2007 the General Meeting also authorized the Executive Board, subject to the approval of the Supervisory Board, to redeem Class A shares acquired under the authorization to purchase company Class A shares in full or in part, without requiring a further resolution of the General Meeting on the withdrawal or its implementation. Subject to the approval of the Supervisory Board, the Executive Board may also reduce the amount of share capital by the amount of the shares redeemed and amend the number of Class A shares as stated in the company articles accordingly.

**D)** Under Sec. 6 of the company articles and Sec. 237 para. 1 of the German Stock Corporation Act (AktG), the company is authorized to mandatorily redeem Class A or S shares against payment of appropriate compensation, if the shareholders whose shares are to be redeemed have given their consent.

**8.** HHLA and Hapag-Lloyd AG have concluded a cooperation agreement which contains provisions for the joint operation of the HHLA Container Terminal Altenwerder. If HHLA's shareholder structure should change significantly and thereby impinges on Hapag-Lloyd AG's interests in container handling, Hapag-Lloyd AG is entitled to require HHLA to acquire the shares in the Container Terminal Altenwerder companies. HHLA is in turn entitled to purchase these shares from Hapag-Lloyd AG if the Hapag-Lloyd Group sells a majority stake in its container business or ceases to operate it to a relevant extent.

**9.** The contracts of employment with the Executive Board members Klaus-Dieter Peters, Dr. Roland Lappin, Gerd Drossel and Dr. Stefan Behn include clauses which provide

for a payment to the respective Executive Board members in the event that their employment contracts are terminated prematurely due to a change in the majorities of the shareholder structure. The amount to be paid is the remaining remuneration for the residual term of their contract of employment, payable in one lump sum. The future entitlement to payment of a bonus is included when calculating this severance payment, based on the average annual net profit for the preceding three full financial years. If an Executive Board member earns additional income in the period up to the original end of his contract of employment, this income is set off against the severance payment up to a certain amount.

The provisions described above are in line with legal requirements and reflect standard practice at comparable listed companies. They are not intended to complicate any attempted takeovers.

# RISK REPORT

## RISKS AND OPPORTUNITIES

HHLA's risk management system fosters greater awareness of dealing with business risks. It aims to identify risks in a timely manner and take steps to manage or avoid them, thereby averting risks which could jeopardize the existence of the HHLA Group.

By risks in this sense HHLA means the possibility of negative developments in the economic situation of the HHLA Group and its individual companies. Only major risks which threaten the existence of the HHLA Group or its individual companies are relevant for risk management.

To enable risks to be dealt with, the risk management system includes the necessary organizational rules and procedures for identifying risks in advance and dealing actively with the risks and rewards inherent to all entrepreneurial activity. To do so, HHLA has created a methodical system which covers all business operations and is based on principles of risk management established by the Executive Board. Risk management is carried out according to systematic principles and is subject to a continual improvement process. The main elements of the risk management and risk reporting systems are binding for all companies majoritarily owned by the HHLA Group.

The main elements of the risk management system were determined in close cooperation between the Executive Board, Internal Audit and Group Controlling departments and clearly delegate responsibility for the early identification, management and communication of risks, unambiguous definitions for risk categories and risk areas, uniform reporting routines and risk management principles. One major component was to recognize the importance of promoting entrepreneurial thinking and independent action.

The main risks are measured and catalogued regularly in the course of the annual planning process. The individual Group companies are initially examined for relevant risks for their segment. The risks are to be quantified if reliable, acknowledged methods are avail-

able for the purpose and it makes economic sense to do so. The results must also be relevant for decisions on risk assessment.

The system testing for the risk management system is then carried out by the Internal Audit department.

## RISK ITEMS

The risk inventory 2007 identified strategic risks, market risks, financial risks, staff risks, IT risks and other risks.

## STRATEGIC RISKS

Due to the continued growth in container traffic and HHLA handling figures, strategic risks for HHLA's future development come from the required expansion of regional transport infrastructure in the Port of Hamburg and its hinterland.

A global trend towards ever larger container ships has been evident in recent years. To ensure that HHLA and Hamburg as a port location remain competitive in future, it is vital that the shipping channel in the Elbe is dredged to allow for a salt water draught of 13.5 m throughout and 14.5 m depending on the tide. On 12 September 2006 the process of granting planning permission for the extension to the shipping channel was started. The current status is that initial work on the Elbe can only begin in 2009, so that dredging of the shipping channel will not be finished before 2010. There are considerable risks to further potential growth if the project is delayed any further.

The regional road traffic and rail infrastructure in Hamburg's hinterland must also be modernized and extended to allow for the expected growth in inbound and outbound goods flows. In the Port of Hamburg the transversal port motorway (A 252) and much-needed improvements to the port railway link are particularly urgent. HHLA is confident that the political decision makers will continue to press for these infrastructure projects to be completed.

## MARKET RISKS

HHLA works with almost all the global shipping companies in container traffic. For some years now, the industry has been undergoing a process of consolidation. Mergers and alliances between terminal operators as well as between terminal operators and shipping companies may result in even greater competition in the North Range.

This means that significant market risks to HHLA's future development result from further potential consolidation amongst and between container shipping and terminal operating companies. We monitor the effects of any such market concentration on consortia, services and volumes very intently, but cannot make any detailed forecasts at present. Basically, further consolidation would increase the market power of the remaining shipping consortia and companies, and/or lead to changes in volumes and price structures between ports. On the other hand, the larger the shipping consortia/companies become, the more difficult it is for them to switch container terminals.

Within the Hamburg-Antwerp Range all terminal operators are planning to increase their handling capacities in good time as a result of the growth in container shipping. This may result in temporary surpluses of handling capacities at container terminals. Any such surplus can lead to even greater price competition, particularly if the forecast growth rates for the volume of container traffic in the Hamburg-Antwerp Range do not materialize. HHLA's strategy is therefore to adapt its investment plans for expanding the container terminals as flexibly as possible to foreseeable demand.

In the Intermodal segment, as in the Container segment, additional capacities must be created for inbound and outbound goods flows. Here too, capacities are being increased in line with demand and in competition with other providers. This may lead to underutilized capacities. Generally speaking, the risk with underutilized capacity is that negative variations in earnings cannot be fully compensated due to insufficient flexibility on the cost side. HHLA counteracts this risk by diversifying its customer base and concluding medium-term contracts with varying durations. For this reason, procurement contracts for rail

services contain flexible components which allow us to react to market fluctuations and seasonal variations. On the sales side, we counteract the risk of underutilized capacities by concluding service agreements which stipulate set volumes, for example.

In the Intermodal segment services are purchased from railway operating companies, whose supply policies are generally dictated by their monopoly status. The risks here relate to the price and volume range of purchased services. To limit the risks, the Intermodal companies maintain regular contact to the public railway operators, which are partly linked to HHLA's own shareholders. The Intermodal companies are taking specific precautionary measures to reinforce customer loyalty and develop unique selling propositions.

## FINANCIAL RISKS

### LIQUIDITY RISKS

One of HHLA's core goals is to continue to improve Group funding and to limit financial risk. HHLA therefore provides centralized funding for the individual companies. Funding of the direct equity investments where HHLA exercises operational control, is ensured, managed and monitored by HHLA by means of cash pooling. Liquidity at other Group equity investments is ensured by including them in Group clearing, arranging separate lines of credit or giving them access to those of HHLA.

HHLA ensures that Group companies have sufficient liquidity at all times with the help of medium-term liquidity planning, by diversifying the maturities of loans and finance leases, and by utilizing existing lines of credit and funding commitments.

### EXCHANGE RATE AND INTEREST RATE RISKS

In order to achieve our goal of reducing interest rate risk, and to a lesser extent exchange rate and commodity price risks, derivative financial instruments are used within the HHLA Group. Interest rate risks are therefore largely hedged by interest rate derivatives and by fixed interest rate agreements.



Exchange rate or transfer risks are only marginal and therefore do not require hedging. The reason for the low risk is that the majority of services are provided within the euro-zone and most of HHLA's services are therefore invoiced in euros. Only the Logistics and Intermodal segments are active internationally and even here invoicing mostly takes place in euros or based on euros.

#### DEFAULT RISKS

As the HHLA Group's customers are international, the Group must adapt its payments to global practice. The HHLA Group therefore gives credit to its customers in the course of its business relationships. However, HHLA only maintains customer relationships on a credit basis with recognized, creditworthy third parties. There are currently no significant default risks on receivables. The default risk in the case of derivative financial instruments is in theory that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments. The risk of default can be considered to be minimal, as the HHLA Group only conducts derivative financial transactions with counterparties with first-class ratings.

In summary, there are no significant financial risks from a current perspective.

#### STAFF RISKS

HHLA is exposed to staff risks resulting from the age distribution, qualification and fluctuation of its staff. Fraud is also always a risk.

In order to minimize risks, staff selection, recruitment and development is therefore carried out centrally by HHLA AG in coordination with the individual companies using standardized processes and procedures.

In competition for qualified staff, HHLA pays particular attention to vocational and professional training. The HHLA Group therefore has a systematic staff development policy, which begins with apprenticeships for those starting their career, continues with the HHLA training school and includes involvement with professional training institutions such as the Hamburger Aus-

bildungszentrum (HAZ). In recent years, careful selection and coaching has meant that all trainees could be taken on, redundancies have been avoided and the fluctuation rate has been kept low.

Anti-fraud measures include careful staff selection and systematic security procedures such as twin signatures for payments.

Following these activities, no particular staff risks have been identified for the HHLA Group as a whole.

#### IT RISKS

As part of expanding the capacity of the terminals, major investments in hardware and software are on the increase. Ever greater process automation, increasing integration of customers and service providers in organizational processes and the subsequent rise in data transfer mean that the availability of IT systems is ever more crucial. Redundant copies of central components, such as the reserve data center, and the incident management system in place substantially reduce the probability of such incidents occurring.

#### OTHER RISKS

All of the handling sites within the HHLA Group offer maximum protection to ships and port facilities against potential terrorist attacks. The requirements of the International Ship and Port Facility Security Code (ISPS Code) in effect since July 2004 are met in full.

Generally speaking, the European Union is looking to tighten security guidelines even further over the medium to long term. These measures would lead to additional costs which it may not be possible to recoup, or which cannot be passed on due to competition. HHLA makes its position clear by means of lobbying and public relations work.

Increases in rents are expected in the years ahead due to contractual step-up clauses in leases for quays and other areas.

In the course of expanding container terminal capacities, planning permission may only be granted subject to meeting additional conditions. These can relate

especially to environmental and emissions protection measures. There is also a general risk of further legal obligations if the project turns out to have any unforeseen negative consequences.

Due to the existing structural conditions and the fact that HHLA's port facilities and buildings operate close to water, an increased risk of storm flooding must be assumed. Flood protection work undertaken by HHLA and the Free and Hanseatic City of Hamburg in recent years has reduced this risk considerably, however. If this risk event should occur, comprehensive emergency programmes for public authorities and companies operating in the port are in place to minimize the potential damage. Anticipated third-party claims for damages to property are also insured.

The HHLA Group is currently active abroad via the container terminals it operates in Odessa, Ukraine, and its rail terminals in Poland and other countries in Central and Eastern Europe. The general environment in some parts of these countries is different to that in Western Europe, with little political, economic and legal stability. As a result, the HHLA Group is exposed to a number of factors which it cannot directly influence and which could have an effect on its business activities in these countries. In particular, it is impossible to guarantee that HHLA will be able to distribute any or all of the profits generated by the container terminal in Odessa, Ukraine.

Above and beyond the risks mentioned, no further significant risks have currently been identified or else are largely covered by insurance.

#### **OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS**

The HHLA Group's overall risk position is largely determined by strategic and market risks.

The continued positive development of handling figures at the container terminals in particular is in jeopardy without rapid dredging of the shipping channel in the Elbe. Other major risks stem from ongoing consolidation in the container shipping industry, possible handling overcapacities at the container terminals in the Hamburg-Antwerp Range and the danger of flood damage to the Group's own property.

The risks identified do not threaten the existence of the Group. For the future, seen from today's perspective, there are also no risks which could jeopardize the company's continued existence.

HHLA has instead used its extensive investment programme to create the conditions for taking advantage of the opportunities offered by the continuing dynamic growth in international container traffic.

Thanks to its favourable geographical location, the Port of Hamburg is the definitive international hub for sea and land-borne container transport in close proximity to the German North Sea coast and with excellent connections between the hinterland and the growing economies in Central and Eastern Europe and the Baltic states. If the planned expansion of the Elbe shipping channel is completed on time, this will add up to substantial growth potential for HHLA. The Intermodal segment will benefit disproportionately from continuing growth in container handling. The shift in container traffic from road to rail could be accelerated in future by new environmental policies.

In addition to the organic growth planned at HHLA container terminals, acquisition or investment opportunities may arise in the strategically important Baltic Sea area, the Northern Adriatic Sea or the Black Sea. HHLA has the situation under permanent review.

HHLA can also benefit in future from reinforcing the Logistics segment. Strategic partnerships help to combine and deploy different core competencies for mutual gain. The 49 % equity stake in UNIKAI Lagerei- und Speditionsgesellschaft mbH acquired by the shipping company Grimaldi in 2007, for example, strengthens its market position and opens up further opportunities for collaboration in RoRo handling.

In the Real Estate segment, the economic recovery in Germany and Hamburg in the past two years has also led to sustained demand for logistics properties in and around the Port of Hamburg. This is particularly promising from a revenue perspective.

## EVENTS AFTER THE BALANCE SHEET DATE

There were no events of particular significance after the balance sheet date.

## BUSINESS FORECAST

### MACROECONOMIC OUTLOOK

In view of the slower economic growth at year-end 2007, experts anticipate a more moderate, but nevertheless robust expansion of around 4 % for the global economy in 2008. The engines of growth are again expected to be the emerging economies at around 7 %.

The rising economies of Asia and Eastern Europe, which are particularly important to HHLA, are expected to continue their dynamic expansion. Growth in China is only forecast to slow down slightly to around 10 % in 2008.

The outlook for Japan and the industrialized countries in the eurozone is more modest, at below 2 %. Assuming that the global economy remains solid overall, overseas demand is expected to continue buttressing the eurozone's exports and a persistently strong euro should stabilize demand for imports. An increase in gross domestic product of 1.7 % is forecast for Germany. Weaker growth of between 1 % and 2 % is estimated for the USA in view of the property crisis and its impact on the real economy, but trade with America accounts for only a very small proportion of HHLA's business.

Uncertainty on the international financial markets remains a threat to global growth. It can lead both to further decline in domestic demand in the developed economies and to a tangible reduction in capital flows to emerging countries. Downside risks also stem from possible further price increases for oil and other raw materials.

### SECTOR

On the basis of the macroeconomic performance expected to date, world trade is forecast to grow by 6 % to 8 % and container throughput by some 11 % in 2008.

For Northern Europe, an increase in container throughput of some 10 % is predicted. The Port of Hamburg is again forecast to develop well, with expected growth in container throughput of between 8 % and 10 % to around 10.8 million TEU. Total handling volumes are predicted to rise by some 4 % to 146 million tonnes.

### GROUP DEVELOPMENT

Thanks to its vertically integrated strategy along the logistics chain between the international port and its European hinterland, HHLA is well placed to derive further benefits from these forecast developments. Growth in the Intermodal and Logistics segments is reinforced by dynamic growth in the Container segment, and the services provided by the Intermodal and Logistics segments in turn increase HHLA's attractiveness in container handling.

HHLA therefore expects to continue its path of profitable organic growth while continuing its expansion programme.

For these reasons, the HHLA Group is again planning double-digit revenue growth in 2008. Total revenue is forecast to reach around € 1.3 billion. As the capacity comes

on line successively, the greater part of this development is expected in the second half-year.

Due to this expected organic growth, staff numbers are forecast to rise again, as in the past. Productivity gains are nevertheless planned to keep growth in employee numbers below that of revenues.

HHLA strives to increase operating earnings (EBIT) continually, despite the enormous challenge of implementing the expansion programme during ongoing operations. For 2008 the target is to exceed the € 300 million mark for the entire Group for the first time. Depreciation and amortization will go up due to ongoing capital expenditure.

The 2008 corporation tax reform is expected to result in a drop in the effective tax rate for the Group to around 32 % from the financial year 2008 onwards. Earnings after tax and minority interests are forecast to rise strongly year on year.

In the HHLA Container segment, further increases in handling output are expected. This is based on the assumption of continued buoyant external trade with booming markets in the Far East and in sea-going container traffic with the Baltic States. HHLA's aim is to keep pace with the persistently strong growth in container traffic by expanding its facilities as quickly as possible.

In the HHLA Intermodal segment, assumptions are also based on demand remaining strong for container transportation in seaport-hinterland traffic to Germany, Switzerland, Austria, Eastern Europe and the Baltics in 2008. The Intermodal segment will benefit from volume growth in containers and modern rail-based freight transport.

Based on generally positive market developments, HHLA predicts a moderate course of business for the Logistics segment, which is expected to remain in line with available capacity.

The Real Estate segment forecasts continuing high demand for office and commercial space in prominent areas of the historical warehouse district and the Northern banks of the river Elbe. Additional rental space will be made available in the course of new developments. Overall positive developments are again expected in the letting situation for 2008.

## CAPITAL EXPENDITURE

Extensive capital expenditure is again planned in the financial year 2008 for expanding handling capacities, the hinterland network and the logistics activities.

Annual container handling capacity is due to rise to over 8 million TEU, of which some 7.5 million are expected in the Port of Hamburg. HHLA remains committed to the goal of expanding container handling capacity to some 12 million TEU by 2012 in line with demand. Overall, the Group expects to invest around € 1.5 billion in the period 2008-2012. The focus will be on the Container segment, but extending the high-performance hinterland connections and expanding and optimizing the logistics activities is also planned. The expansion programme is to be financed primarily by strong, earnings-driven cash flow and to a lesser extent by borrowing. This will ensure that HHLA has sufficient funds available.

## FINANCIAL POSITION

HHLA expects its balance sheet structure to remain strong in 2008. The expansion programme will lead to a rise in the amount of total consolidated assets, especially non-current assets, and particularly property, plant and equipment. Shareholders' equity is planned to grow due to positive earnings development, and a modest rise is also forecast in financial liabilities to fund capital expenditure.

## DIVIDEND

HHLA's aim remains to give shareholders an appropriate portion of the Group's earnings. As long as there are no significant changes, at least 50 % of distributable net profit is to be paid out in the form of dividends in future.

If the current uncertainty on international financial markets does not have a permanent negative effect on the global economy, HHLA assumes that it will be able to continue its positive revenue and earnings performance in 2009 as well. The investment programme for the period up to 2012 is intended to continue in accordance with demand. Against this backdrop, a further increase in the balance sheet total is expected and balance sheet ratios are forecast to remain sound.

## STATEMENT BY 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 Sec. 312 of the German Stock Corporation Act (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 instigating the said actions.

In line with Sec. 4 of the company articles the Executive Board is required to prepare a similar report to the one required under Sec. 312 of the German Stock Corpora-

tion Act (AktG) on the relationship between the A division and the S division. Under the circumstances known to the Executive Board at the time the transactions listed in the report on the relationship between the A division and the S division were carried out, the intra-Group prices for the exchange of services between the two divisions were set on arm's length terms. Expenses and income which cannot be attributed directly to one division are divided between the divisions in accordance with the company articles. No actions were committed or omitted at the instigation or in the interest of the other division.

Hamburg, 10 March 2008

Hamburger Hafen und Logistik AG  
The Executive Board



Klaus-Dieter Peters



Dr. Stefan Behn



Gerd Drossel



Rolf Fritsch



Dr. Roland Lappin

Some of the disclosures in the management report – including statements on revenue and earnings developments 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 by the company. Depending on whether uncertain events materialize, HHLA's actual results, including its earnings, financial and asset position, may differ materially from those explicitly or implicitly assumed or described in these statements.



# CONSOLIDATED FINANCIAL STATEMENTS

## Income statement HHLA Group

	Notes	2007	2006
		EUR'000	EUR'000
Revenues	4.	1,179,958	1,017,436
Changes in inventories	5.	- 2,110	- 1,910
Own work capitalized	6.	11,725	9,320
Other operating income	7.	30,750	22,277
Cost of materials	8.	- 453,596	- 397,173
Personnel expenses	9.	- 261,479	- 236,781
Other operating expense	12.	- 126,565	- 116,735
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>378,683</b>	<b>296,434</b>
Amortization and depreciation	11.	- 91,034	- 78,333
<b>Earnings before interest and taxes (EBIT)</b>		<b>287,649</b>	<b>218,101</b>
Interest income	13.	8,762	4,919
Interest expenses	13.	- 39,659	- 36,233
Other financial result	13.	153	- 7
<b>Earnings before taxes (EBT)</b>		<b>256,905</b>	<b>186,780</b>
Taxes	15.	- 104,941	- 69,832
<b>Consolidated profit for the year</b>		<b>151,964</b>	<b>116,948</b>
- of which minority interests	16.	40,701	19,844
- of which shares of shareholders of parent company		111,263	97,104
<b>Earnings per share (basic and diluted)</b>			
- Group	17.	1.57	1.38
- Sub-group Port Logistics		1.60	-
- Sub-group Real Estate		1.04	-

## Income statement HHLA sub-groups

PORT LOGISTICS SUB-GROUP AND REAL ESTATE SUB-GROUP; PART OF THE NOTES

	2007 Group	2007 Port Logistics	2007 Real Estate	2007 Consolidation
	EUR'000	EUR'000	EUR'000	EUR'000
Revenues	1,179,958	1,152,353	30,779	- 3,174
Changes in inventories	- 2,110	- 2,111	1	0
Own work capitalized	11,725	11,681	0	44
Other operating income	30,750	31,238	1,193	- 1,681
Cost of materials	- 453,596	- 448,805	- 4,873	82
Personnel expenses	- 261,479	- 259,617	- 1,862	0
Other operating expense	- 126,565	- 120,126	- 11,168	4,729
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>378,683</b>	<b>364,613</b>	<b>14,070</b>	<b>0</b>
Amortization and depreciation	- 91,034	- 87,576	- 3,733	274
<b>Earnings before interest and taxes (EBIT)</b>	<b>287,649</b>	<b>277,037</b>	<b>10,337</b>	<b>274</b>
Interest income	8,762	11,181	132	- 2,551
Interest expenses	- 39,659	- 37,058	- 5,152	2,551
Other financial result	153	153	0	0
<b>Earnings before taxes (EBT)</b>	<b>256,905</b>	<b>251,313</b>	<b>5,317</b>	<b>274</b>
Taxes	- 104,941	- 102,169	- 1,181	- 1,590
<b>Consolidated profit for the year</b>	<b>151,964</b>	<b>149,144</b>	<b>4,136</b>	<b>- 1,316</b>
- of which minority interests	40,701	40,701	0	0
- of which shares of shareholders of parent company	111,263	108,443	4,136	- 1,316
Earnings per share basic	1.57	1.60	1.04	-
Earnings per share diluted	1.57	1.60	1.04	-

## Balance sheet HHLA Group

ASSETS	Notes	31.12.2007 EUR'000	31.12.2006 EUR'000
<b>Non-current assets</b>			
Intangible assets	19.	68,900	63,121
Property, plant and equipment	20.	755,429	681,746
Investment properties	21.	181,585	163,068
Financial assets	22.	7,534	5,982
Deferred taxes	15.	29,463	63,765
		<b>1,042,911</b>	<b>977,682</b>
<b>Current assets</b>			
Inventories	23.	17,804	16,362
Trade receivables	26.	145,070	132,930
Receivables from related parties	27.	34,587	18,919
Other financial receivables	25.	15,100	14,658
Other assets	28.	8,349	10,895
Income tax receivables	29.	3,671	2,565
Cash and cash equivalents	30.	212,824	22,118
Non-current assets held for sale	24.	3,500	3,510
		<b>440,905</b>	<b>221,957</b>
		<b>1,483,816</b>	<b>1,199,639</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Subscribed capital		72,625	53,300
- Sub-group Port Logistics		69,920	
- Sub-group Real Estate		2,705	
Capital reserve		138,385	35,730
- Sub-group Port Logistics		137,879	
- Sub-group Real Estate		506	
Retained earnings		213,480	117,217
- Sub-group Port Logistics		208,721	
- Sub-group Real Estate		4,759	
Other comprehensive income		58,290	2,388
- Sub-group Port Logistics		57,094	
- Sub-group Real Estate		1,196	
Minority interests in equity		86,720	50,069
- Sub-group Port Logistics		86,720	
- Sub-group Real Estate		0	
	31.	<b>569,500</b>	<b>258,704</b>
<b>Non-current liabilities</b>			
Pension provisions	33.	312,355	377,366
Other long-term provisions	34.	46,154	38,973
Financial liabilities	35.	279,510	303,741
Deferred taxes	15.	16,748	16,289
		<b>654,767</b>	<b>736,369</b>
<b>Current liabilities</b>			
Current provisions	34.	12,960	14,561
Trade liabilities	36.	73,704	64,171
Liabilities related parties	40.	67,455	2,276
Other financial liabilities	35.	59,287	68,397
Other liabilities	37.	36,283	35,065
Income tax liabilities	38.	9,860	20,096
		<b>259,549</b>	<b>204,566</b>
		<b>1,483,816</b>	<b>1,199,639</b>

## Balance sheet HHLA sub-groups

PORT LOGISTICS SUB-GROUP AND REAL ESTATE SUB-GROUP; PART OF THE NOTES

	31.12.2007	31.12.2007	31.12.2007	31.12.2007
ASSETS	Group	Port Logistics	Real Estate	Consolidation
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Non-current assets</b>				
Intangible assets	68,900	68,852	48	0
Property, plant and equipment	755,429	735,721	1,010	18,698
Investment properties	181,585	71,083	144,160	- 33,658
Financial assets	7,534	7,254	280	0
Deferred taxes	29,463	34,195	1,689	- 6,421
	<b>1,042,911</b>	<b>917,105</b>	<b>147,187</b>	<b>- 21,381</b>
<b>Current assets</b>				
Inventories	17,804	17,759	45	0
Trade receivables	145,070	144,114	956	0
Receivables from related parties	34,587	39,657	803	- 5,873
Other financial receivables	15,100	15,036	64	0
Other assets	8,349	8,279	70	0
Income tax receivables	3,671	3,671	0	0
Cash and cash equivalents	212,824	212,758	66	0
Non-current assets held for sale	3,500	3,500	0	0
	<b>440,905</b>	<b>444,774</b>	<b>2,004</b>	<b>- 5,873</b>
	<b>1,483,816</b>	<b>1,361,879</b>	<b>149,191</b>	<b>- 27,254</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Subscribed capital	72,625	69,920	2,705	0
Capital reserve	138,385	137,879	506	0
Retained earnings	213,480	208,721	17,350	- 12,591
Other comprehensive income	58,290	57,094	1,196	0
Minority interests in equity	86,720	86,720	0	0
	<b>569,500</b>	<b>560,334</b>	<b>21,757</b>	<b>- 12,591</b>
<b>Non-current liabilities</b>				
Pension provisions	312,355	306,527	5,828	0
Other long-term provisions	46,154	44,985	1,169	0
Financial liabilities	279,510	242,826	36,684	0
Deferred taxes	16,748	17,420	8,118	- 8,790
	<b>654,767</b>	<b>611,758</b>	<b>51,799</b>	<b>- 8,790</b>
<b>Current liabilities</b>				
Current provisions	12,960	11,791	1,169	0
Trade liabilities	73,704	72,351	1,353	0
Liabilities related parties	67,455	8,283	65,045	- 5,873
Other financial liabilities	59,287	54,898	4,389	0
Other liabilities	36,283	35,681	602	0
Income tax liabilities	9,860	6,783	3,077	0
	<b>259,549</b>	<b>189,787</b>	<b>75,635</b>	<b>- 5,873</b>
	<b>1,483,816</b>	<b>1,361,879</b>	<b>149,191</b>	<b>- 27,254</b>

## Cash flow statement HHLA Group

	2007	2006
	EUR '000	EUR '000
<b>1. Cash flow from operating activities</b>		
Earnings for the year before interest and tax (EBIT)	287,649	218,101
Depreciation, amortization, impairment and reversals on non-financial non-current assets	90,429	78,047
Decrease in provisions	- 11,595	- 677
Gains/losses on the disposal of non-current assets	518	- 1,883
Increase in inventories, trade receivables and other assets not attributable to investing or financing activities	- 15,730	- 42,598
Increase in accounts payable and other liabilities not attributable to investing or financing activities	12,897	19,171
Interest received	8,762	4,919
Interest paid	- 20,288	- 20,878
Income taxes paid	- 102,589	- 53,033
Other effects	- 3,357	- 1,484
Cash flow from operating activities	<b>246,696</b>	<b>199,685</b>
<b>2. Cash flow from investing activities</b>		
Proceeds on disposal of intangible assets and property, plant and equipment	7,697	10,833
Disbursements on investment in property, plant and equipment and investment properties	- 179,967	- 159,691
Disbursements for investment in intangible assets	- 12,309	- 9,966
Proceeds on disposal of non-current assets	1,109	0
Disbursements for investment in non-current financial assets	- 1,491	- 2,429
Disbursements for acquiring interests in consolidated companies and other business units	- 4,435	- 87,678
Proceeds from the purchase and/or disposal of consolidated companies and other business units	14,718	0
Cash flow from investing activities	<b>- 174,678</b>	<b>- 248,931</b>
<b>3. Cash flow from financing activities</b>		
Proceeds from the issue of equity instruments and contributions to equity	123,725	0
Dividends paid to shareholders of the parent company	- 15,000	- 11,000
Dividends paid to minority shareholders	- 5,524	- 5,081
Redemption of lease liabilities	- 2,811	- 4,616
Proceeds from borrowing	82,526	15,477
Disbursements for repayment of borrowing	- 51,042	- 14,439
Cash flow from financing activities	<b>131,874</b>	<b>- 19,659</b>
<b>4. Cash and cash equivalents at the end of the period</b>		
Net change in cash and cash equivalents (subtotals 1-3)	203,892	- 68,905
Changes in cash and cash equivalents due to exchange rates	432	319
Cash and cash equivalents at the beginning of the period	36,518	105,104
Cash and cash equivalents at the end of the period	<b>240,842</b>	<b>36,518</b>



## Cash flow statement HHLA sub-groups

PORT LOGISTICS SUB-GROUP AND REAL ESTATE SUB-GROUP; PART OF THE NOTES

	2007 Group	2007 Port Logistics	2007 Real Estate	2007 Consolidation
	EUR '000	EUR '000	EUR '000	EUR '000
<b>1. Cash flow from operating activities</b>				
Earnings for the year before interest and tax (EBIT)	287,649	277,038	10,337	274
Depreciation, amortization, impairment and reversals on non-financial non-current assets	90,429	86,970	3,733	- 274
Decrease in provisions	- 11,595	- 8,856	- 2,739	
Gains/losses on the disposal of non-current assets	518	518	0	
Increase in inventories, trade receivables and other assets not attributable to investing or financing activities	- 15,730	- 14,300	- 1,430	
Increase in accounts payable and other liabilities not attributable to investing or financing activities	12,897	8,585	4,312	
Interest received	8,762	8,630	132	
Interest paid	- 20,288	- 15,438	- 4,850	
Income taxes paid	- 102,589	- 102,590	1	
Other effects	- 3,357	- 3,357	0	
Cash flow from operating activities	<b>246,696</b>	<b>237,200</b>	<b>9,496</b>	<b>0</b>
<b>2. Cash flow from investing activities</b>				
Proceeds on disposal of intangible assets and property, plant and equipment	7,697	7,697	0	
Disbursements on investment in property, plant and equipment and investment properties	- 179,967	- 174,633	- 5,334	
Disbursements for investment in intangible assets	- 12,309	- 12,309	0	
Proceeds on disposal of non-current assets	1,109	1,109	0	
Disbursements for investment in non-current financial assets	- 1,491	- 1,491	0	
Disbursements for acquiring interests in consolidated companies and other business units	- 4,435	- 4,435	0	
Proceeds/payments for funding the Real Estate division	0	61,349	0	- 61,349
Proceeds from the disposal of consolidated companies and other business units	14,718	14,718	0	
Cash flow from investing activities	<b>- 174,678</b>	<b>- 107,995</b>	<b>- 5,334</b>	<b>- 61,349</b>
<b>3. Cash flow from financing activities</b>				
Proceeds from the issue of equity instruments and contributions to equity	123,725	123,725	0	
Dividends paid to shareholders of the parent company	- 15,000	- 14,422	- 578	
Dividends paid to minority shareholders	- 5,524	- 5,524	0	
Redemption of lease liabilities	- 2,811	- 2,811	0	
Proceeds from borrowing	82,526	17,526	68,651	- 3,651
Disbursements for repayment of borrowing	- 51,042	- 43,866	- 72,176	65,000
Cash flow from financing activities	<b>131,874</b>	<b>74,628</b>	<b>- 4,103</b>	<b>61,349</b>
<b>4. Cash and cash equivalents at the end of the period</b>				
Net change in cash and cash equivalents (subtotals 1-3)	203,892	203,833	59	
Changes in cash and cash equivalents due to exchange rates	432	432	0	
Cash and cash equivalents at the beginning of the period	36,518	36,511	7	
Cash and cash equivalents at the end of the period	<b>240,842</b>	<b>240,776</b>	<b>66</b>	<b>0</b>

Statement of changes in equity HHLA Group

EUR '000

	Parent company			Parent company						Minority shareholders	Group equity
	Subscribed capital	Capital reserve	Retained consolidated earnings	Other comprehensive income		Other comprehensive income				Total	Total
				Translation adjustment	Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes in value recorded directly in equity	Other	Total		
Balance as of 01.01.2006	53,300	35,730	31,113	1,613	230	- 7,259	2,909	152	117,788	34,116	151,904
Dividends paid			- 11,000						- 11,000	- 5,081	- 16,081
Income and expense recorded directly in equity less deferred taxes				- 430	933	7,635	- 3,475		4,663	1,266	5,929
Consolidated profit for the year			97,104						97,104	19,844	116,948
Other changes								80	80	- 76	4
Balance as of 31.12.2006	53,300	35,730	117,217	1,183	1,163	376	- 566	232	208,635	50,069	258,704
Dividends paid			- 15,000						- 15,000	- 5,524	- 20,524
Income and expense recorded directly in equity less deferred taxes				- 1,068	117	67,145	- 21,804	3	44,393	1,450	45,843
Contributions to equity	19,325	104,155						- 75	123,405	172	123,577
Costs of capital procurement not affecting net income		- 1,500							- 1,500	0	- 1,500
Consolidated profit for the year			111,263						111,263	40,701	151,964
Acquisition/disposal of minority interests in consolidated entities								11,457	11,457	5	11,462
Other changes								127	127	- 153	- 26
Balance as of 31.12.2007	72,625	138,385	213,480	115	1,280	67,521	- 22,370	11,744	482,780	86,720	569,500

Statement of changes in equity sub-group Port Logistics (A division)

EUR '000; PART OF THE NOTES

	Parent company					Parent company					Minority shareholders	Sub-group equity
	Other comprehensive income					Other comprehensive income					Total	Total
	Subscribed capital	Capital reserve	Retained consolidated earnings	Translation adjustment		Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes in value recorded directly in equity	Other	Total		
Balance as of 31.12.2006	0	0	0	0		0	0	0	0	0	0	0
Organization into A and S division, as of 01.01.2007	51,250	34,569	114,700	1,183		1,163	47	- 433	232	202,711	50,069	252,780
Dividends paid			- 14,422							- 14,422	- 5,524	- 19,946
Income and expense recorded directly in equity less deferred taxes				- 1,068		117	65,869	- 21,528	3	43,393	1,450	44,843
Contributions to equity	18,670	104,810							- 75	123,405	172	123,577
Costs of capital procurement not affecting net income		- 1,500								- 1,500	0	- 1,500
Sub-group profit for the year			108,443							108,443	40,701	149,144
Acquisition/disposal of minority shares in consolidated companies									11,457	11,457	5	11,462
Other changes									127	127	- 153	- 26
Balance as of 31.12.2007	69,920	137,879	208,721	115		1,280	65,916	- 21,961	11,744	473,614	86,720	560,334

Statement of changes in equity sub-group Real Estate (S division)

EUR '000; PART OF THE NOTES

	Other comprehensive income					Sub-group equity Total
	Subscribed capital	Capital reserve	Retained consolidated earnings	Actuarial gains/losses	Deferred taxes on changes in value recorded directly in equity	
Balance as of 31.12.2006	0	0	0	0	0	0
Organization into A and S division, as of 01.01.2007	2,050	1,161	13,792	329	- 133	17,199
Dividends paid			- 578			- 578
Income and expense recorded directly in equity less deferred taxes				1,276	- 276	1,000
Contributions to equity	655	- 655				0
Sub-group profit for the year			4,136			4,136
Balance as of 31.12.2007	2,705	506	17,350	1,605	- 409	21,757
Less income statement consolidation effect			- 1,316			- 1,316
Less balance sheet consolidation effect			- 11,275			- 11,275
Total consolidation effects			- 12,591			- 12,591
Balance as of 31.12.2007	2,705	506	4,759	1,605	- 409	9,166

Statement of recognized income and expenses HHLA Group

EUR '000

	2007	2006
Net profit for the year	151,964	116,948
Actuarial gains/losses	67,217	7,624
of which sub-group Port Logistics	65,941	
of which sub-group Real Estate	1,276	
Cash flow hedges	92	1,192
of which sub-group Port Logistics	92	
of which sub-group Real Estate	0	
Translation adjustment	336	688
of which sub-group Port Logistics	336	
of which sub-group Real Estate	0	
Deferred taxes on changes in value recorded directly in equity	- 21,804	-3,575
of which sub-group Port Logistics	- 21,528	
of which sub-group Real Estate	-276	
Other income and expense	2	0
of which sub-group Port Logistics	2	
of which sub-group Real Estate	0	
Income and expenses recorded directly in equity less deferred taxes	45,843	5,929
Total recognized income and expenditure	197,807	122,877
of which attributable to shareholders of the parent company	155,656	101,767
of which sub-group Port Logistics	151,836	
of which sub-group Real Estate	3,820	
of which attributable to minority interests	42,151	21,110
	197,807	122,877

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 1. BASIC INFORMATION ON THE GROUP

The parent company for the Group is Hamburger Hafen und Logistik Aktiengesellschaft, Bei St. Annen 1, Hamburg (also hereinafter known as HHLA), registered in the Hamburg Commercial Register under HRB 1902. The holding company above the HHLA Group is HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

An amendment to the company articles was adopted at the Annual General Meeting on 28 June 2007, which took effect on 10 July 2007 when it was recorded in the Commercial Register. It states that as of 1 January 2007 the HHLA Group consists of the sub-group Port Logistics (A division) and the sub-group Real Estate (S division). The section of the Group which deals with the property in the historic warehouse district and the Hamburg fish market is allocated to the sub-group Real Estate. All other parts of the company are allocated jointly to the sub-group Port Logistics (A division). Individual financial statements are prepared for each division to determine the shareholders' dividend entitlement, which in line with the company articles form part of the Notes to the consolidated financial statements of the parent company.

In determining shareholders' dividend entitlement, the expenses and income of HHLA which cannot be attributed directly to one sub-group are divided between the two sub-groups according to their share of revenues. All transfer pricing for services between the two sub-groups takes place on an arm's length basis. Interest is paid at market rates on liquid funds exchanged between the two sub-groups. A fictitious taxable profit or loss is calculated for each sub-group to allocate the taxes paid. The resulting fictitious tax payment represents the amount of tax which would have been paid had each of the sub-groups been separately liable for tax.

To illustrate the financial and earnings position of the sub-groups, the Annexe to these Notes to the consolidated financial statements contains the balance sheet, income statement, cash flow statement and schedule of changes in equity for both sub-groups.

As part of HHLA's flotation on 2 November 2007, 22,000,000 Class A shares were sold on the stock market. This corresponds to a free float of approx. 30 % of HHLA's share capital. The proceeds from the capital increase led to a gross rise in shareholders' equity of € 123.2 million.

HHLA's consolidated financial statements for the financial year 2007 were again prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The provisions of Directive (EC) No. 1606/2002 of the European Parliament and the European Council dating from 19 July 2002 on the application of international accounting standards together with Section 315a of the German Commercial Code (HGB) and additional commercial regulations have been taken into account. The IFRS requirements which apply in the European Union have been met in full and result in a true and fair view of the assets, financial and earnings position of the HHLA Group.

Please refer to our Annual Report 2006 for the effects of applying IFRS for the first time as of the transitional date 1 January 2005.

The financial year used by HHLA and its consolidated subsidiaries is the calendar year. The balance sheet date of the parent company is the reporting date for the consolidated financial statements. Total cost accounting has been used for the income statement. The consolidated financial statements and the disclosures in the Notes have been prepared in euros. Unless otherwise stated, all amounts are in thousands of euros (T€).

Consolidated financial statements are prepared under the historical cost convention. This does not apply to derivative financial instruments and available-for-sale financial assets carried at fair value. These consolidated financial statements for HHLA for the financial year ending 31 December 2007 were approved by the Executive Board on 10 March 2008 for presentation to the Supervisory Board. It is the Supervisory Board's responsibility to examine the consolidated financial statements and to state whether it approves them. The consolidated financial statements are due to be published on 31 March 2008.

## HHLA SEGMENTS

HHLA operates in the following four segments:

### Container

With its high-performance container terminals, HHLA maintains the Port of Hamburg's outstanding importance as a logistics hub for general cargo traffic. The three HHLA terminals in Altenwerder, Burchardkai and Tollerort handle approximately two thirds of all containers passing through the Port of Hamburg. This HHLA segment also offers a comprehensive range of services covering everything to do with containers and ship processing.

### Intermodal

HHLA's Intermodal segment provides a complete, trimodal range of transport solutions for the Port of Hamburg's hinterland. CTD Container-Transport-Dienst GmbH covers the roads immediately surrounding the Hamburg metropolitan region and HHLA's railway affiliates Transfracht, Metrans and Polzug offer an all-encompassing continental network to medium and long-distance destinations in Central and Eastern Europe. The HHLA subsidiary combisped connects the Baltic Sea area swiftly and directly to the Port of Hamburg via its container terminal in Lübeck. The HHLA transport companies also attach particular importance to all-round service – from customs formalities to door-to-door delivery.

### Logistics

Special handling, contract logistics and advisory services – HHLA's Logistics segment combines a wide range of services which go to make up Hamburg's diversity as an all-purpose port.

### Real Estate

HHLA's Real Estate segment owns properties in and around the Port of Hamburg which are not used specifically for port handling. This includes the historic warehouse district and the fish market area on the northern bank of the Elbe. The Group is driving the process of change in Hamburg's historic warehouse district from traditional warehousing to a modern mix of uses including offices and cultural institutions.

## 2. CONSOLIDATION, ACCOUNTING AND VALUATION PRINCIPLES

### 2.1 CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of HHLA and its subsidiaries as at 31 December of each financial year. The assets and liabilities of the domestic

and foreign companies consolidated in full or pro rata are recognized in accordance with the uniform accounting principles applied to the HHLA Group.

Capital is consolidated at the time of acquisition by setting off the acquisition costs of the investment against the fair value of the assets acquired and liabilities and contingent liabilities assumed at the time of the acquisition. Previously unrecognized intangible assets, which can be recognized under IFRS 3 in conjunction with IFRS 38, and contingent liabilities, are recognized at fair value. In the course of subsequent consolidations the unrealized gains and losses realized by this procedure are retained at the same carrying amount, amortized or reversed, depending on the treatment of the equivalent assets and liabilities.

Any positive difference arising in the course of this initial consolidation is recognized as goodwill and subjected to an annual impairment test. After a critical reassessment any negative difference from setting off the costs of acquisition against the pro rata fair value of assets, liabilities and contingent liabilities at the time of acquisition is recognized as a gain in profit and loss.

Equity stakes held by third parties outside the Group are shown in the consolidated balance sheet under equity as minority interests.

The acquisition of additional minority stakes in consolidated companies is treated as an equity transaction in line with the entity concept and therefore set off directly against shareholders' equity, reducing minority interests. Gains or losses on the disposal of minority shareholdings in consolidated companies are also recognized directly in equity without effect on profit and loss.

The effects of intra-Group transactions are eliminated. Receivables and liabilities between consolidated companies are netted out (consolidation of liabilities). The values of goods and services sold within the Group are adjusted for unrealized interim profits (elimination of interim profits); these assets are therefore recognized at historical cost to the Group. Intra-Group income is set off against the equivalent expense (consolidation of income and expense). Deferred taxes are recognized on temporary differences from consolidation in line with IAS 12.

### 2.2 GROUP OF CONSOLIDATED COMPANIES

All significant companies which HHLA can control directly or indirectly are included in the consolidated financial statements. Within the meaning of IAS 27 control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The company is consolidated from the time that control can be exercised. It is no longer consolidated when control is no longer exercised by the parent company.



The group of consolidated companies at HHLA is made up as follows:

	Domestic	Foreign	Total
<b>HHLA AG and fully consolidated companies</b>			
1 January 2007	31	3	34
Acquired/established	0	1	1
Disposals	0	0	0
31 December 2007	31	4	35
<b>Companies consolidated pro rata</b>			
1 January 2007	7	1	8
Acquired/established	0	0	0
Disposals	0	0	0
31 December 2007	7	1	8
<b>Total</b>	<b>38</b>	<b>5</b>	<b>43</b>

There were changes in the group of consolidated companies at HHLA in the reporting year. Please refer to Note 3 for information on the acquisition and disposal of shares in companies in 2007.

A complete list of the Group's equity investments in accordance with Section 313 paragraph 4 of the German Commercial Code (HGB) can be found in Note 40.

## 2.3 INTERESTS IN JOINT VENTURES

The Group has interests in joint ventures in the form of jointly managed companies. A joint venture is defined as a contractual agreement between two or more parties to carry on an economic activity which is subject to joint control. HHLA recognizes its interests in joint ventures using the proportionate consolidation method. The Group combines its share of the joint ventures' assets, liabilities, income and expenses with the equivalent items in its consolidated financial statements. The financial statements of the joint ventures are prepared using uniform accounting principles and for the same financial year as the consolidated financial statements for the Group. Two joint ventures were included to 30 September 2007 due to interim financial statements. Any differences arising due to accounting principles are eliminated by making the necessary adjustments.

If equity investments are made in or assets sold to the joint venture, the economic substance of the transaction is taken to determine the share of the gains or losses arising on the transaction. If the Group buys assets from a joint venture, the Group only recognizes its share of the joint venture's profit on the transaction when it sells the assets on to an independent third party.

The joint venture is included in the consolidated financial statements of the Group using the proportionate consolidation method until the time that joint control of the entity by the Group ends.

The partnership or consortium agreements governing joint ventures contain provisions which ensure joint control.

The share of assets, liabilities, income and expenses attributable to the Group from joint ventures as at 31 December 2007 and 31 December 2006 is as follows:

	31.12.2007	31.12.2006
	EUR'000	EUR'000
Current assets	27,077	29,418
Non-current assets	27,856	30,228
	<b>54,933</b>	<b>59,646</b>
Current liabilities	24,359	24,962
Non-current liabilities	14,783	18,383
	<b>39,142</b>	<b>43,345</b>
<b>Income</b>	<b>170,793</b>	<b>155,645</b>
<b>Expenses</b>	<b>165,479</b>	<b>150,095</b>

## 2.4 FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros, HHLA's functional currency and the reporting currency for the Group. Every company within the Group determines its own functional currency. The items contained in each company's financial statements are measured using this functional currency. Transactions in foreign currencies are initially converted at the spot rate between the functional currency and the foreign currency applicable on the date of the transaction. Monetary assets and liabilities in a foreign currency are converted to the functional currency at the rate applicable on the balance sheet date. All currency differences are recognized in the result for the period. Exceptions are currency differences from loans in foreign currencies used to secure a net investment in a foreign business. These are recognized directly in equity until the net investment is sold and only effect the result for the period on its disposal. Non-monetary items held at historical cost in a foreign currency are translated at the applicable rate on the transaction date. Non-monetary items held at fair value in a foreign currency are translated at the rate applicable on the date fair value was measured.

The consolidated foreign companies prepare their financial statements in their respective functional currencies. At the balance sheet date the assets and liabilities of these subsidiaries are converted to the reporting currency of the HHLA

Group (€) as of the balance sheet date. Income and expenses are translated at the weighted average rate for the financial year as long as this is not inappropriate due to major fluctuations in exchange rates and equity components are converted at their respective historical rates. The translation differences are recognized as a separate component of equity without effect on profit and loss. If Group companies leave the group of consolidated companies the respective translation difference is reversed through profit and loss.

Exchange rate gains and losses on foreign currency items resulted in a profit of T€ 1,586 (2006: T€ 253).

The main exchange rates used for currency translation are shown in the following table:

		Spot rate on		Average annual rate	
	1 EUR =	31.12.07	31.12.06	31.12.07	31.12.06
Czech Republic	CZK	26.560	27.470	27.715	28.285
Poland	PLN	3.586	3.835	3.781	3.885
Slovakia	SKK	33.580	34.530	33.830	37.036
Ukraine	UAH	7.431	6.656	6.926	6.300

## 2.5 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

Preparing the consolidated financial statements in accordance with IFRS requires management to make estimates and assess individual circumstances. The estimates made are based on past experience and other relevant factors and on a going concern basis.

Significant estimates and assumptions were required in particular for determining the duration of depreciation and amortization (see Note 2.6) and the parameters for measuring pension provisions (see Note 33), for estimating the probability and amount of certain provisions being used in the future (see Note 34), on the utilization of deferred tax assets (see Note 15) and measuring the fair value of investment property disclosed in the Notes (see Note 21).

The Group tests goodwill for impairment at least once a year. This requires an estimate of the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate the value in use, the Group must forecast the likely future cash flows from the cash-generating unit and also choose an appropriate discount rate with which to calculate the present value of these cash flows.

The amounts which actually materialize may differ from those resulting from estimates and assumptions.

## 2.6 ACCOUNTING AND VALUATION PRINCIPLES

The financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation principles. The following individual accounting and valuation principles were applied.

### Intangible assets

Intangible assets acquired in return for payment, principally software, are recognized at historical cost. Intangible assets with a finite useful life are amortized over their useful life on a straight-line basis. The Group examines its intangible assets with a finite useful life at each balance sheet date for signs of impairment.

Intangible assets with an indefinite useful life are subject to an impairment test at least once a year and if necessary adapted to future expectations. In the reporting period there were no intangible assets with an indefinite useful life apart from derived goodwill.

Internally generated intangible assets are recognized at the costs incurred in the development phase between the time that technological and economic feasibility has been determined and production. Costs include all directly attributable costs during the development phase.

The recognized amount of development costs is subject to an impairment test at least annually if the asset is not yet in use or if there is evidence of impairment during the course of the year. The following useful lives have been assumed for intangible assets:

	2007	2006
Software	3–5 years	3–5 years

### Property, plant and equipment

Property, plant and equipment are recognized at historical cost less depreciation and accumulated impairment losses. These costs also include the costs of replacing major parts of such assets when such costs occur to the extent that the criteria for recognition are met. The costs of ongoing maintenance are recognized immediately in profit and loss. The amount of costs is based on directly attributable unit costs plus a proportion of directly attributable material costs and production overhead including depreciation and amortization. In accordance with IAS 16 demolition obligations are included in the acquisition or production costs at the present value of the obligation at the time it arises and an equivalent provision is recognized at the same time. The expense is recognized by depreciation of the capitalized asset and the accrued interest on the provision which is included in interest expense over the asset's useful life.

Depreciation and amortization takes place on a straight-line basis over an asset's useful life. The following table shows the principal useful lives assumed:

	2007	2006
Buildings	10–70 years	10–70 years
Technical plant and machinery	5–25 years	5–25 years
Other plant, operating and of- fice equipment	3–15 years	3–15 years

The carrying amounts for property, plant and equipment are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

When major overhauls are carried out, the costs are recognized in the carrying amount as replacement costs of property, plant and equipment, if the criteria for doing so are met. Subsequent expenses are capitalized if they lead to a change in the use of the asset or an increase in its value in use.

Assets of minor value are depreciated in full in the year purchased.

#### Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred.

#### Investment property

Investment property consists of buildings held for the purpose of generating rental income or for capital gain, and not for the supply of goods or services, for administrative purposes or for sale as part of normal business operations.

In accordance with IAS 40 investment property is held at cost less straight-line depreciation and accumulated impairment losses. These costs include replacement costs for parts of such assets at the time they are incurred, to the extent that the criteria for recognition are met. Subsequent expenses are capitalized if they result in an increase in the value in use of investment property. The useful lives applied are the same as those for property used by the Group.

The fair values of these investment properties are measured using the discounted cash flow method and stated separately in the Notes.

The carrying amounts for investment property are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

When major overhauls are carried out, the costs are recognized in the carrying amount as replacement costs of investment property, if the criteria for doing so are met.

#### Impairment of assets

At each balance sheet date the Group determines whether there are indications that an asset may be impaired. If there are such indications or if an annual impairment test is required, as in the case of goodwill, the Group estimates the recoverable amount. The recoverable amount of an asset is the higher of the fair value of the asset or the cash-generating unit, less costs to sell, and its value in use. The recoverable amount must be determined for each asset individually unless the asset does not generate cash flows which are largely independent of those generated by other assets or groups of assets. In this case the recoverable amount of the smallest cash-generating unit is to be determined. If the carrying amount of an asset exceeds its recoverable amount the asset is deemed to be impaired and is written down to its recoverable amount. The value in use of the cash-generating unit or asset is calculated using the discounted cash flow method. This involves discounting estimated future cash flows to their present value using a discount rate after tax which reflects current market expectations of the interest curve and the specific risks of the asset. As of 31 December 2007 the interest rate for discounting was between 8.1 and 9.8 % p.a. (2006: 7.5 to 8.5 % p.a.). The cash flow forecasts in Group planning for the next five years are extrapolated to determine future cash flows, whereby a constant growth rate is not assumed. In forecasting cash flows the Group planning takes future market and sector expectations as well as past experience into account.

On each reporting date an assessment is made as to whether an impairment loss recognized in prior periods no longer exists or has declined. If there are such indications the recoverable amount is estimated. Previously recognized impairment losses are reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is raised to its recoverable amount. This higher carrying amount may not exceed the amount which would have been determined, less scheduled depreciation, if no impairment losses had been recognized in prior years. Any such reversals are to be recognized immediately in profit and loss for the period. Following a reversal, the amount of depreciation is to be adjusted in subsequent periods in order to depreciate the adjusted carrying amount of the asset, less any residual value, systematically over its remaining useful life. Impairment losses on goodwill are not reversed.

#### Financial assets

Financial assets within the meaning of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, investments held to maturity or available-for-sale financial assets.

Financial assets are initially recognized at fair value. In the case of financial investments for which no fair value through profit and loss is determined, directly attributable transaction costs are also included. The Group defines the classification of its financial assets on initial recognition and reviews this classification every year to the extent that this is permitted and appropriate.

Financial assets are recognized as of their settlement date, i.e. on delivery and transfer of risk. The only exception is the recognition of derivatives, which are recorded on the trading day.

#### *Financial assets at fair value through profit and loss*

Derivative financial instruments are classified as held for trading unless they are derivatives designated and effective as hedging instruments. Gains or losses from financial assets held for trading are recognized in profit and loss.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. These assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the result for the period when the loans and receivables are derecognized or impaired and in the course of amortization.

#### *Trade receivables and other assets*

Trade receivables and other assets are recognized at amortized cost less allowances for irrecoverable receivables. Write-downs are made if there is substantial objective evidence that the Group will not be able to collect the receivables. Receivables are derecognized as soon as they are deemed to be irrecoverable. Objective evidence includes, for example, manifest shortages of liquid funds or the initiation of insolvency proceedings against a customer. When assessing such situations, HHLA draws on its own data about the specific customer, external information and experience figures.

#### *Cash and cash equivalents*

Cash and cash equivalents are cash in hand, cheques, bank balances on deposit and short-term bank deposits with an original maturity of up to three months and which are recognized at their face value. Cash used as a pledge or collateral is disclosed separately.

#### *Available-for-sale financial assets*

After initial recognition available-for-sale financial assets are carried at fair value and gains or losses recognized in accumulated other equity. When the financial instruments are derecognized or their impairment is determined, the gains or losses accumulated in equity are recognized in profit and loss.

The fair values of financial instruments traded on organized markets are determined by reference to the price quoted on the stock exchange for the balance sheet date. The fair values of financial instruments for which there is no active market are estimated using valuation methods. To the extent that fair value cannot be reliably determined because they are not traded on an active market, they are held at cost. This applies in particular to non-consolidated stakes in affiliated companies and other equity investments.

#### **Inventories**

Inventories include raw materials, consumables and supplies, work in progress, finished products and merchandise. Initial recognition is at cost, as measured by average prices or production costs. Production costs cover all the direct costs of production as well as appropriate portions of production overheads. Measurement at the balance sheet date is made at the lower of cost and net realizable value. Service work in progress is valued under the percentage of completion method to the extent that the result of the service transaction can be reliably estimated. Net realizable value corresponds to the estimated sales proceeds in the course of normal operations, less costs for completion and sale.

#### **Impairment of financial assets**

On each balance sheet date the Group determines whether a financial asset or a group of financial assets is impaired.

#### *Assets carried at amortized cost*

If there is an objective indication of impairment to loans and receivables carried at amortized cost the loss is calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows (excepting future credit defaults), discounted by the original effective interest rate of the financial asset (i.e. the interest rate determined at initial recognition). The amount of the loss is to be recognized immediately in profit and loss. If the amount of the write-down declines in one of the following reporting periods and this decline can be objectively ascribed to circumstances occurring after the impairment was recognized, then the earlier impairment is reversed. A subsequent write-back is recognized in profit and loss as long as the carrying amount of the asset at the time of the write-back does not exceed amortized cost.

#### *Assets recognized at cost*

If there is an objective indication of impairment to a non-listed equity instrument not recognized at face value because its face value cannot be reliably determined, the amount of the write-down is the difference between the carrying amount of the fi-

financial asset and the present value of the estimated future cash flows, discounted at the current market rate of return of a comparable financial asset.

#### *Available-for-sale financial assets*

If an available-for-sale financial asset is impaired, the difference recognized in equity between the cost of purchase (less any repayments and amortization) and the current fair value, less any impairment allowances for the financial asset, is recognized in profit and loss. Write-backs on equity instruments classified as available for sale are recognized with no effect on profit and loss. Write-backs on liabilities are recognized in profit and loss if the increase in the instrument's fair value can objectively be ascribed to an event which occurred after the impairment was recognized through profit and loss.

#### **Financial liabilities**

At initial recognition financial liabilities are measured at the fair value of the equivalent goods or services less transaction costs related to borrowing, including discounts and premiums.

After initial recognition financial liabilities are measured at amortized cost using the effective interest method.

This does not apply to derivatives recorded as liabilities, which are carried at fair value.

#### **Provisions**

A provision is made if the Group has a present (legal or constructive) obligation arising from past events, the settlement of which is likely to result in an outflow of resources embodying economic benefits, and the amount required to settle the obligation can be reliably estimated. The provision is made for the expected amount necessary to settle the obligation. If the Group anticipates a partial reimbursement of an amount made as a provision (e.g. in the case of insurance), the reimbursement is only recognized if it is as good as certain. The expense arising from making the provision is disclosed in the income statement after deducting the reimbursement. If the interest effect is substantial, non-current provisions are discounted at an interest rate before tax which reflects the specific risks associated with the obligation. If discounting takes place the increase in the amount of the provision over time is recognized as interest expense.

#### **Pensions and other retirement benefits**

Pensions and similar commitments include the Group's benefit obligations under defined-benefit pension schemes. Provisions for pension obligations are calculated in accordance with IAS 19 under the projected unit credit method. This requires actuarial opinions to be commissioned every year. In addition to known pensions and entitlements on the balance sheet date, this method

also takes account of expected future increases in salaries and pensions. Actuarial gains and losses are recognized in equity, without effect on profit and loss, after accounting for deferred taxes. Service expense is recognized in staff expenses and the interest portion of the addition to provisions in the financial result.

#### **Leasing relationships in which the Group is lessee**

Determining whether an agreement is or contains a lease depends on the economic substance of the agreement and requires an assessment of whether fulfilling the agreement depends on the use of a certain asset or assets and whether the agreement grants a right to use the asset.

#### *Finance leases*

Finance leases – in which substantially all of the risks and rewards associated with ownership of an asset are transferred to the Group – are capitalized at the start of the lease at the lesser of the fair value of the leased asset or the present value of the minimum lease payments. A lease liability is recognized for the same amount. Lease payments are divided into financing expense and repayment of the lease liability, so that interest is paid on the residual carrying amount of the lease liability at a constant rate. Financing expenses are recognized in profit and loss in the period in which they arise.

If the transfer of title to the Group at the end of the leasing term is not sufficiently certain, capitalized leased assets are fully depreciated over the shorter of the leasing term and the asset's useful life. Otherwise, the period of depreciation is the leased asset's useful life.

#### *Operating leases*

Lease payments for operating leases are recognized as expenses in profit and loss on a straight-line basis over the duration of the lease.

#### **Leasing relationships in which the Group is lessor**

The HHLA Group lets properties in and around the Port of Hamburg as well as office properties, warehouses and other commercial space. The rent contracts are classified as operating leases, as the main risks and rewards of the properties remain with the Group. The properties are therefore held as investment properties at depreciated cost.

Rental income from investment properties is recognized on a straight-line basis over the term of the leases.

#### **Recognition of income and expense**

Income is recognized when it is probable that the economic benefit will flow to the Group and the amount of income can be reliably determined. The following criteria must also be met for income to be recognized.



*Sale of goods and merchandise*

Income is recognized when the principal risks and rewards incidental to ownership of the goods and merchandise sold have been transferred to the buyer.

*Provision of services*

Service income is recognized as the service is provided. The extent to which the service has been provided is determined by the number of hours worked at the balance sheet date as a percentage of the total number of hours estimated for the project. If the result of a service transaction cannot be reliably estimated, income is only recognized to the extent that the expenses incurred are eligible for reimbursement.

*Interest*

Income and expenses are recognized when the interest arises.

*Dividends*

Income is recognized in profit and loss when the Group has a legal claim to payment.

Operating expenses are recognized when the service is supplied or when the expense is incurred. Income and expenses resulting from identical transactions or events are recognized in the same period. Rental expenses are recognized on a straight-line basis over the lease term.

**Public subsidies**

Public subsidies are recognized when there is sufficient certainty that they will be granted and the company fulfils the necessary conditions. Subsidies paid as reimbursement for expenses are recognized as income over the period necessary to offset them against the expenses for which they are intended to compensate. If subsidies relate to an asset they are deducted from the asset's cost of purchase and recognized in profit and loss by reducing the depreciation for the asset on a straight-line basis over its useful life. Only in the case of a proportionately consolidated joint venture are they recognized under deferred income, which is then reversed through profit and loss over the expected useful life of the relevant asset.

**Taxes***Current claims for tax rebates and tax liabilities*

Current claims for tax rebates and tax liabilities for the current period and prior periods are measured at the amount for which a rebate is expected from or payment is to be made to the tax authorities. The tax rates and tax legislation in force at the balance sheet date are used to determine the amount.

*Deferred taxes*

Deferred taxes are recognized by using the balance sheet liabilities method on all temporary differences between the carrying amount for an asset or liability in the balance sheet and the amount for tax purposes, as well as on tax loss carryforwards.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused tax loss carryforwards to the extent that it is probable that taxable income will be available to offset against the deductible temporary differences and the unused tax loss carryforwards.

The carrying amount of deferred tax credits is reviewed at each balance sheet date and reduced to the extent that it is unlikely that sufficient taxable profits will be available to use against the deferred tax credit. Unrecognized deferred tax credits are reviewed at each balance sheet date and recognized to the extent that it has become likely that future taxable profits will make it possible to use deferred tax credits.

Deferred tax credits and liabilities are measured using the tax rates expected to apply in the period in which the asset is realized or the liability is met. Tax rates (and tax regulations) are used if they have already been enacted as of the balance sheet date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred tax credits and liabilities are only netted if the deferred taxes relate to income taxes for the same tax authority and current taxes may also be set off against one another.

**Fair value of financial instruments**

The fair value of financial instruments is determined on the basis of market values or valuation methods. For cash and other original current financial instruments, fair value is equivalent to the carrying amounts at the respective balance sheet dates.

For non-current receivables and other financial assets as well as non-current provisions and liabilities, fair value is measured based on expected cash flows using reference rates of interest at the balance sheet date. The fair value of derivative financial instruments is determined on the basis of reference interest rates and futures prices at the balance sheet date.

**Derivative financial instruments and hedging transactions**

The Group uses derivative financial instruments such as interest rate swaps and currency futures to hedge against interest and currency risks. These derivative financial instruments are initially recognized at fair value at the time the contracts are concluded and subsequently revalued at fair value.

Gains and losses from changes in the fair value of derivative financial instruments which do not meet the criteria for qualification as hedging transactions are recognized immediately through profit and loss.

For hedge accounting purposes, hedging instruments are classified as cash flow hedges if they serve as a hedge against the risk of fluctuations in cash flows which can be attributed to a recognized asset, liability or a forecast transaction.

A hedge for the currency risk of a fixed obligation is treated as a cash flow hedge.

At the beginning of a hedging relationship the Group formally designates the hedging relationship to be recognized as a hedging transaction and the risk management aims and strategies relating to the hedge and documents them. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and a description of how the company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. These hedging relationships are considered to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk. The hedges are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting period for which the hedge was designated.

There were no hedging transactions to hedge fair value or net investments in a foreign operation during the reporting period. Cash flow hedges which meet the strict criteria for recognition as hedging relationships are recognized as follows:

#### *Cash flow hedges*

The effective portion of gains or losses from changes in the fair value of a hedging instrument is recognized directly in equity, taking account of the deferred taxes, while the ineffective portion is recognized in profit and loss.

The amounts recognized in equity are recorded in the income statement in the period affected by the hedged transaction, e.g. when the hedged financial income or expense affects profit and loss or when a forecast sale or purchase occurs. If the hedged transaction is the acquisition cost of a non-financial asset or a non-financial liability, the amounts recognized in equity are added to the originally recognized carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognized in equity are recognized in profit and loss for the period. If the hedging instrument expires or is sold, terminated or exercised, or rolled over into another hedging instrument, or if the Group withdraws the designation

as a hedging instrument, the amounts previously recognized in equity remain separately recognized in equity until the forecast transaction occurs.

## 2.7 EFFECTS OF NEW ACCOUNTING STANDARDS

The following accounting standards and interpretations became applicable in the financial year 2007. None of the new accounting standards had a material influence on the net assets, financial and earnings position of the company or on earnings per share in the current reporting period.

In August 2005 the IASB published the new standard IFRS 7 (Financial Instruments: Disclosures), which is applicable for financial years beginning on or after 1 January 2007. The new standard lays down the disclosures on financial instruments required in the Notes from 2007 onwards. IFRS 7 stipulates that financial instruments are to be grouped into classes of similar instruments and that particular disclosures are to be made at the level of individual classes. On the one hand IFRS 7 requires disclosure of information on the significance of the financial instruments and on the other hand disclosure of information on the nature and extent of the risks connected with the financial instruments. The new standard influenced the manner in which information on financial instruments is presented in these Notes, but not on their recognition and valuation.

In November 2005 IFRIC issued interpretation IFRIC 7, which is applicable for financial years beginning on or after 1 March 2006 and clarifies financial reporting in hyperinflationary economies. IFRIC 7 does not apply to HHLA.

IFRIC 8 issued in January 2006 contains clarification on the application of IFRS 2 for share-based remuneration for which the company does not receive any or insufficient consideration. IFRIC 8 is binding for all financial years starting on or after 1 May 2006. No effects arose from applying the interpretation.

In March 2006 IFRIC published interpretation IFRIC 9 (Re-assessment of Embedded Derivatives). IFRIC 9 is binding for all financial years starting on or after 1 June 2006. The interpretation deals with the question of when a contract needs to be examined for embedded derivatives, which according to the standard are to be separated from the host contract and accounted for as derivatives. IFRIC came to the conclusion that the assessment need only be made when the company becomes party to the contract. The first-time application of the interpretation did not have any effect on HHLA.

In July 2006 IFRIC issued interpretation IFRIC 10 (Interim Financial Reporting and Impairment). The interpretation deals with the conflict between IAS 34 (Interim Financial Reporting) and the rules on recognizing impairment of goodwill in IAS 36 (Impairment

of Assets) and of investments in equity instruments and financial assets carried at cost in line with IAS 39 (Financial Instruments: Recognition and Measurement). IFRIC came to the conclusion that an impairment loss recognized for goodwill or investments in equity instruments or financial assets carried at cost in interim financial statements should not be reversed in subsequent interim financial statements or annual financial statements. IFRIC 10 is applicable for financial years beginning on or after 1 November 2006. The application of this interpretation did not have a material effect on the financial and earnings position or the cash flow of the Group.

#### **Changes in accounting standards**

In connection with the publication of IFRS 7, the IASB announced a change to IAS 1 in August 2005. According to the revised version, financial statements should contain information which enables readers to assess the capital management goals, methods and processes. The revised version applies to financial years beginning on or after 1 January 2007. Due to the first-time application of this revision to IAS 1, the current financial statements contain more detailed Notes.

#### **Newly published accounting standards**

In November 2006 IFRIC issued IFRIC 11 (Group and Treasury Share Transactions). The interpretation deals with the question of how IFRS 2 (Share-Based Remuneration) is to be applied to agreements on share-based remuneration involving treasury shares of a company or equity instruments of another company in the same group (e.g. equity instruments of the parent company). The interpretation also governs whether agreements on share-based remuneration in which a company's suppliers of goods or services receive equity instruments of the parent company are to be recognized in the financial statements as cash compensation or share-based compensation. IFRIC 11 applies for financial years beginning on or after 1 March 2007. IFRIC 11 is not expected to have any effect on future consolidated financial statements for HHLA.

IFRS 8 contains regulations on segment reporting and applies to financial years beginning on or after 1 January 2009. When this standard is first applied, these regulations will lead solely to changes in the disclosure requirements.

### **3. COMPANY ACQUISITIONS**

#### **PURCHASE AND SALE OF SHARES IN SUBSIDIARIES**

HHLA's share in METRANS A.S. was increased from 50.09 % to 51.05 % with effect from 16 January 2007. The purchase price of € 1.2 million for these shares was set off against equity without

effect on profit and loss in accordance with the entity concept, and minority interests reduced accordingly.

Grimaldi Compagnia di Navigazione SpA took an equity stake of 49 % in UNIKAI Lagerei- und Speditionsgesellschaft mbH with effect from 1 January 2007. In addition to the payment of a purchase price of € 12.5 million, Grimaldi has undertaken to pay T€ 500 into the capital reserves.

The sale of shares in UNIKAI Lagerei- und Speditionsgesellschaft mbH is reflected in the financial statements in line with the entity concept. The difference of € 11.7 million arising from deducting the addition to minority interests is offset against equity without effect on profit and loss.

METRANS and UNIKAI remain fully consolidated as there is no change of control.

In 2007 UMSP Property A.S. Prague, Czech Republic, 100 % of whose shares are owned by METRANS A.S., was included in the consolidated financial statements for the first time.

The purchase price was T€ 1,579. At the acquisition date – 30 March 2007 – UMSP had net assets of T€ 71, which were made up of property, plant and equipment worth T€ 1,064, other assets of T€ 20, and financial liabilities of T€ 1,013. In the course of determining the fair value of the assets and liabilities acquired, additional acquisition costs of T€ 1,508 were also allocated to property, plant and equipment. The company's sole activity is leasing a piece of real estate which it owns.

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

The income statement has been prepared using the total cost method.

## 4. REVENUES

The following tables show Group revenue by segments.

	2007	2006
	EUR'000	EUR'000
Container	691,044	587,857
Intermodal	329,613	279,517
Logistics	115,068	111,143
Holding company/other	15,956	14,331
Real Estate	28,277	24,589
	<b>1,179,958</b>	<b>1,017,436</b>

Revenues by region:

	2007	2006
	EUR'000	EUR'000
Germany	980,756	865,186
EU	153,214	115,214
Outside the EU	45,988	37,036
	<b>1,179,958</b>	<b>1,017,436</b>

## 5. CHANGES IN INVENTORIES

The changes in inventories relate to the HHLA segments as follows:

	2007	2006
	EUR'000	EUR'000
Logistics	- 1,630	- 793
Container	- 68	- 493
Other	- 412	- 624
	<b>- 2,110</b>	<b>- 1,910</b>

## 6. OWN WORK CAPITALIZED

Own work capitalized results mainly from technical work capitalized in the course of construction work, of which T€ 11,138 (2006: T€ 8,272) relates to HHLA's Container segment and T€ 587 (2006: T€ 693) relates to the holding company/others. In the previous year, HHLA's Intermodal segment accounted for T€ 355.

## 7. OTHER OPERATING INCOME

	2007	2006
	EUR'000	EUR'000
Income from reversal of provisions	4,340	2,498
Income from exchange rate differences	4,289	1,162
Compensation	3,514	424
Expenses passed on to third parties	3,073	0
Proceeds on disposal of property, plant and equipment	1,793	4,950
Reimbursement	1,172	536
Other operating income	12,569	12,707
	<b>30,750</b>	<b>22,277</b>

## 8. COST OF MATERIALS AND SERVICES

In the reporting year, the cost of materials and services could be broken down as follows:

	2007	2006
	EUR'000	EUR'000
Raw materials, consumables and supplies	75,663	73,762
External staff	41,951	33,722
Purchased services	335,982	289,689
	<b>453,596</b>	<b>397,173</b>

## 9. PERSONNEL EXPENSES

Staff expenses in the financial year were as follows:

	2007	2006
	EUR'000	EUR'000
Wages and salaries	213,781	191,520
Social security contributions and benefits	40,650	36,212
Current service expense	6,607	5,172
Other retirement benefit expenses	441	3,877
	<b>261,479</b>	<b>236,781</b>

Current service expense includes payments from defined-benefit pension commitments and similar obligations. The interest portion of additions to pension provisions is recognized in the financial result. Contributions to the public pension scheme are included in social security contributions.

The average number of employees changed over the financial year as follows:

	2007	2006
<b>Fully consolidated companies</b>		
Employees receiving wages	2,173	1,879
Salaried staff	1,987	1,685
Trainees	111	89
	<b>4,271</b>	<b>3,653</b>
<b>Proportionately consolidated companies</b>		
Employees receiving wages	70	77
Salaried staff	163	131
Trainees	2	0
	<b>235</b>	<b>208</b>
	<b>4,506</b>	<b>3,861</b>

## 10. EMPLOYEE STOCK PURCHASE PLAN

As part of the stock exchange flotation, the HHLA Group offered Class A shares to its employees on special terms. Each qualifying employee was able to purchase shares up to a placement price totalling €2,756 at a discount of 50%. All Group

employees qualified who had been in permanent employment (and not under notice) for at least one year at the time when the offering circular was approved. Of the maximum number of shares available (164,320), 122,811 were purchased by staff. The difference between the offer and the discounted price was paid by HHLA. The resulting personnel expense amounted to T€3,817. In addition to this, staff had the option of funding the purchase price by means of an interest-free loan from HHLA with a term of 2 years. At the balance sheet date, T€1,454 relating to these loans was recorded in non-current financial assets and T€1,548 was reported under current financial receivables. The net interest income includes discount expense of T€76.

## 11. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation and amortization in the financial year was as follows:

	2007	2006
	EUR'000	EUR'000
Intangible assets	5,338	3,332
Property, plant and equipment	73,046	65,323
Investment property	12,650	7,721
Non-current assets held for sale	0	1,957
	<b>91,034</b>	<b>78,333</b>

Depreciation and amortization by classes of assets is shown in the consolidated schedule of assets. In the reporting year impairment losses totalling T€1,906 were recognized on items of plant under construction. These impairment charges come from suspending the IT project IDP at TFG Transfracht International and are shown in HHLA's Intermodal segment.

In the previous year, the item also included impairment losses of T€1,957. See Note 24.



## 12. OTHER OPERATING EXPENSES

The following table shows other operating expenses:

	2007	2006
	EUR'000	EUR'000
Leasing	35,849	37,558
Consultancy, services, insurance and auditing expenses	32,279	18,136
External maintenance services	32,156	29,343
Losses on the disposal of property, plant and equipment	2,311	3,067
Expenses from exchange rate differences	2,703	909
Venture expenses	1,829	1,223
Other taxes	1,425	1,082
Other	18,013	25,417
	<b>126,565</b>	<b>116,735</b>

See Note 39 for further details of leasing expense.

## 13. FINANCIAL RESULT

The financial result in the reporting period was as follows:

	2007	2006
	EUR'000	EUR'000
Income from other equity investments	153	9
Expenses from losses assumed	0	- 16
<b>Other financial result</b>	<b>153</b>	<b>- 7</b>
Interest income from non-consolidated affiliated companies	2,775	0
Interest income on bank balances	1,994	1,790
Interest income from non-affiliated companies	1,257	2,609
Income from interest rate hedges	2,736	520
<b>Other interest and similar income</b>	<b>8,762</b>	<b>4,919</b>
Interest portion of pension provisions	16,195	15,355
Interest expense on bank borrowing	15,299	16,250
Interest portion of other provisions	3,176	1,549
Expense from interest rate hedges	1,996	0
Interest expense from non-affiliated companies	1,614	2,202
Interest included in lease payments	1,053	877
Interest expense from non-consolidated affiliated companies	326	0
<b>Interest and similar expenses</b>	<b>39,659</b>	<b>36,233</b>
<b>Net interest</b>	<b>- 30,897</b>	<b>- 31,314</b>
<b>Financial result</b>	<b>- 30,744</b>	<b>- 31,321</b>

In the previous year, the income and expenses from interest rate hedges were shown netted against each other.

#### 14. RESEARCH AND DEVELOPMENT COSTS

In the 2007 financial year research and development costs of T€2,960 (2006: T€1,410) were recognized as an expense. These primarily related to software development.

#### 15. INCOME TAXES

On 25 May 2007 the German Parliament passed an act reforming corporation taxes from 2008. The second chamber of Parliament gave its consent on 6 July 2007. The law reduces the average income tax burden for companies. Expenses of T€10,240 from making the necessary adjustments to deferred taxes were recognized in 2007.

Paid or outstanding taxes on income and deferred taxes are shown under the item income taxes. Income taxes are made up of corporation tax, solidarity surcharge and trade tax. In future companies domiciled in Germany will pay corporation tax of 15 % (2007: 25.0 %) and an unchanged solidarity surcharge of 5.5 % of the corporation tax expense. These companies and their German-based subsidiaries in the form of limited partnerships are also

liable for trade tax, which is imposed at different rates according to the place where they are incorporated. In future trade tax will no longer reduce the amount of a company's profits on which corporation tax is payable.

The main components of income tax expense for the financial years 2007 and 2006 are as follows:

	2007	2006
	EUR'000	EUR'000
<b>Consolidated income statements</b>		
Deferred taxes on temporary differences	6,413	1,041
Deferred taxes on losses carried forward	7,099	7,674
	<b>13,512</b>	<b>8,715</b>
Current income tax expense	91,429	61,117
<b>Income tax expense recognized in the income statement</b>	<b>104,941</b>	<b>69,832</b>

Deferred tax assets and liabilities result from temporary differences and tax losses carried forward as follows:

	Deferred tax		Deferred tax liabilities	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	EUR'000	EUR'000	EUR'000	EUR'000
Intangible assets	1,951	2,457	1,460	541
Property, plant and equipment and finance leases	7,324	3,458	15,347	19,361
Investment property	0	0	11,671	15,622
Financial assets	107	53	4	3
Inventories	221	0	0	4
Receivables and other assets	1,847	251	1,559	1,550
Pension and other provisions	33,994	71,944	3,248	2,300
Liabilities	641	663	1,619	273
Derivate financial instruments	53	146	0	0
Tax losses carried forward	1,485	8,584	0	0
Other balance sheet items	0	0	0	426
	<b>47,623</b>	<b>87,556</b>	<b>34,908</b>	<b>40,080</b>
Netted amounts	- 18,160	- 23,791	- 18,160	- 23,791
<b>Balance sheet items</b>	<b>29,463</b>	<b>63,765</b>	<b>16,748</b>	<b>16,289</b>

The following table shows the reconciliation between actual income tax expense and the hypothetical tax expense based on the IFRS result and the applicable tax rate for the Group for the financial years 2007 and 2006.

	2007	2006
	EUR'000	EUR'000
Profit before tax	256,905	186,780
Income tax expense at hypothetical income tax rate of 40.38 % (2006: 40.38 %)	103,738	75,422
Adjustment in current income taxes for prior years	327	- 1,910
Effect of tax rate change	10,240	0
Tax effect of permanent differences	0	- 25
Tax-free income including trade tax reductions	- 637	- 1,775
Non-deductible expenses including trade tax additions	2,256	3,047
Differences in tax rates	- 9,390	- 3,716
Other tax effects	- 1,593	- 1,211
	<b>104,941</b>	<b>69,832</b>

Deferred taxes are calculated on the basis of the tax rates currently in force in Germany or those expected to apply at the time of realization. In Germany a tax rate of 32.28 % (2007: 40.38 %) will apply from 2008, made up of corporation tax at 15.0 % (2007: 25.0 %), solidarity surcharge of 5.5 % (2007: 5.5 %) and the trade tax payable in Hamburg of 16.45 % (2007: 19.03 %) from 2008 on. Limited partnerships are also liable for trade tax. Due to special rules, property management companies do not pay trade tax. Accordingly, the calculation of the deferred taxes as at 31 December 2007 is based on a tax rate of 32.28 % (2006: 40.38 %). Trade tax no longer reduces the amount of net profit; neither does it lessen the amount of net profit on which corporation tax is paid. Due to rules on minimum taxation tax loss carry-forwards are only partially usable in Germany. Tax losses of up to € 1 million can be set off against taxable profits without restriction, and higher tax losses up to a maximum of 60 %.

Deferred tax assets from tax losses carried forward and temporary differences are recognized if it is sufficiently certain that they can be realized in the near future. The Group has corporation tax losses of T€ 6,411 (2006: T€ 31,824) and trade tax losses of T€ 2,790 (2006: T€ 1,017) which it can use without restriction to set off against future taxable profits in the

companies in which the losses were incurred. No deferred tax assets were recognized for corporation tax losses of T€ 1,286 (2006: T€ 2,341) and trade tax losses of T€ 193 (2006: T€ 468). Under current legislation the tax losses can be carried forward in Germany without restriction.

Deferred tax liabilities of T€ 22,469 (2006: T€ 666) recognized directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions and cash flow hedges.

## 16. SHARE OF RESULTS ATTRIBUTABLE TO OTHER SHAREHOLDERS

Profits attributable to other shareholders mainly relate to shareholders of HHLA Container-Terminal Altenwerder GmbH, Hamburg, and METRANS a.s., Prague, Czech Republic.

The increase in the share of results attributable to other shareholders is due partly to the increase in earnings but also to the fact that the cooperation agreement between the shareholders of HHLA Container-Terminal Altenwerder GmbH provides for a higher share of profits for the minority shareholder than its share in the company's equity. This share is limited to 50 % of net profits.

In addition, the results attributable to other shareholders were recorded for UNIKAI Lagerei- und Speditionsgesellschaft mbH for the first time.

## 17. EARNINGS PER SHARE

Undiluted earnings per share are calculated in accordance with IAS 33 by dividing the net profit for the Group attributable to the shareholders of the parent company by the average number of shares. The following table illustrates the calculation:

	2007	2006
Share of consolidated net profit attributable to shareholders of the parent company in T€	111,263	97,104
Number of common shares in circulation (weighted average)	70,687,500	70,300,000
<b>Undiluted earnings per share in €</b>	<b>1.57</b>	<b>1.38</b>

To make the earnings per share more comparable, the increase in the number of shares in circulation which resulted from redefining the number of shares and increasing capital from corporate funds was applied retroactively to the earnings per share calculation for the same period of the previous year.

The undiluted earnings per share for 2007 were calculated for the sub-groups as follows:

	Port Logistics	Real Estate
Share of consolidated net profit attributable to shareholders of the parent company in T€	108,443	2,820
Number of common shares in circulation (weighted average)	67,983,000	2,704,500
<b>Undiluted earnings per share in €</b>	<b>1.60</b>	<b>1.04</b>

The diluted earnings per share are identical to the undiluted EPS as there were no conversion or option rights inw circulation during the financial year.

## 18. DIVIDENDS DISTRIBUTED AND PROPOSED

A resolution was passed at the Annual General Meeting held on 31 August 2007 to distribute a dividend of T€ 15,000 (2006: T€ 11,000) to holders of common shares for the financial year 2006. At the time of the distribution, there were 53,300,000 shares (2006: 1,000), resulting in dividends of EUR 0.28 per share (2006: EUR 11,000). Please see Note 31 for details on the change in the number of shares.

As HHLA was divided into the sub-groups Port Logistics and Real Estate during the financial year, from 2007 divisional financial statements will be prepared to determine the respective shareholders' dividend entitlement. According to the company articles, these form part of the Notes to the financial statements for the parent company.

In 2008, dividends of T€ 59,432 are due to be paid to shareholders in the sub-group Port Logistics and a payout of T€ 2,705 is to be made to the sub-group Real Estate's shareholders. This is equivalent to dividends per share of € 0.85 for the sub-group Port Logistics and € 1.00 for the sub-group Real Estate.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 19. INTANGIBLE ASSETS

The following tables show the changes in intangible assets in 2007 and 2006:

### Intangible assets 2007

IN EUR '000

	Goodwill	Software	Internally developed software	Other intangible assets	Payments on account	2007 total
<b>Cost</b>						
1 January 2007	45,632	33,604	4,027	1,433	5,608	90,304
Additions	0	1,333	8,055	0	2,921	12,309
Disposals	- 552	- 610	0	0	- 2,503	- 3,665
Reclassifications	0	126	0	- 34	- 71	21
Exchange rate effects	0	- 97	0	0	1	- 96
<b>31 December 2007</b>	<b>45,080</b>	<b>34,356</b>	<b>12,082</b>	<b>1,399</b>	<b>5,956</b>	<b>98,873</b>
<b>Accumulate amortization and impairment losses</b>						
1 January 2007	0	25,784	0	1,399	0	27,183
Amortization additions	0	3,432	0	0	1,906	5,338
Amortization disposals	0	- 603	0	0	- 1,906	- 2,509
Reclassifications	0	0	0	0	0	0
Exchange rate effects	0	- 39	0	0	0	- 39
<b>31 December 2007</b>	<b>0</b>	<b>28,574</b>	<b>0</b>	<b>1,399</b>	<b>0</b>	<b>29,973</b>
<b>Net carrying amount</b>	<b>45,080</b>	<b>5,782</b>	<b>12,082</b>	<b>0</b>	<b>5,956</b>	<b>68,900</b>



## Intangible assets 2006

IN EUR '000

	Goodwill	Software	Internally developed software	Other intangible assets	Payments on account	2006 total
<b>Cost</b>						
1 January 2006	14,151	36,233	0	1,399	1,149	52,932
Additions	31,481	1,443	4,027	25	4,471	41,447
Disposals	0	- 3,998	0	0	0	- 3,998
Reclassifications	0	13	0	9	- 13	9
Exchange rate effects	0	- 87	0	0	1	- 86
<b>31 December 2006</b>	<b>45,632</b>	<b>33,604</b>	<b>4,027</b>	<b>1,433</b>	<b>5,608</b>	<b>90,304</b>
<b>Accumulated amortization and impairment losses</b>						
1 January 2006	0	26,493	0	1,399	0	27,892
Amortization additions	0	3,332	0	0	0	3,332
Amortization disposals	0	- 3,997	0	0	0	- 3,997
Reclassifications	0	0	0	0	0	0
Exchange rate effects	0	- 44	0	0	0	- 44
<b>31 December 2006</b>	<b>0</b>	<b>25,784</b>	<b>0</b>	<b>1,399</b>	<b>0</b>	<b>27,183</b>
<b>Net carrying amount</b>	<b>45,632</b>	<b>7,820</b>	<b>4,027</b>	<b>34</b>	<b>5,608</b>	<b>63,121</b>

The internally developed software shown is still under development.

In 2006, HHLA acquired 100 % of the shares in HHLA Rosshafen Terminal GmbH, Hamburg. The company lets and manages buildings and sites in Hamburg's Rosshafen Terminal.

At the same time, the company acquired various buildings and structural facilities located on the Rosshafen site in Hamburg. In total, the goodwill as at 31.12.2007 came to T€ 30,929. This goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites let by the company.

The carrying amounts for goodwill relate to the following HHLA segments:

	31.12.2007
	EUR '000
Container (Rosshafen)	30,929
Intermodal	7,660
Container (HHCT)	6,489
Other	2
	<b>45,080</b>

## 20. PROPERTY, PLANT AND EQUIPMENT

The following tables show the changes in property, plant and equipment in 2007 and 2006.

### Property, plant and equipment 2007

IN EUR '000

	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Plant under construction	2007 total
<b>Cost</b>					
1 January 2007	466,858	516,688	230,662	53,208	1,267,416
Additions	20,358	29,419	46,940	73,984	170,701
Disposals	- 7,781	- 3,087	- 9,307	- 227	- 20,402
Reclassifications	- 21,203	18,918	3,212	- 34,308	- 33,381
Changes in group of consolidated companies	2,572	0	0	0	2,572
Exchange rate effects	828	- 291	1,607	425	2,569
<b>31 December 2007</b>	<b>461,632</b>	<b>561,647</b>	<b>273,114</b>	<b>93,082</b>	<b>1,389,475</b>
<b>Accumulated depreciation and impairment losses</b>					
1 January 2007	218,695	247,282	119,693	0	585,670
Depreciation additions	16,629	32,177	24,240	0	73,046
Depreciation disposals	- 3,588	- 1,975	- 7,911	0	- 13,474
Reclassifications	- 11,096	- 680	658	0	- 11,118
Write-backs	0	0	- 605	0	- 605
Exchange rate effects	149	156	222	0	527
<b>31 December 2007</b>	<b>220,789</b>	<b>276,960</b>	<b>136,297</b>	<b>0</b>	<b>634,046</b>
<b>Net carrying amount</b>	<b>240,843</b>	<b>284,687</b>	<b>136,817</b>	<b>93,082</b>	<b>755,429</b>
of which finance lease	92	4,063	21,041	0	25,196

## Property, plant and equipment 2006

IN EUR '000

	Land and buildings	Technical equip- ment and machinery	Other plant, operating and office equipment	Plant under construction	2006 total
<b>Cost</b>					
1 January 2006	430,174	469,323	208,886	54,237	1,162,620
Additions	30,591	30,291	33,434	47,953	142,269
Disposals	- 12,979	- 4,441	- 17,128	- 494	- 35,042
Reclassifications	24,789	20,344	4,475	- 50,714	- 1,106
Non-current assets held for sale	- 6,812	- 440	0	0	- 7,252
Changes in group of consolidated companies	0	843	3	1,032	1,878
Exchange rate effects	1,095	768	992	1,194	4,049
<b>31 December 2006</b>	<b>466,858</b>	<b>516,688</b>	<b>230,662</b>	<b>53,208</b>	<b>1,267,416</b>
<b>Accumulated depreciation and im- pairment losses</b>					
1 January 2006	214,307	220,741	115,474	0	550,522
Depreciation additions	15,016	29,534	20,773	0	65,323
Depreciation disposals	- 9,945	- 2,955	- 16,454	0	- 29,354
Reclassifications	660	- 26	49	0	683
Write-backs	0	0	- 286	0	- 286
Non-current assets held for sale	- 1,506	- 279	0	0	- 1,785
Exchange rate effects	163	267	137	0	567
<b>31 December 2006</b>	<b>218,695</b>	<b>247,282</b>	<b>119,693</b>	<b>0</b>	<b>585,670</b>
<b>Net carrying amount</b>	<b>248,163</b>	<b>269,406</b>	<b>110,969</b>	<b>53,208</b>	<b>681,746</b>
of which finance lease	116	4,582	21,046	0	25,744

Buildings, surfacing and movable items of non-current assets held at T€ 12,830 (2006: T€ 13,773) were assigned as security in connection with loans to the Group. In addition to this, tangible fixed assets are encumbered with land charges totalling T€ 10,737 (2006: T€ 10,737).

Please refer to the comments on lease agreements in Note 39 concerning restrictions affecting certain buildings and their use in connection with the lease of the land by the Free and Hanseatic City of Hamburg.

## 21. INVESTMENT PROPERTIES

The following table shows the changes in investment properties:

	2007	2006
	EUR '000	EUR '000
<b>Cost</b>		
1 January	197,164	110,333
Additions	9,266	21,446
Disposals	- 868	- 6,155
Reclassifications	33,360	1,097
Changes in group of consolidated companies	0	70,443
<b>31 December</b>	<b>238,922</b>	<b>197,164</b>
<b>Accumulated depreciation and impairment losses</b>		
1 January	34,096	30,356
Depreciation additions	12,650	7,721
Depreciation disposals	- 527	- 3,298
Reclassifications	11,118	- 683
Changes in group of consolidated companies	0	0
<b>31 December</b>	<b>57,337</b>	<b>34,096</b>
<b>Net carrying amount</b>		
1 January	163,068	79,977
<b>31 December</b>	<b>181,585</b>	<b>163,068</b>

Investment properties are mainly warehouses converted to office space in the historical Hamburg warehouse district as well as logistics warehouses and surfaced areas.

Rental income from properties held as investment properties at the end of the financial year was T€ 37,365 (2006: T€ 29,972). The direct operating expenses for the investment properties amounted to T€ 14,339 (2006: T€ 10,373).

The fair value of the investment properties was T€ 399,452 (2006: T€ 364,728). Valuations by external assessors exist for properties with a fair value of T€ 288,100 (2006: T€ 60,400). Income is calculated on the basis of appropriate annual gross rental figures and management costs. Discounting is based on property interest rates of between 4.5 and 6.0 %.

The other fair values were determined without the help of an external assessor by the Group's real estate companies using comparable market rents. Fair values are reviewed every three years.

Fair values are measured by applying the discounted cash flow method (DCF method) to the forecast net cash flows

from managing the properties. The DCF calculation includes detailed forecasts up to the end of the properties' useful lives.

During the detailed forecast period the contractually agreed rental income from each property and other specific valuation parameters are used to derive the future operating costs, management expenses and maintenance costs. The parameters used are derived from the leases and/or company forecasts.

The cash flows are discounted using a standard market interest rate for the equivalent period of 6.0 % (2006: 6.0 %). The appropriate interest rate is determined by reference to relevant real estate discount rates for determining the fair value of properties.

Please refer to the comments on lease agreements in Note 39 concerning restrictions affecting certain buildings and their use in connection with the lease of the land by the Free and Hanseatic City of Hamburg.

Investment properties with a residual carrying amount of T€ 79,111 (2006: T€ 72,064) relate to buildings in the historical Hamburg warehouse district. As these are listed buildings, extensive refurbishment work must comply with the relevant statutory restrictions.

## 22. FINANCIAL ASSETS

The following tables show changes in financial assets in 2007 and 2006:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Shares in affiliated companies	1,730	1,175
Other equity investments	274	2,313
Securities	2,554	2,494
Loans to employees	1,499	0
Other financial assets	1,477	0
	<b>7,534</b>	<b>5,982</b>

The shares in affiliated companies include shares in Group companies which are of minor importance for giving a true and fair view of the Group's net assets, financial and earnings position and are therefore not consolidated.

Shares in affiliated companies and other equity investments are carried at amortized cost.

In the reporting year, shares in Terminal Pacifico sur Valparaíso s.a., Valparaíso, Chile, listed under other equity investments were sold. This resulted in a book profit of T€ 211.

The securities primarily relate to insolvency insurance for phased early retirement entitlements. In line with this, the securi-

ties are pledged or assigned as hedges. In the reporting year, the fair value was impaired by T€ 21 (2006: T€ 24). No further impairments were necessary.

Loans to employees totalling T€ 1,454 arose from the stock purchase plan. Please see Note 10 for more details.

### 23. INVENTORIES

Inventories are made up as follows:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Raw materials, consumables and supplies	14.655	10.836
Work in progress	2.869	4.939
Finished products and merchandise	255	580
Payments on account	25	7
	<b>17.804</b>	<b>16.362</b>

Impairment losses on inventories recognized as an expense amount to T€ 428 (2006: T€ 1,063). This expense is included in the cost of materials and services.

### 24. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale are land and buildings of HHLA segment Intermodal which are expected to be sold within the coming financial year. In order to hold the assets at fair value less costs to sell, impairment losses of T€ 1,957 were recognized the previous year, which are disclosed in the previous year's income statement under depreciation and amortization.

### 25. OTHER FINANCIAL RECEIVABLES

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Current receivables from employees	2.222	440
Positive fair values of interest rate swaps	1.179	1.025
Positive fair values of interest rate caps	267	184
Current reimbursement claims against insurers	11	1.324
Other current financial receivables	11.421	11.685
	<b>15.100</b>	<b>14.658</b>

Other current financial receivables include T€ 4,441 (2006: T€ 9,074) in current loans to other shareholders.

### 26. TRADE RECEIVABLES

Trade receivables of T€ 145,070 (2006: T€ 132,930) are owed by third parties, do not bear interest and all have a remaining term of less than one year. Default risks are reflected in impairment allowances of T€ 1,472 (2006: T€ 1,591). In 2007 impairment allowances of T€ 695 (2006: T€ 507) were recognized as an expense. Payments of T€ 168 (2006: T€ 119) were received on written-down trade receivables. Written-down trade receivables of T€ 646 (2006: T€ 152) were taken out of the books. Collateral for trade receivables is only held to a minor extent (e.g. rental guarantees).

### 27. RECEIVABLES FROM RELATED PARTIES

The following table shows the receivables from related parties:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Receivables from the Free and Hanseatic City of Hamburg	759	571
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	28,484	15,615
Receivables from related parties and joint ventures	5,344	2,733
	<b>34,587</b>	<b>18,919</b>

Of the receivables from HGV, T€ 28,300 (2006: T€ 14,400) relate to receivables in the course of Group clearing, which pay standard market interest.

### 28. OTHER ASSETS

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Current tax credits	4,169	3,247
Payments made on account	199	4,305
Other	3,981	3,343
	<b>8,349</b>	<b>10,895</b>

In the previous year, default risks were accounted for in profit and loss by impairment allowances of T€ 58. The other assets shown are not subject to any restrictions on title or use.



## 29. INCOME TAX RECEIVABLES

Income tax receivables result from offsetting taxes paid on investment income and the reimbursement of advance tax payments.

	31.12.2007	31.12.2006
	EUR'000	EUR'000
Income tax receivables	3,671	2,565

## 30. CASH AND CASH EQUIVALENTS

	31.12.2007	31.12.2006
	EUR'000	EUR'000
Bank balances and cash in hand	21,986	17,378
Short-term deposits	190,838	4,740
	<b>212,824</b>	<b>22,118</b>

Cash and cash equivalents are made up of cash in hand and various bank balances in different currencies. Cash of T€ 6,315 is subject to foreign exchange outflow restrictions.

As of 31 December 2007 the Group had unused lines of credit amounting to T€ 10,106 (2006: T€ 8,056) and had met all the conditions for their use.

Bank balances bear interest at variable rates applicable to demand accounts. Short-term deposits are made for varying periods of time ranging from one day to six months, depending on the Group's cash requirements. They attract interest at rates payable for short-term deposits. In the financial year the interest rates were between 0.5 % and 5.0 % (2006: 0.5 % and 5.1 %). The fair value of cash and cash equivalents is largely equivalent to their carrying value.

## 31. SHAREHOLDERS' EQUITY

### SUBSCRIBED CAPITAL

HHLA's articles of incorporation were amended by resolution of the General Meeting on 28 June 2007. The amendment became effective when it was recorded in the Commercial Register on 10 July 2007. With effect from 1 January 2007 it redivided the subscribed capital of HHLA into 53,300,000 shares (2006: 1,000 bearer shares with no par value), of which 51,250,000 shares represent the Sub-group Port Logistics and 2,050,000 shares the Sub-group Real Estate.

On 31 August 2007 the General Meeting passed a resolution to increase share capital from T€ 53,300 by T€ 17,000 from company funds by issuing 17,000,000 new bearer shares. The capital increase from company funds and the corresponding change to the articles took effect on 7 September 2007 when they were recorded in the Commercial Register at Hamburg District Court. Subscribed capital therefore increased to T€ 70,300, divided into 70,300,000 shares with no par value, of which 67,595,500 shares represent the Sub-group Port Logistics (Class A shares) and 2,704,500 shares the Sub-group Real Estate (Class S shares).

On 24 September 2007, the General Meeting resolved to convert the Class A and S bearer shares (a total of 70,300,000 shares) into registered shares.

At the General Meeting on 29 October 2007 a further resolution was passed to increase share capital as part of the stock flotation by T€ 2,325 to a total of T€ 72,625 by issuing 2,325,000 registered Class A shares each representing € 1.00 of share capital for subscription in cash and ruling out the subscription rights of Class A and Class S shareholders. The capital increase was recorded in the Commercial Register on 1 November 2007.

As of the balance sheet date HHLA's share capital therefore consists of two different classes of share; Class A shares and Class S shares. Subscribed capital is now T€ 72,625, divided into 69,920,500 Class A shares and 2,704,500 Class S shares; each share represents € 1.00 of share capital.

The share capital has been fully paid in.

The dividend entitlement for the share classes is based on the portion of the distributable profit attributable to the relevant division. The allocation of the distributable profit is governed by the company articles. The distributable profit attributable to the A division and the S division is calculated on the basis of separate financial statements produced for each of the two divisions. These are voluntarily drawn up in line with commercial accounting standards. For the purpose of calculating the dividend entitlement of Class A and Class S shareholders, income and expenses which cannot be allocated directly or to one division alone are shared among the divisions according to their proportion of the Group's revenues. All transfer prices for inter-divisional transactions and services are set at arm's length and regularly adjusted to actual developments. Interest-bearing liabilities, liquid funds, and interest income and expense are also allocated to each division separately. Any exchange of liquid funds between the company's two divisions attracts interest at a standard market rate.

In the course of the stock flotation on 2 November 2007, 22,000,000 Class A shares were sold on the market. This cor-

responds to a free float of approx. 30 % of HHLA's share capital. HHLA received gross proceeds of € 123.2 million from the capital increase.

As stated in the notification from the Free and Hanseatic City of Hamburg, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg, and HHLA-Beteiligungsgesellschaft mbH, Hamburg, dated 6 November 2007, HGV and – via the attribution of voting rights in accordance with Section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act (WpHG) – the Free and Hanseatic City of Hamburg have now descended below the threshold of 75 % and currently hold 69.71 % of voting rights (including the 20.73 % of voting rights held directly by HHLA-Beteiligungsgesellschaft mbH). As stated in a further notification from HHLA-Beteiligungsgesellschaft mbH dated 4 January 2008 the company has now descended below the threshold of 20 % and on that date held 18.89 % of voting rights.

#### AUTHORIZED CAPITAL I

According to the resolution passed at the General Meeting on 24 September 2007 and Section 3 para. 4 of the company articles, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the company's share capital by 1 September 2012 by issuing up to 33,797,750 new registered Class A shares for subscription in cash and/or in kind in one or more steps by up to € 33,797,750 (authorized capital I). The holders of Class A shares are to be given subscription rights; the subscription rights of holders of Class S shares are ruled out.

The Executive Board is further authorized to rule out the statutory subscription rights of holders of Class A shares, if a) the capital increase is for subscription in cash and does not exceed 10 % of that proportion of the share capital attributable to Class A shares, either at the time this authorization takes effect or when it is exercised, and the issue price of the new shares is not significantly below the market price of shares of the same class and category at the time the Executive Board sets the issue price; in calculating the 10 % threshold the amount of share capital is to be deducted which is represented by new or bought-back Class A shares issued or sold in accordance with Section 186 para. 3 sentence 4 of the German Stock Corporation Act (AktG) and a simplified exclusion of subscription rights since authorized capital I came into effect, and the pro rata amount of share capital covered by option or conversion rights/obligations from bonds issued in a manner analogous to Section 186 para. 3 sentence 4 AktG since authorized capital I came into effect; b) if it increases share capital for the purpose of acquiring companies, equity stakes in companies, parts of companies, intellectual property rights such

as patents, brands or licences to use them or other product rights by subscription in kind; c) as necessary for equalizing fractional amounts; or d) in order to offer the new shares for sale to employees of the company and its subsidiaries (employee shares).

Subject to the approval of the Supervisory Board the Executive Board is authorized to determine the further details of capital increases from authorized capital I, in particular the rights attached to individual shares and other conditions of the share issue. After each share increase from authorized capital the Supervisory Board is authorized to adjust the company articles accordingly, in particular with regard to the amount of share capital and the number of Class A shares in existence.

#### AUTHORIZED CAPITAL II

In accordance with the resolution passed at the General Meeting on 24 September 2007 and Section 3 para. 5 of the company articles, the Executive Board is also authorized subject to the approval of the Supervisory Board to increase the company's share capital until 1 September 2012 by issuing up to 1,352,250 new registered Class S shares (shares with no par value each representing € 1.00 of share capital) for subscription in cash and/or in kind in one or more steps by up to € 1,352,250 (authorized capital II). Holders of Class S shares are to be granted subscription rights; the subscription rights of holders of Class A shares are ruled out.

Subject to the approval of the Supervisory Board the Executive Board is authorized to determine the further details of capital increases from authorized capital II, in particular the rights attached to individual shares and other conditions of the share issue. Subject to the approval of the Supervisory Board the Executive Board is also authorized to exclude fractional amounts of shares from the Class S shareholders' subscription rights. After each share increase from authorized capital the Supervisory Board is authorized to adjust the company articles accordingly, in particular with regard to the amount of share capital and the number of Class S shares in existence.

#### CAPITAL RESERVE

At the beginning of the financial year the capital reserve contained the premium of T€ 30,000 paid by shareholders as determined at the Annual General Meeting held on 27 July 2005 as well as amounts transferred pursuant to the Deutsche Mark Balance Sheet Act (DMBilG) in 1948, 1958 and 1959. The capital reserve in the consolidated financial statements as of 31 December 2005 was also increased by T€ 5,552 paid by a new minority shareholder at HHLA Frucht- und Kühl-Zentrum GmbH.

In the reporting year share capital was increased from T€ 53,300 by T€ 17,000 from company funds by issuing 17,000,000 new bearer shares. This capital increase took place from company funds. As part of the stock flotation on 2 November 2007 issue proceeds of T€ 120,900 were also transferred to the capital reserve.

Since the 2007 financial year, transaction costs resulting from the issue of new equity instruments have also been deducted from the capital reserve. These came to T€ 1,500. The costs of an equity transaction (less all related income tax benefits) are recognized as a deduction from equity to the extent that they are additional costs which are directly attributable to the equity transaction and would not otherwise have been incurred. These costs are principally those of the banking consortium.

In addition, capital reserves increased by T€ 255 due to the addition of a minority shareholder in UNIKAI Lagerei- und Speditionsgesellschaft.

At the reporting date, the HHLA Group therefore had capital reserves of T€ 138,385 (2006: T€ 35,730).

#### RETAINED EARNINGS

Retained earnings include net profits from prior years for companies included in the consolidated financial statements, to the extent they were not distributed as dividends. This item also encompasses differences between HGB and IFRS as of 1 January 2006 (the transitional date).

#### ACCUMULATED OTHER COMPREHENSIVE INCOME

In accordance with IAS 19, which offers a choice of how to treat actuarial gains and losses from defined-benefit pension obligations, the HHLA Group shareholders' equity also includes all actuarial gains and losses from defined-benefit pension obligations. This item also includes changes in the fair value of hedging instruments (cash flow hedges) and the corresponding tax effects.

The equalization item from foreign currency translation enables the recognition of differences arising on the translation of financial statements from foreign subsidiaries.

#### CAPITAL MANAGEMENT

Capital management at HHLA aims to ensure the Group's long-term financial stability and flexibility in order to safeguard the Group's growth and enable its shareholders to participate in its success.

The key value-oriented management factor at the HHLA Group is the return on capital employed (ROCE). The equity ratio

is also monitored in order to maintain a stable capital structure. This should not fall below the 30 % mark as equity has been consistently built up in recent years.

Aside from the employee stock purchase plan which accompanied flotation, there are currently no share-based remuneration schemes or concrete resolutions for employee stock purchase plans.

HHLA does not currently hold any treasury shares. There are no plans to buy back shares.

There are currently no external minimum capital requirements affecting the HHLA Group.

### 32. DEVELOPMENTS IN GROUP EQUITY

A statement showing developments in Group equity is included as an Annexe to these Notes.

### 33. PENSION PROVISIONS

#### PENSION OBLIGATIONS

The Group has set up defined-benefit pension schemes for employees. Company retirement benefits are paid on the basis of various entitlements. As well as individual agreements these are primarily the collective company pension agreement (BRTV) and the so-called 'port pension', which is governed by a collective framework agreement for port workers in German seaports.

The BRTV is a total benefit plan. HHLA guarantees the participating employees a certain amount of benefits, which is made up of the statutory pension and the company pension. The amount of total benefits is determined by a variable percentage (according to years of service) of a fictitious net payment in the final wage or salary band based on social security data for the year 1999.

The amount of the port pension depends on years of service. The amount of the company pension is determined by the collective framework agreement for German seaports.

As part of these defined-benefit pension schemes provisions have been made for pensions and similar obligations for the amount of expected future retirement and surviving dependents' pensions. The amount of the obligation is calculated by external actuaries using the projected unit credit method.

With the exception of the working lifetime accounts introduced in 2006 the defined-benefit schemes are not funded benefit commitments. The following tables show the expense components recognized in the consolidated income statement for these benefits and the amounts carried in the consolidated balance sheet for the individual pension plans.

Amounts carried in the consolidated balance sheet for benefit commitments:

	31.12.2007	31.12.2006	31.12.2005
	EUR '000	EUR '000	EUR '000
Present value of pension obligations	311,873	377,077	383,993
Obligations from working lifetime accounts	482	289	0
	<b>312,355</b>	<b>377,366</b>	<b>383,993</b>

The present value of pension obligations is made up as follows:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
<b>Present value of pension obligations on 01.01</b>	<b>377,077</b>	<b>383,993</b>
Current service expense	5,550	5,172
Interest expense	16,145	15,355
Actuarial gains	- 67,227	- 7,624
Subsequent funding of port pension	0	- 27
Pension payments	- 19,672	- 19,792
<b>Present value of pension obligations on 31.12</b>	<b>311,873</b>	<b>377,077</b>

The following amounts were recognized in the income statement:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Current service expense	5,550	5,172
Interest expense	16,145	15,355
Subsequent funding for port pension	0	- 27
	<b>21,695</b>	<b>20,500</b>

In 2007 HHLA also made employer contributions of T€ 20,261 (2006: T€ 17,299) to the statutory pension agencies.

The balance sheet shows the full present value of pension obligations including actuarial gains and losses. The liabilities disclosed in the balance sheet have changed as follows:

	2007	2006
	EUR '000	EUR '000
<b>Balance sheet amounts on 01.01</b>	<b>377,077</b>	<b>383,993</b>
Expense recognized in the income statement	21,695	20,500
Pension payments	- 19,672	- 19,792
Actuarial gains	- 67,227	- 7,624
<b>Balance sheet amounts on 31.12</b>	<b>311,873</b>	<b>377,077</b>

Gains and losses set off against equity changed as follows:

	2007	2006
	EUR '000	EUR '000
<b>Actuarial gains/losses on 01.01</b>	<b>- 365</b>	<b>7,259</b>
Change in financial year	- 67,227	- 7,624
<b>Actuarial gains on 31.12</b>	<b>- 67,592</b>	<b>- 365</b>

The following actuarial assumptions are used to determine pension provisions:

	2007	2006	2005
Discount rate on 31.12	5.25 %	4.25 %	4.00 %
Forecast increase in pay	3.00 %	3.00 %	3.00 %
Forecast increase in pensions (without BRTV)	2.00 %	2.00 %	2.00 %
Forecast increase in pensions (monthly pensions under BRTV)	0.80 %	1.00 %	1.00 %
Fluctuation rate	1.30 %	1.30 %	1.30 %

The biometric data is drawn from the actuarial tables for 2005 by Prof. Dr Klaus Heubeck.

The discount rate (5.25 %) results from the current yield for industry obligations in December 2007 less a reduction for higher credit standings.

If an alternative discount rate of 5.00 % were applied, the present value of the pension obligations as at 31.12.2007 would be € 321 million.

#### OBLIGATIONS FROM WORKING LIFETIME ACCOUNTS

In 2006 the companies in the Group undertook to set up working lifetime accounts on the basis of collective bargaining agreements. Employees can have pay components invested in money

market or investment funds by the Group and then use the value of the funds saved to finance their early retirement. The amount of pay to which employees are entitled during their early retirement depends on the amount of funds saved, which in turn depends on the performance of the fund assets, plus other contractually agreed social benefits during the early retirement phase.

The portion of the obligations covered by the funds saved is reported at the funds' fair value. The additional benefits arising from collective bargaining agreements which are not covered by the funds saved are reported at the full present value of the obligation including actuarial gains and losses.

The liabilities carried in the balance sheet as of 31 December 2007 are made up as follows:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Present value of obligations	1,894	850
Present value of plan assets (fund shares)	- 1,412	- 561
	<b>482</b>	<b>289</b>

The present value of the obligations developed as follows:

	2007	2006
	EUR '000	EUR '000
<b>Present value of the obligations on 01.01</b>	<b>850</b>	<b>0</b>
Current service expense	1,057	850
Interest expense	50	0
Actuarial gains	- 40	0
Capital payments	- 23	0
<b>Present value of the obligations on 31.12</b>	<b>1,894</b>	<b>850</b>

The present value of the plan assets developed as follows:

	2007
	EUR '000
<b>Present value of the plan assets on 01.01</b>	<b>561</b>
Expected income from the plan assets	60
Inpayments	864
Actuarial losses	- 50
Capital payments	- 23
<b>Present value of the plan assets on 31.12</b>	<b>1,412</b>

The plan assets consist solely of shares in money market and investment funds. The expected return on the plan assets is 6 %.

The following figures were recorded in the income statement:

	2007
	EUR '000
Current service expense including salary conversion	1,057
Interest expense	50
Expected income from the plan assets	- 60
	<b>1,047</b>

The gains and losses offset in equity changed as follows:

	2007
	EUR '000
<b>Actuarial gains/losses on 01.01</b>	<b>0</b>
Changes in the financial year	10
<b>Actuarial losses on 31.12</b>	<b>10</b>

#### 34. OTHER NON-CURRENT AND CURRENT PROVISIONS

The following tables show changes in other non-current and current provisions during 2006 and 2007:



	01.01.2007	Additions	Accrued interest	Used	Reversed	31.12.2007
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Demolition obligations	23,997	2,416	1,437	0	710	27,140
Phased early retirement	10,540	5,528	1,665	4,090	19	13,624
Bonuses	3,952	3,129	0	3,201	122	3,758
Anniversaries	2,038	83	74	104	36	2,055
Other	13,007	10,572	0	7,589	3,453	12,537
	<b>53,534</b>	<b>21,728</b>	<b>3,176</b>	<b>14,984</b>	<b>4,340</b>	<b>59,114</b>

	01.01.2006	Changes in group of consolidated companies	Additions	Accrued interest	Used	Reversed	31.12.2006
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Demolition obligations	18,456	2,559	2,930	821	0	769	23,997
Phased early retirement	8,728	0	5,055	645	3,875	13	10,540
Bonuses	2,096	0	3,928	0	2,021	51	3,952
Anniversaries	2,005	0	32	83	82	0	2,038
Other	7,661	0	7,993	0	982	1,665	13,007
	<b>38,946</b>	<b>2,559</b>	<b>19,938</b>	<b>1,549</b>	<b>6,960</b>	<b>2,498</b>	<b>53,534</b>

## DEMOLITION OBLIGATIONS

Provisions for demolition obligations result from obligations to be met at the end of the lease term under long-term lease agreements with the Free and Hanseatic City of Hamburg. All HHLA Group companies in the Port of Hamburg are obliged to return leased land free of all buildings owned by them at the end of the lease term. To calculate the amount of the provision it was assumed that the obligation would be carried out in full for all leased property, with the exception of listed buildings. The demolition obligations relate to HHLA's Container, Real Estate and Logistics segments and are discounted at a rate of 4.5 % p.a. (2006: 4.5 % p.a.). As in the previous year an outflow of resources is expected in the period 2025–2035.

## PHASED EARLY RETIREMENT

Provisions for phased early retirement obligations consist of HHLA's obligations from the entitlements accrued during the beneficiaries' working period, plus the supplementary amounts. The calculation includes obligations towards staff who have already signed a phased early retirement agreement as well for the number of staff who are likely to sign a similar agreement, estimated on the basis of applications

made up to the balance sheet date. The amount of the provision was determined using an interest rate of 4.75 % p.a. (2006: 3.5 %). An outflow of T€ 3,025 (2006: T€ 1,797) is expected within one year.

## PROVISIONS FOR BONUSES

An outflow of T€ 3,758 (2006: T€ 3,952) is expected for bonuses within one year.

## PROVISIONS FOR ANNIVERSARIES

The provisions for anniversaries consist of Group employees' contractual entitlement to anniversary gratuities. The amount recognized is determined by an actuarial opinion. A discount rate of 5.25 % p.a. (2006: T€ 4.25 %) was used for the calculation.

## OTHER PROVISIONS

The other provisions mainly include provisions for anticipated but as yet unannounced increases in rents of T€ 3,593 (2006: T€ 4,846), legal fees and litigation expense of T€ 1,529 (2006: T€ 2,184), for insurance excesses of T€ 1,033 (2006: T€ 605), for

guarantees of T€ 728 (2006: T€ 7), for benefits to retired and former employees of T€ 376 (2006: T€ 438), and other long-term provisions totalling T€ 2,831 (2006: T€ 236). Overall, an outflow of T€ 6,177 is expected within one year.

### 35. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The following table gives the details of current and non-current financial liabilities:

31.12.2007 in EUR '000				
	Up to 1 year	1–5 years	Over 5 years	Total
Liabilities from bank loans	31,871	75,479	178,983	286,333
Liabilities towards staff	10,823	0	0	10,823
Other loans	0	1,806	0	1,806
Finance leasing liabilities	3,441	13,312	5,026	21,779
Negative fair values of interest rate hedges	137	0	0	137
Other financial liabilities	13,015	2,497	2,407	17,919
	<b>59,287</b>	<b>93,094</b>	<b>186,416</b>	<b>338,797</b>

31.12.2006 in EUR '000				
	Up to 1 year	1–5 years	Over 5 years	Total
Liabilities from bank loans	39,615	82,644	197,747	320,006
Liabilities towards staff	11,619	0	0	11,619
Other loans	0	1,165	995	2,160
Finance leasing liabilities	3,400	13,595	7,595	24,590
Negative fair values of interest rate hedges	360	0	0	360
Other financial liabilities	13,403	0	0	13,403
	<b>68,397</b>	<b>97,404</b>	<b>206,337</b>	<b>372,138</b>

The liabilities from bank loans include interest of T€ 4,087 (2006: T€ 4,527) accrued up to the balance sheet date and bank overdraft facilities totalling T€ 282 (2006: € 0).

The liabilities towards staff consist primarily of wages and salaries and holiday entitlement.

The other financial liabilities include reimbursements for customers and liabilities to shareholders outside the Group.

The following tables show the terms of the liabilities from bank loans:

Currency	Interest condition	Remaining fixed interest period	Interest rate	Nominal value	Carrying amount as at 31.12.2007
					EUR '000
EUR '000	fixed	2017	5.67 %	3,579	1,790
EUR '000	fixed	2016	5.61 %	30,000	27,000
EUR '000	fixed	2012	5.15–5.55 %	83,624	67,878
EUR '000	fixed	2011	3.97–5.31 %	50,182	39,605
EUR '000	fixed	2010	5.66 %	16,873	15,523
CZK '000	fixed	2010	4.00 %	35,000	450
EUR '000	fixed	2009	3.10–4.52 %	18,719	12,332
EUR '000	fixed	2008	3.72–4.50 %	44,298	29,301
EUR '000	floating	2008	floating + margin	97,219	87,778
CZK '000	floating	2008	floating + margin	32,000	306
					<b>281,963</b>

The floating interest rates are EURIBOR or PRIBOR rates with maturities of one to six months.

The fair value of financial liabilities for which fair value is not equivalent to carrying amount are as follows:

	31.12.2007		31.12.2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	EUR '000	EUR '000	EUR '000	EUR '000
Fixed interest-bearing loans	193,878	193,858	207,248	208,270

Interest rates of 5.0 % to 5.6 % p.a. (2006: 4.6 % to 5.1 % p.a.) were used to measure the fair value of fixed interest-bearing loans. The interest rates are derived from the risk-free rate depending on maturity plus a premium according to the credit rating. They therefore constitute market rates.

For details on finance lease liabilities please refer to Note 39 on finance leases.

Buildings, surfacing and movable items of non-current assets carried at T€ 12,830 (2006: T€ 13,773) have been pledged as collateral for interest-bearing loans. The collateral agreements provide that the assets are transferred to the banks until the loans and interest have been repaid in full and that they have a right to dispose of the assets if the borrower is in arrears with payments of interest and principal.

Other bank loans amounting to T€ 10,737 (2006: T€ 10,737) are secured by land charges enforceable without further proceedings.

The variable interest rates are partly hedged by interest rate hedges. Please refer to the comments on derivative financial instruments.

### 36. ACCOUNTS PAYABLE

Accounts payable from the financial year are only owed to third parties. As in the previous year the total amount is due within one year.

### 37. OTHER LIABILITIES

Other liabilities are made up as follows:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Tax liabilities	10,649	9,061
Payments received on account	4,968	6,770
Public subsidies	4,096	6,180
Employer's accident liability insurance	3,651	3,414
Customs duties	4,136	2,546
Social security liabilities	0	2,012
Port fund	1,973	1,779
Other debts	6,810	3,303
	<b>36,283</b>	<b>35,065</b>

All liabilities have a remaining term of up to one year. The public subsidies include T€ 3,435 (2006: T€ 5,423) in preliminary funding in connection with the promotion of intermodal transport. These will be deducted from the cost of purchase capitalized for the subsidized investments following an audit to confirm that all the requirements have been met.

There is sufficient certainty that all the conditions have been or will be fulfilled for the public subsidies to promote intermodal transport totalling T€ 16,754 which were paid to HHLA in the period between 2001 and 2007. These subsidies have therefore already been deducted from the cost of purchasing the subsidized investments. The conditions for the subsidies include obligations to operate the subsidized equipment for a retention period of five to 20 years, observe certain operating criteria and provide the subsidizing body with evidence for the use of the funds.

The other public subsidies recognized as liabilities relate primarily to investment subsidies received by a proportionately consolidated company to improve the economic infrastructure in the region and to promote combined freight traffic. The deferral will be reversed through profit and loss over the useful life of the subsidized assets. Otherwise public subsidies for assets are deducted from the cost of purchase of the assets and recognized on a straight-line basis in profit and loss by reducing depreciation for the asset over its useful life.

The HHLA Group received public subsidies totalling T€ 4,353 in the reporting year. T€ 171 of this amount was offset against costs through profit and loss.

### 38. INCOME TAX LIABILITIES

Income tax liabilities, to the extent that they exist, result from tax assessments and potential additional payments for corporation tax, solidarity surcharge and trade tax.

When preparing the financial statements provisions are made for the corresponding amounts of corporation tax, solidarity surcharge and trade tax on the basis of the tax and legal situation known at the time of preparation.

### 39. LEASES, CONTINGENCIES AND OTHER LIABILITIES

#### LIABILITIES FROM OPERATING LEASES WHERE THE GROUP IS LESSEE

There are various contracts between the Free and Hanseatic City of Hamburg and/or the Hamburg Port Authority and the HHLA Group for the lease of land and quay walls in the Port of Hamburg and in the historical Hamburg warehouse dis-

trict by companies in the HHLA Group. The main contracts run until 2025–2036. Under the terms of the contracts the lease payments are generally reviewed every five years on the basis of price developments in relevant competing ports or based on appropriate rental indices. Provisions are made for the anticipated increases in lease payments. Leasing expenses for the space in the historical warehouse district are partly linked to the progression of Group income from subletting these buildings.

Without the prior approval of the lessor, the leased areas and the buildings on them belonging to HHLA may not be either sold or let. Major changes to the terms of subletting agreements also require the approval of the lessor.

The Group also has leasing agreements for various motor vehicles and items of technical equipment. These leases have an average duration of one to seven years and generally do not include renewal options. The lessee takes on no obligations when signing these leases.

At the balance sheet date the following minimum lease payment obligations exist under uncancellable operating leases:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Within one year	30,511	28,500
Between one and five years	96,914	100,722
Over five years	592,006	570,641
	<b>719,431</b>	<b>699,863</b>

In the financial year, expenses of T€ 35,849 (2006: T€ 37,558) were incurred for leases, of which T€ 330 (2006: T€ 333) relate to conditional rental payments.

#### OPERATING LEASES WHERE THE GROUP IS LESSOR

The Group has signed leasing agreements for letting its investment properties on a commercial basis. The investment properties consist of office space and facilities not used by the Group. These leases have remaining lease terms of between 1 and 18 years. After the end of the uncancellable lease period some contracts give tenants the option of extending the lease for a period of between 2 and up to a maximum of three times 5 years. Some leases contain a clause under which the rent can be increased in line with market conditions.

The following table shows the minimum lease payments anticipated for the years ahead on the basis of uncancellable operating leases at the balance sheet date:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Within one year	44,027	24,958
Between one and five years	78,197	55,066
Over five years	77,753	35,913
	<b>199,977</b>	<b>115,937</b>

In the financial year income of T€ 44,055 (2006: T€ 29,972) was earned from letting property, plant and equipment and investment property.

#### OBLIGATIONS UNDER FINANCE LEASES

The Group has concluded various finance lease and hire-purchase agreements for technical equipment and for operating and office equipment. These agreements relate to lifting and ground handling vehicles, container carrying vehicles and chassis, a light warehouse and IT hardware. The contracts mostly have renewal options for lessees and in some cases the lessor has a right to offer the item for sale. A purchase option exists for the light warehouse. No provisions have been made for adjusting the lease payments.

The following table shows the reconciliation between minimum lease payments from finance leases and hire-purchase agreements and their present value:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Within one year	4,617	4,645
Between one and five years	15,516	15,893
Over five years	5,295	12,631
<b>Total minimum lease payments</b>	<b>25,428</b>	<b>33,169</b>
Within one year	3,441	3,400
Between one and five years	13,312	13,595
Over five years	5,026	7,595
<b>Present value of minimum lease payments</b>	<b>21,779</b>	<b>24,590</b>
<b>Interest expense from discounting</b>	<b>3,649</b>	<b>8,579</b>

#### LITIGATION

In the course of carrying out their business activities, companies in the HHLA Group are involved in several court and arbitration proceedings as at 31 December 2007. As of the balance sheet

date there are no legal disputes which could have a substantial effect on the Group's financial position.

Appropriate provisions for the risks and costs of litigation have been made to cover any financial expense from court or arbitration proceedings if the event took place before the balance sheet date and the company's legal representatives estimate the probability of an outflow of economic resources at more than 50%.

#### CONTINGENT LIABILITIES

At the balance sheet date the HHLA Group had contingent liabilities of T€ 1,217 from guarantees (2006: T€ 1,167) and of T€ 300 (2006: T€ 300) from comfort letters.

Of these, proportionately consolidated joint ventures account for T€ 1,217 (2006: T€ 1,167).

#### OTHER FINANCIAL OBLIGATIONS

At the balance sheet date the Group had obligations of T€ 83,425 (2006: T€ 13,153) from purchase commitments and of T€ 730,065 (2006: T€ 736,196) from miscellaneous other obligations.

Of these, proportionately consolidated joint ventures account for T€ 47,731 (2006: T€ 51,113).

Please refer to Note 39 (Section 1) for details of the obligations from operating leases included here and listed separately.

#### 40. RELATED PARTY DISCLOSURES

HHLA is the parent company of the HHLA Group. IAS 24 defines related parties as individuals and companies which control or exert significant influence over the Group or over which the Group has control or significant influence.

The shareholders HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg, and HHLA-Beteiligungsgesellschaft mbH, Hamburg, as well as their shareholder, the Free and Hanseatic City of Hamburg, companies over which the Free and Hanseatic City of Hamburg has control or significant influence, the members of HHLA's Management and Supervisory Boards and the subsidiaries, associates and joint ventures in the HHLA Group are therefore defined as related parties. HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg, is the final parent company of HHLA which publishes consolidated financial statements.

In addition to the business relationships with subsidiaries fully consolidated in the consolidated financial statements, the following transactions took place with related parties in the respective financial years:



## Related party disclosures

IN EUR '000

	31.12.2007	31.12.2006
<b>Companies with control over the Group</b>		
Income from related parties	10,271	670
Expenses with related parties	23,260	21,684
Receivables from related parties	32,899	16,186
Liabilities towards related parties	65,171	101
<b>Non-consolidated subsidiaries</b>		
Income from related parties	59	0
Expenses with related parties	809	9
Receivables from related parties	0	1,906
Liabilities towards related parties	527	767
<b>Joint ventures</b>		
Income from related parties	4,571	3,964
Expenses with related parties	2,967	2,900
Receivables from related parties	951	827
Liabilities towards related parties	794	596
<b>Other transactions with related parties</b>		
Income from related parties	479	10
Expenses with related parties	1,504	463
Receivables from related parties	737	0
Liabilities towards related parties	963	812
<b>Total</b>		
Income from related parties	15,380	4,644
Expenses with related parties	28,540	25,056
Receivables from related parties	34,587	18,919
Liabilities towards related parties	67,455	2,276

Receivables from companies with control over the group are principally receivables of T€ 28,300 owed by HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH from cash clearing. HHLA's receivables accrued interest at a rate of between 3.48 and 4.50 % p.a. in the reporting year. Liabilities towards related parties include a loan of T€ 65,000 to the sub-group Real Estate, which is granted by HGV for an indefinite period and attracts interest at a rate of 4.50 % p.a. as at the balance sheet date. The loan can be cancelled with three months' notice. Expenses with related parties mostly include rent for land and quay walls in the port and the historical warehouse district. Income from related parties is composed of rental and service income and interest income. The increase in income from companies exerting controlling influence over the Group is primarily due to letting buildings, passing on costs for tenant improvements and passing on flotation costs totalling T€ 3,072.

Furthermore, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH and the Free and Hanseatic City of Hamburg as parties related to HHLA have provided comfort letters and guarantees for loans granted to companies in the HHLA Group to Kreditanstalt für Wiederaufbau and the European Investment Bank, Luxembourg. The nominal amount of the bank loans is some € 168.0 million (2006: € 224.2 million) of which approximately € 154.8 million plus interest was still outstanding on 31 December 2007 (31 December 2006: € 211.9 million).

With effect from 18 October 2007, a partial loss compensation agreement was concluded between HHLA and HGV. HGV hereby undertakes to assume each annual deficit posted by the HHLA Sub-group Real Estate as per commercial law during the term of the agreement. This applies insofar as the deficit is not compensated for by transferring amounts from the profit carried forward, other revenue reserves or

the capital reserve which were carried forward as profit or transferred to these reserves during the term of the contract in accordance with Section 272 para. 2 no. 4 of the German Commercial Code (HGB).

Expenses and income from related parties is on standard market terms. The amounts outstanding at year-end are not secured and – with the exception of overnight funds in clearing – do not attract interest.

The following table lists subsidiaries, associated companies and joint ventures, plus HHLA's other participating interests:

## Breakdown of HHLA's equity investments into segments

AS AT 31 DECEMBER 2007

Company name and headquarters		Share of capital		Equity	Annual profit 2007
		direct	indirect		
		%	%	EUR '000	EUR '000
<b>PORT LOGISTICS</b>					
<b>Container segment</b>					
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg	1) 2) 4)	100.0		91,410	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg	1) 2) 4)		100.0	1,909	0
LZU Leercontainer Zentrum Unikai GmbH, Hamburg	1)		65.0	1,657	1,357
HHLA Container Terminal Tollerort GmbH, Hamburg	1) 2) 4)		100.0	7,669	0
HHLA Rosshafen Terminal GmbH, Hamburg	1)		100.0	14,958	661
CTT Besitzgesellschaft mbH, Hamburg	1)		100.0	348	298
UNIKAI Hafenbetrieb GmbH, Hamburg	1) 2) 4)		100.0	3,500	0
HHLA Container-Terminal Altenwerder GmbH, Hamburg	1)		74.9	118,595	55,050
SCA Service Center Altenwerder GmbH, Hamburg	1) 2) 4)		74.9	600	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg	5)		37.5	81	31
HHLA CTA Besitzgesellschaft mbH, Hamburg	1)		74.9	5,243	2
CuxPort GmbH, Cuxhaven	5)		25.1	4,715	940
HHLA Container Terminal Burchardkai GmbH, Hamburg	1) 2) 4)	100.0		74,938	0
Service Center Burchardkai GmbH, Hamburg	1) 2) 4)		100.0	26	0
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven	6)	50.0		- 27	6
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven	6)	50.0		30	1
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg	6)	23.1	17.3	1,541	329
SC HPC Ukraina, Odessa/Ukraine	1)		100.0	26,103	14,250
<b>Intermodal segment</b>					
HHLA Intermodal Verwaltung Gesellschaft mit beschränkter Haftung, Hamburg	1) 6)	100.0		21	0
HHLA Intermodal GmbH, Hamburg	1) 2) 4)	100.0		29,039	0
CTD Container-Transport-Dienst GmbH, Hamburg	1) 2) 4)		100.0	256	0
combisped Hanseatische Spedition GmbH, Lübeck	1) 2) 4)		100.0	12,600	0
CTL Container Terminal Lübeck GmbH, Lübeck	1) 2) 4)		100.0	4,755	0
METRANS a.s., Prague/Czech Republic	1)		51.1	63,357	25,348
METRANS (Danubia) a.s., Danube/Slovakia	1)		51.1	7,622	2,514
METRANS (Deutschland) GmbH, Hamburg	1) 6)		51.1	106	13
METRANS (Danubia) Kft., Győr/Hungary	1) 6)		51.1	307	120
METRANS Adria D.O.O., Koper/Slovenia	1) 6)		51.1	47	24
UMSP Property a.s. Prague/Czech Republic	1)		51.1	76	1
DYKO, s.r.o., Kolin/Czech Republic	1) 6)		51.1	1,310	304
TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt/Main	5)		50.0	3,900	1,511
TFG Verwaltungs GmbH, Frankfurt/Main	6)		50.0	123	9

## Breakdown of HHLA's equity investments into segments

AS AT 31 DECEMBER 2007

Company name and headquarters		Share of capital		Equity	Annual profit 2007
		direct	indirect		
		%	%	EUR '000	EUR '000
<b>Intermodal segment (continued)</b>					
POLZUG Intermodal GmbH, Hamburg	5)		33.3	5,661	2,207
POLZUG Intermodal Polska sp. zo.o., Warsaw/Poland	5)		33.3	6,852	831
Silk Road Express Georgia LLC, Poti/Georgia	6) 7)		24.9	42	13
<b>Logistics segment</b>					
HPC Hamburg Port Consulting GmbH, Hamburg	1) 2) 4)	100.0		1,023	0
HPTI Hamburg Port Training Institute GmbH, Hamburg	1) 2) 4)		100.0	102	0
Uniconsult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg	1) 2) 4)		100.0	100	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg	1)	51.0		4,259	2,055
ARS-UNIKAI GmbH, Hamburg	5)		25.1	211	2
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg	1)	51.0		14,187	2,053
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg	1)	51.0		766	612
HHLA Rhenus Logistics GmbH, Hamburg	1)	51.0		90	- 1,483
HHLA Rhenus Logistics Altenwerder GmbH & Co. KG, Hamburg	5)	49.0		1,344	- 1,623
HHLA Rhenus Logistics Altenwerder Verwaltungs-gesellschaft mbH, Hamburg	6)	49.1		49	0
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg	5) 4)	49.0		-	-
<b>Holding company/other</b>					
GHL Erste Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung mbH, Hamburg	1) 2) 4)	100.0		2,556	0
GHL Zweite Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung mbH, Hamburg	1) 2) 4)	100.0		26	0
HHLA-Personal-Service-Gesellschaft mit beschränkter Haftung, Hamburg	1) 2) 4)	100.0		45	0
„CAP SAN DIEGO“ Betriebsgesellschaft mbH, Hamburg	3) 6)	33.3		-	-
Egon Wenk Umschlag- und Logisticgesellschaft mbH, Hamburg	1) 6)		100.0	34	4
<b>REAL ESTATE</b>					
<b>Real Estate segment</b>					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg	1) 2) 4)	100.0		3,491	0
GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Block D mbH, Hamburg	1) 2) 4)	100.0		8,184	0
GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Bei St. Annen mbH, Hamburg	1)	100.0		6,971	381
GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Block T mbH, Hamburg	1) 2) 4)	100.0		1,327	0

1) Controlled company. 2) Profit and loss transfer agreements existed with these companies in 2007. 3) Exemption as per Section 313 para. 2 no. 4 sentence 3 of the German Commercial Code (HGB) was utilized for these companies. 4) The disclosure relief as per Section 264 para. 3 of the German Commercial Code (HG) will be utilized for these companies. 5) Proportionately consolidated companies. 6) Due to their overall immaterial significance, these companies are not included in the consolidated financial statement or, as associated companies, they are not measured using the equity method, but instead are shown as participations. 7) Annual profit 2006.

## COMPENSATION FOR KEY MANAGEMENT PERSONNEL

The relevant group of people includes the current and former members of the Executive Board and their surviving dependents.

In accordance with Section 11 para. 2 of HHLA's company articles, the Supervisory Board is responsible for signing and terminating service contracts with members of the Executive Board. The Supervisory Board has transferred responsibility for amendments to service contracts in particular to a Personnel Committee. This committee discusses and reviews the structure of the Executive Board's remuneration system on a regular basis. When conducting such reviews, the Personnel Committee considers HHLA's size and area of operations, its financial position and the amount and structure of Executive Board remuneration in comparable companies.

The remuneration for the Executive Board members is made up of a performance-unrelated basic annual salary, a performance-related bonus and other benefits (primarily the use of a company car). The amount of the bonus depends on the consolidated net profit before tax and minority interests, adjusted for additions to retirement benefit provisions and any extraordinary income from the disposal of companies and land. The bonus may not exceed a certain fixed amount per financial year.

The current remuneration structure does not include any components which act as long-term incentives.

In addition to this, each Executive Board member is entitled to a pension. Pensions are paid to former Executive Board members either after five or eight years' work on the Executive Board, or if they leave the Board for reasons unrelated to the Board member, or as a result of incapacity or due to reaching retirement age. Pensions consist of a percentage of the entitlement salary, which is based on the annual basic salary. The percentage is between 35 % and 50 %. Surviving married partners of Executive Board members receive a widow(er)'s pension of 60 % of the pension entitlement.

Should the pension entitlement be suspended or no longer exist on leaving the Executive Board, transitional pay will apply for a limited period based on the annual basic salary. These provisions are not included in all Executive Board members' service contracts.

If the service contracts include a change of control clause, Executive Board members will receive their financial entitlement for the remaining duration of their contract, discounted by 2 % p.a. and discharged in a one-off payment. This does not affect their pension entitlements. Mr Fritsch's service contract does not contain this clause.

The following remuneration was paid to the members of the Executive Board in 2007 (2006):

Performance-unrelated remuneration		Performance-related remuneration	Total
Basic salary	Other benefits		
EUR '000	EUR '000	EUR '000	EUR '000
1,225	77	1,607	2,909
(1,065)	(58)	(2,523)	(3,646)

Please see the Group Management Report for details of the remuneration paid to individual Board members.

The performance-related components in the financial year include a special flotation bonus proposed by the Supervisory Board. In addition to this, the other benefits are made up of benefits in kind, which principally consist of the use of a company car.

The members of the Executive Board did not take part in the employee share programme set up at the time of the flotation.

Benefits totalling T€ 510 (2006: T€ 531) were paid to former members of the Executive Board and their surviving dependents. Provisions of T€ 4,879 (2006: T€ 12,773) have been made for pension commitments to active Executive Board members and provisions of T€ 6,912 (2006: T€ 13,022) have been made for pension commitments to former Executive Board members and their surviving dependents. The change in the level of provisions is primarily due to an increase in the assumed interest rate and an adjustment in the expected dynamization.

## SUPERVISORY BOARD REMUNERATION

In accordance with Section 16 of HHLA's company articles, Supervisory Board members are remunerated as resolved by the Annual General Meeting. This remuneration is based on the scope of the Supervisory Board members' activities and the company's financial position and success. This remuneration has been revised with effect as of 2 November 2007.

The members of the Supervisory Board receive fixed remuneration of T€ 10 per financial year. The Chairman receives three times this amount and the Vice Chairman receives twice the standard figure. This remuneration increases by 35 % if dividends are paid out to the holders of Class A shares for the financial year in question. Supervisory Board members who belong to a committee receive an additional T€ 2.5 per committee per year while the Chairman of the committee receives T€ 5. However, the total may not exceed T€ 10. Furthermore, Supervisory Board members receive a meeting attendance fee of € 250 per meeting of the Supervisory Board or one of its committees.



In the period from 1 January 2007 to 1 November 2007, each Supervisory Board member received a meeting attendance fee of € 80.

Remuneration to the Supervisory Board totalled T€ 46 in 2007 (2006: T€ 6).

#### 41. MANAGEMENT OF FINANCIAL RISKS

To finance its business activities, the Group uses short, medium and long-term bank loans, finance leases and hire-purchase agreements as well as cash and short-term deposits. The Group has access to various other financial assets and liabilities, such as trade payables and receivables which arise directly from its business.

The Group also enters into derivatives transactions. The derivative financial instruments include interest rate hedging instruments such as interest rate swaps and interest rate caps and, to a minor extent, currency futures. The purpose of these derivative financial instruments is to manage interest rate, currency and commodity price risks which result from the Group's business activities and its sources of financing.

Derivative financial instruments are only used to hedge existing transactions and planned transactions which are sufficiently likely to take place. Hedging transactions are only concluded with counterparties with first-class credit ratings. HHLA also makes use of external ratings to assess its counterparties' creditworthiness. The Group does not hold derivative financial instruments for speculative purposes.

##### INTEREST RATE AND MARKET PRICE RISK

As a result of its borrowing the Group is exposed to an interest rate risk, which principally stems from medium to long-term borrowing at floating rates of interest.

Managing the Group's interest expense involves a combination of fixed and floating-rate debt, depending on the market. It is Group policy to arrange the majority of interest-bearing debt at fixed rates of interest, either by agreeing fixed rates with the lenders or by taking out interest rate swaps. The Group also partly limits its interest rate risk for the residual floating rate debt by the use of interest rate caps.

At the balance sheet date approx. 86 % (2006: 89 %) of the Group's borrowing was at fixed interest rates, including an amount of T€ 49,461 (2006: T€ 74,141) covered by interest rate swaps. Interest rate caps were also in place for a further T€ 28,000 (2006: T€ 28,250).

HHLA's interest-bearing receivables and liabilities are mainly at fixed interest rates. These financial instruments are

not held at fair value and are therefore not subject to market price risks on the balance sheet.

Market price risks can, however, affect securities and equity investments in particular. Due to the minor scope of these instruments, the risk is deemed insignificant.

A change in the variable interest rate affects the interest expense arising from floating-rate loans, the interest income from overnight deposits and time deposit investments, and the income from interest rate hedges and their fair value.

If the variable interest rate had been 0.5 percentage points higher as at 31 December 2007, interest expense arising from floating-rate loans would have been T€ 440 p.a. higher, interest income from overnight deposits and time deposit investments would have been T€ 1,096 p.a. higher, and income from interest rate hedges would have been T€ 387 higher. The fair value of the interest rate hedges would rise by T€ 718. Of this, T€ 430 would be recorded directly in equity and T€ 288 would be reported in the income statement, whose result would increase by a total of T€ 1,331 before tax.

##### EXCHANGE RATE RISK

Due to its investments in countries outside the eurozone, changes in exchange rates can affect the Group balance sheet.

Foreign currency risks on individual transactions, such as the sale of a shareholding for example, are hedged by currency futures if a market analysis requires it. The hedging transactions are in the same currency as the hedged item. The Group only concludes currency futures contracts when specific claims or obligations exist.

At the balance sheet date the Group held currency futures contracts with a nominal volume of T€ 400 (2006: T€ 738) and a market value of T€ 16 (2006: T€ 41).

Revenues in the HHLA Group are predominantly invoiced in euros or in the national currencies of the European Group companies, so that there is no significant foreign currency risk from the functional currency.

##### COMMODITY PRICE RISK

The Group is exposed to a commodity price risk when purchasing fuel. Depending on the market situation the Group can arrange price hedges for part of the fuel requirement. At the balance sheet date this was not the case. One price hedging transaction existed in the previous year with a negative market value of T€ 146.

In addition to the market risks mentioned there are also financial risks in the form of credit and liquidity risks.

## CREDIT RISK

The Group only maintains customer relationships on a credit basis with recognized, creditworthy third parties. Clients who wish to complete transactions with the Group on a credit basis are subject to a credit scoring procedure. Receivables are also monitored on a permanent basis and impairment allowances made if risks are identified, so that the Group is not exposed to any additional significant default risks on receivables. The maximum default risk for the trade receivables and other financial receivables is theoretically the carrying amount for the individual receivable. The term structure of trade receivables is as follows:

## Structure of trade receivables

IN EUR '000

	2007	2006
Receivables not due for payment and not written down	105,671	94,163
Overdue receivables not written down		
- up to 30 days	29,226	28,354
- 31 to 90 days	7,883	7,305
- 91 days to 1 year	2,194	2,137
- over 1 year	96	971
Total	39,399	38,767
	<b>145,070</b>	<b>132,930</b>

Please refer to the comments on impairment allowances for trade receivables in Note 26.

The default risk in the case of derivative financial instruments and cash and cash equivalents is in theory that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments.

The risk of default can be considered to be minimal, as the Group only conducts derivative financial transactions and liquid investments with counterparties with first-class credit ratings.

The receivables from related parties mainly relate to HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH. As a result, the default risk which theoretically corresponds to the carrying amount is considered minimal.

In addition, credit risks may arise from an avallment from the contingencies listed in Note 39.

## LIQUIDITY RISK

The Group guarantees sufficient liquidity at all times with the help of medium-term liquidity planning, by diversifying the maturities of loans and finance leases, and by means of existing lines of credit and funding commitments.

For details on the repayment of the HHLA Group's loans, the liabilities towards staff, the finance lease liabilities and other financial liabilities, please refer to the table of residual maturities for financial liabilities in Note 35.

The following outflows of liquidity are expected for future interest payments:

## Outflow of liquidity for future interest payments

IN EUR'000

<b>31.12.2007</b>	<b>Up to 1 year</b>	<b>1–5 years</b>	<b>Over 5 years</b>
Outflow of liquidity for future interest payments on fixed-interest loans	9,280	29,264	30,250
Outflow of liquidity for future interest payments on floating-rate loans	4,307	14,022	4,224
	<b>13,587</b>	<b>43,286</b>	<b>34,474</b>

<b>31.12.2006</b>	<b>Up to 1 year</b>	<b>1–5 years</b>	<b>Over 5 years</b>
Outflow of liquidity for future interest payments on fixed-interest loans	10,033	32,344	36,451
Outflow of liquidity for future interest payments on floating-rate loans	4,123	10,616	5,043
	<b>14,156</b>	<b>42,960</b>	<b>41,494</b>

The interest rate swaps with negative fair values as at 31.12.2007 are expected to result in interest outflows totalling T€46 within one year and interest outflows of T€98 within a period of one to five years. An interest outflow is considered to be the difference between the amount to be paid and the amount to be received. For interest rate swaps with positive fair values and interest rate caps, no interest outflows are anticipated for the relevant remaining term.

## FINANCIAL INSTRUMENTS

### Fair value

With the exception of the non-current financial liabilities described in Note 35, there are no significant differences between the carrying amounts and fair values of financial instruments.

The following table shows the financial assets and liabilities according to the categories defined by IAS 39 for the financial years 2007 and 2006:

Categories of financial assets

IN EUR'000

31.12.2007	Valuation using IAS 39			Valuation using IAS 39		Balance sheet
	Loans and receivables	Held for trading	Held as effective hedging instruments	Available-for-sale financial assets		
	Amortized cost	Fair value	Fair value		Amortized cost	
Financial assets	2,976			2,554	2,004	7,534
Trade receivables	145,070					145,070
Receivables from related parties	34,587					34,587
Other financial receivables	13,654	434	1,012			15,100
Cash and cash equivalents	212,824					212,824
	409,111	434	1,012	2,554	2,004	
31.12.2006						
Financial assets	0			2,494	3,488	5,982
Trade receivables	132,930					132,930
Receivables from related parties	18,919					18,919
Other financial receivables	13,449	291	918			14,658
Cash and cash equivalents	22,118					22,118
	187,416	291	918	2,494	3,488	

Categories of financial liabilities

IN EUR'000

31.12.2007	Valuation using IAS 39	Valuation using IAS 39	Valuation using other IAS	Balance sheet
	Held for trading	Held as effective hedging instruments	Other financial liabilities	
	Fair value	Fair value	Amortized cost	
Financial liabilities	137	0	316,881	338,797
Accounts payable			73,704	73,704
Liabilities towards related parties			67,455	67,455
	137	0	458,040	21,779
31.12.2006				
Financial liabilities	306	54	347,188	372,138
Accounts payable			64,171	64,171
Liabilities towards related parties			2,276	2,276
	306	54	413,635	24,590

In the reporting year, gains/losses of T€ 280 (2006: T€ 1,532) were recognized in the income statement on financial assets and/or liabilities held at fair value through profit and loss. These primarily relate to interest rate hedges with no effective hedging relationship as per IAS 39. Mark-to-market values are used as fair values.

In the reporting year, changes of T€ 92 (2006: T€ 1,192) in the fair value of financial instruments designated as hedging instruments (interest rate swaps) were recognized directly in equity. Mark-to-market values are used as fair values.

A loss of T€ 21 (2006: T€ 24) was recognized in the income statement on available-for-sale financial assets. No entries were made in equity. Market listings are used as fair values on the balance sheet date.

Please refer to the table on the financial result in Note 13 for interest income and interest expense.

#### Derivative financial instruments

Derivative financial instruments are used in the HHLA Group to reduce interest rate risks and, to a minor extent, to reduce currency and commodity price risks. The financial derivatives held in the consolidated financial statements are carried at fair value. Resulting gains and losses are recognized through profit and loss in the financial result unless the derivative financial instrument is part of a designated cash flow hedging relationship. The effective portion of unrealized gains and losses on cash flow hedges is recognized in equity without effect on profit and loss.

The following table shows the terms and maturities of the interest rate derivatives held on the balance sheet date:

The remaining maturity of the interest rate derivatives is between one month and nine years.

At the balance sheet date in the previous year a price hedge for diesel was also in place, for which a negative market value of T€ 146 was recognized as a liability.

The fair values of derivatives are determined by reference to the market prices posted by counterparties.

The expenses and income from the hedged items included in the financial result and the underlying derivatives are shown separately. Expenses and income are not set off against one another.

Of the interest rates swaps disclosed, financial instruments covering an amount of T€ 38,689 (2006: T€ 62,916) with a market value of T€ 1,012 (2006: T€ 918) are held as part of cash flow hedging relationships to hedge future cash flows from interest-bearing liabilities. The hedged cash flows are expected to occur within the next 9 years. The amount covered by interest rate swaps is adjusted in line with the anticipated repayment of the loan over the term of the derivative.

In the financial year 2007 gains of T€ 92 (2006: T€ 1,192) on financial instruments used to hedge cash flows were recognized directly in equity.

If the variable interest rate had been 0.5 percentage points higher as at 31.12.2007, the value of the interest rate hedges recorded under other financial receivables would have increased by T€ 671 and the value of the interest rate hedges listed under other financial liabilities would have decreased by T€ 47. As a result of this change in value, T€ 430 would be recorded directly in equity and T€ 288 in the income statement (before taxes).

## Interest rate derivatives

	Fixed interest rate	Floating rate	Amount covered	Market values 31.12.2007		Market values 31.12.2006	
				positive	negative	positive	negative
			EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Interest rate swaps	2.81 %–5.83 %	3M–6M EURIBOR	49,461	1,179	- 137	1,025	- 360
Interest rate caps	3.75 %–4.50 %	6M EURIBOR	28,000	267	0	184	0
			<b>77,461</b>	<b>1,446</b>	<b>- 137</b>	<b>1,209</b>	<b>- 360</b>



## 42. NOTES ON THE CASH FLOW STATEMENT

The cash flow statement shows changes in cash and cash equivalents at the HHLA Group during the financial year. In accordance with IAS 7, cash flows from operating activities are shown separately from cash flows from investing and financing activities. The cash flow statement was prepared using the indirect method.

### CASH AND CASH EQUIVALENTS

For the purposes of the consolidated cash flow statement the amount of cash and cash equivalents on 31 December is made up as follows:

	31.12.2007	31.12.2006
	EUR '000	EUR '000
Cash in hand and bank balances	21,986	17,378
Short-term deposits	190,838	4,740
Receivables from HGV	28,300	14,400
Bank overdraft facilities	- 282	0
	<b>240,842</b>	<b>36,518</b>

Receivables from HGV are overnight deposits available on demand.

## 43. SEGMENT REPORTING

HHLA has defined four reporting segments, which are separately organized and managed according to the services provided.

Due to the structure of the HHLA Group, it is necessary to issue a large number of invoices for inter-segmental services. These predominantly relate to the use of real estate, the maintenance of handling equipment, IT services, administrative services and staff provided by the holding company. Wherever possible, these services are valued at market prices. If it is impossible to make a direct comparison with market prices, benchmarks are used to ensure market conformity. The charges for staff provided by the holding company are usually based on the actual cost.

The following table gives an overview of HHLA's reporting segments. Please see Note 1 for details of the segments' composition.

The holding company/other item used for segment reporting does not represent an independent business segment as defined by the IFRS standards. However, it has been allocated to the segments within the sub-group Port Logistics in order to provide a complete and clear picture.

In addition to items which must be consolidated, the reconciliation from the segment assets to the Group assets primarily contains income taxes, deferred taxes, liquid funds and financial assets which cannot be attributed to the segment assets.

Segment liabilities do not include any debts from income taxes, deferred taxes or financing liabilities. These are contained in the reconciliation to Group debt.

The geographical segment information provides a breakdown of sales to external clients according to the clients' location along with information about segment assets based on the assets' location.

## Geographical segments – secondary reporting format

IN EUR '000

2007	Germany	EU	Outside the EU	Total	Consolidation	Group (legal)
Total segment revenues	980,756	153,214	45,988	1,179,958	–	1,179,958
Segment assets	954,843	130,107	23,807	1,108,757	375,059	1,483,816
Investments	146,792	35,591	16,303	198,686	- 3,838	194,848
2006	Germany	EU	Outside the EU	Total	Consolidation	Group (legal)
Total segment revenues	865,186	115,214	37,036	1,017,436	–	1,017,436
Segment assets	846,684	91,486	14,722	952,892	246,747	1,199,639
Investments	161,355	25,020	4,712	191,087	14,075	205,162

Business segments – primary reporting format

IN EUR '000

	Sub-group Port Logistics					Sub-group Real Estate	Total	Consolidation	Group (legal)
2007	Container	Intermodal	Logistics	Holding co./other	Real Estate				
Revenues									
Revenue of non-affiliated third parties	691,044	329,613	115,068	15,956	28,277	1,179,958	–	1,179,958	
Inter-segment revenue	1,537	2,310	3,487	115,133	2,502	124,969	- 124,696		
Total segment revenues	692,581	331,923	118,555	131,089	30,779	1,304,927			
Results									
EBIT	247,831	37,344	12,700	- 21,696	10,337	286,516	1,133	287,649	
EBITDA	317,149	47,800	17,295	- 15,304	14,070	381,010	- 2,327	378,683	
EBITDA margin	45.8 %	14.4 %	14,6 %	- 11.7 %	45.7 %	–	–	–	
Assets and liabilities									
Segment assets	721,839	190,513	73,682	341,922	147,011	1,474,967	8,849	1,483,816	
Segment liabilities	199,985	32,284	37,202	401,886	19,782	691,139	223,177	914,316	
Other segment information									
Investments									
Property, plant and equipment and investment property	116,149	38,819	4,374	18,367	5,604	183,313	- 774	182,539	
Intangible assets	13,901	595	189	641	47	15,373	- 3,064	12,309	
Depreciation of property, plant and equipment and investment property	65,262	7,655	4,297	5,773	3,719	86,706	- 1,010	85,696	
Depreciation of intangible assets	4,056	2,801	299	619	13	7,788	- 2,450	5,338	
of which impairment		1,906				1,906	-	1,906	
Non-cash expenses	25,980	1,447	2,718	42,903	2,173	75,221	- 17,734	57,487	
2006									
Revenues									
Revenue of non-affiliated third parties	587,856	279,517	111,143	14,331	24,589	1,017,436	–	1,017,436	
Inter-segment revenue	1,843	2,595	3,083	108,428	2,471	118,420	- 118,420	–	
Total segment revenues	589,699	282,112	114,226	122,759	27,060	1,135,856			
Results									
EBIT	185,541	27,678	11,956	- 20,142	13,802	218,835	- 734	218,101	
EBITDA	244,672	36,104	15,830	- 11,692	15,347	300,261	- 3,827	296,434	
EBITDA margin	41.5 %	12.8 %	13.9 %	- 9.5 %	56.7 %	–	–	–	
Assets and liabilities									
Segment assets	665,449	155,812	67,695	79,520	143,734	1,112,210	87,429	1,199,639	
Segment liabilities	81,385	24,214	35,278	407,679	8,453	557,009	383,926	940,935	
Other segment information									
Investments									
Property, plant and equipment and investment property	99,712	26,530	12,095	5,729	19,942	164,008	- 293	163,715	
Intangible assets	25,005	1,073	368	614	13	27,073	14,374	41,447	
Depreciation of property, plant and equipment and investment property	55,005	7,739	3,583	5,625	3,853	75,805	- 2,761	73,044	
Depreciation of intangible assets	2,474	50	291	503	14	3,332	–	3,332	
Non-cash expenses	12,492	1,444	3,287	22,685	2,607	42,515	316	42,831	

For details of how the individual HHLA segments developed, please see the management report which forms part of this annual report.

#### 44. MEMBERS OF COMPANY BOARDS

##### SUPERVISORY BOARD

**Dr. Peter von Foerster**, Chairman  
Lawyer, Hamburg  
(until 31 August 2007)

**Prof. Dr. Peer Witten**, Chairman  
Businessman, Hamburg  
(since 31 August 2007)

**Fred Timm**, Vice Chairman  
Car mechanic, Hamburg  
Member of HHLA works council  
(until 31 August 2007)

**Wolfgang Rose**, Vice Chairman  
Banker, Hamburg  
Executive at ver.di (trade union) in Hamburg  
(Vice Chairman since 7 September 2007)

**Councillor Gunther Bonz**  
Administrative lawyer, Hamburg

**Dr. Bernd Egert**  
Physicist, Winsen a.d. Luhe  
Senate Director in the Ministry for Science and Employment  
(since 1 June 2007)

**Harald Erven**  
Member of HHLA works council, Hamburg  
(until 31 August 2007)

**Rolf Kirchfeld**  
Graduate in business administration (Dipl.-Kaufmann),  
Hamburg

**Jörg Klauke**  
Port technician, Hamburg  
Vice Chairman of HHLA works council  
(since 7 September 2007)

**Dr. Rainer Klemmt-Nissen**  
Administrative lawyer, Hamburg  
Senate Director in the Finance Ministry of the Free and  
Hanseatic City of Hamburg

##### **Dr. Johannes Ludewig**

Executive Director, Community of European Railway and  
Infrastructure Companies (CER), Brussels/Belgium  
(until 31 May 2007)

##### **Thomas Lütje**

Shipping expert, Jork  
Sales Director, HHLA Container Terminals GmbH  
(since 7 September 2007)

##### **Thomas Mendrzik**

Electrical technician, Hamburg  
Chairman of the HHLA Container-Terminal Altenwerder GmbH  
works council  
(since 7 September 2007)

##### **Arno Münster**

Port technician, Hamburg  
Chairman of HHLA works council  
(since 7 September 2007)

##### **Uwe Schröder**

Trade union secretary, Hamburg  
Managing Director of the Seaports Department of ver.di  
(trade union) in Hamburg

##### **Walter Stork**

Logistics manager, Hamburg  
Chairman of the Executive Board of NAVIS Schiffahrts- und  
Speditionsgesellschaft AG, Hamburg

##### **Manfred Wilkens**

Member of HHLA works council, Hamburg  
(until 31 August 2007)

##### EXECUTIVE BOARD

**Klaus-Dieter Peters**, Chairman  
Forwarding merchant, Hamburg

##### **Dr. Stefan Behn**

Graduate in business administration (Dipl.-Kaufmann),  
Hamburg

##### **Gerd Drossel**

Forwarding merchant, Hamburg

**Rolf Fritsch**

Graduate in economics and politics (Dipl.-Volkswirt/Dipl.-Politologe), Drochtersen

**Dr. Roland Lappin**

Graduate in industrial engineering (Dipl.-Wirtschaftsingenieur), Hamburg

#### OTHER POSTS HELD BY THE MEMBERS OF THE HHLA SUPERVISORY BOARD

**Prof. Dr. Peer Witten**

Otto Group, Hamburg  
Otto AG für Beteiligungen, Hamburg  
Lufthansa Cargo AG, Frankfurt am Main  
KWG Kommunale Wohnen AG, Hamburg  
Röhlig & Co. Holding GmbH & Co. KG, Bremen  
Hermes Warehousing Solutions (HWS) GmbH, Hamburg

**Wolfgang Rose**

Hapag Lloyd AG, Hamburg  
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmagement mbH, Hamburg  
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg  
Asklepios Kliniken Hamburg GmbH, Hamburg

**Gunther Bonz**

Hamburger Arbeit Beschäftigungsgesellschaft mbH, Hamburg  
HGV Hamburger Gesellschaft für Vermögen- und Beteiligungsmanagement mbH, Hamburg  
Hamburg Tourismus GmbH, Hamburg  
ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg  
Projektierungsgesellschaft Finkenwerder mbH & Co. KG, Hamburg  
Hamburg Media School GmbH, Hamburg

**Dr. Bernd Egert**

Flughafen Hamburg GmbH, Hamburg  
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg  
Internationale Bauausstellung Hamburg GmbH, Hamburg  
Internationale Gartenausstellung Hamburg 2013 GmbH, Hamburg  
Mikroelektronik Anwendungszentrum – MAZ Seed Invest GmbH, Hamburg  
Wachstumsinitiative Süderelbe AG, Hamburg

**Rolf Kirchfeld**

Marquard & Bahls AG, Hamburg  
Treugarant AG, Hamburg  
Bankhaus C.L. Seeliger, Wolfenbüttel  
Hermann Lothar & Co., Hamburg  
MPC Münchmeyer Petersen & Co, Hamburg

**Dr. Rainer Klemmt-Nissen**

Sprinkenhof AG, Hamburg  
Flughafen Hamburg GmbH, Hamburg  
Hamburger Hochbahn AG, Hamburg  
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg

**Thomas Mendrzik**

HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg  
HHLA Container-Terminal Altenwerder GmbH, Hamburg  
HHLA CTA Besitzgesellschaft mbH, Hamburg  
SCA Service Center Altenwerder GmbH, Hamburg

**Uwe Schröder**

HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg  
HHLA Container-Terminal Altenwerder GmbH, Hamburg  
HHLA CTA Besitzgesellschaft mbH, Hamburg  
SCA Service Center Altenwerder GmbH, Hamburg

**Walter Stork**

DAKOSY Datenkommunikationssystem AG, Hamburg  
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg  
HPA Hamburg Port Authority AöR, Hamburg

#### OTHER POSTS HELD BY THE MEMBERS OF THE HHLA EXECUTIVE BOARD

**Klaus-Dieter Peters**

HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg  
HHLA Container-Terminal Altenwerder GmbH, Hamburg  
HHLA CTA Besitzgesellschaft mbH, Hamburg  
SCA Service Center Altenwerder GmbH, Hamburg  
HHLA Container Terminal Tollerort GmbH, Hamburg  
CTT Besitzgesellschaft mbH, Hamburg  
HHLA Container Terminal Burchardkai mbH, Hamburg  
Service Center Burchardkai GmbH, Hamburg

HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg  
 Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg  
 Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg  
 GHL Erste Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung mbH, Hamburg  
 GHL Zweite Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung mbH, Hamburg  
 GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Block D mbH, Hamburg  
 GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Block T mbH, Hamburg  
 GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Bei St. Annen mbH, Hamburg  
 Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg  
 HPC Hamburg Port Consulting GmbH, Hamburg  
 HHLA Rhenus Logistics GmbH, Hamburg  
 HHLA Rhenus Logistics Altenwerder GmbH & Co. KG, Hamburg  
 HHLA Intermodal GmbH, Hamburg  
 CTD Container-Transport-Dienst GmbH, Hamburg

#### **Dr. Stefan Behn**

HHLA Container-Terminal Altenwerder GmbH, Hamburg  
 HHLA CTA Besitzgesellschaft mbH, Hamburg  
 SCA Service Center Altenwerder GmbH, Hamburg  
 HHLA Container Terminal Tollerort GmbH, Hamburg  
 CTT Besitzgesellschaft mbH, Hamburg  
 HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg  
 HHLA Container Terminal Burchardkai mbH, Hamburg  
 Service Center Burchardkai GmbH, Hamburg  
 combisped Hanseatische Spedition GmbH, Lübeck  
 CTL Container Terminal Lübeck GmbH, Lübeck  
 Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven  
 Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven  
 HPC Hamburg Port Consulting GmbH, Hamburg  
 DAKOSY Datenkommunikationssystem AG, Hamburg  
 LZU Leercontainer Zentrum Unikai GmbH, Hamburg  
 „CAP SAN DIEGO“ Betriebsgesellschaft mbH, Hamburg  
 CuxPort GmbH, Cuxhaven  
 UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg  
 UNIKAI Hafenbetrieb GmbH, Hamburg

#### **Gerd Drossel**

HHLA Container Terminal Tollerort GmbH, Hamburg  
 CTT Besitzgesellschaft mbH, Hamburg

HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg  
 METRANS a.s., Prague/Czech Republic  
 POLZUG Intermodal GmbH, Hamburg  
 TFG Transfracht Internationale Gesellschaft für Kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main  
 combisped Hanseatische Spedition GmbH, Lübeck  
 CTL Container Terminal Lübeck GmbH, Lübeck  
 HPC Hamburg Port Consulting GmbH, Hamburg  
 Hafen Hamburg Marketing e. V., Hamburg  
 Sächsische Binnenhäfen Oberelbe GmbH, Dresden  
 LZU Leercontainer Zentrum Unikai GmbH, Hamburg  
 UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

#### **Rolf Fritsch**

HHLA-Personal-Service-Gesellschaft mit beschränkter Haftung, Hamburg

#### **Dr. Roland Lappin**

HHLA Rosshafen Terminal GmbH, Hamburg  
 HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg  
 HHLA Container Terminal Burchardkai mbH, Hamburg  
 Service Center Burchardkai GmbH, Hamburg  
 TFG Transfracht Internationale Gesellschaft für Kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main  
 Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg  
 GHL Erste Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung mbH, Hamburg  
 GHL Zweite Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung mbH, Hamburg  
 GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Block D mbH, Hamburg  
 GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Block T mbH, Hamburg  
 GHL Gesellschaft für Hafen- und Lagereimmobilien-Verwaltung Bei St. Annen mbH, Hamburg  
 Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg  
 HHLA Rhenus Logistics GmbH, Hamburg  
 HHLA Rhenus Logistics Altenwerder GmbH & Co. KG, Hamburg  
 HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg  
 Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg  
 HHLA Intermodal GmbH, Hamburg  
 CTD Container-Transport-Dienst GmbH, Hamburg

#### 45. GERMAN CORPORATE GOVERNANCE CODE

HHLA has based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code as published on 14 June 2007. The Executive Board and Supervisory Board discussed matters of corporate governance in 2007 and on 13 December 2007 issued the statement of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG), which is permanently available to shareholders on the company's website ([www.hhla.de](http://www.hhla.de)).

#### 46. AUDITING FEES

The following fees have been recognized as expenses for services provided by the auditors of the consolidated financial statements, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

	2007	2006
	EUR'000	EUR'000
Audit of financial statements	927	521
Other certification and valuation services	1,262	0
Tax advisory services	5	0
	<b>2,194</b>	<b>521</b>

Fees for auditing financial statements primarily consist of the fees for the audit of the consolidated financial statements and for the audits of the financial statements of HHLA AG and its domestic subsidiaries. Fees for other certification and valuation services relate predominantly to services in connection with HHLA's flotation and to the qualified review of interim financial statements.

#### 47. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Hamburg, 10 March 2008

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

Klaus-Dieter Peters    Dr. Stefan Behn    Gerd Drossel    Rolf Fritsch    Dr. Roland Lappin



# AUDITORS' REPORT

We have audited the consolidated financial statements – consisting of the balance sheet, income statement, schedule of revenues and expenses, cash flow statement and notes – as well as the Group management report prepared by Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the business year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as applicable in the EU, and the supplementary commercial law provisions applicable pursuant to § 315 a(1) HGB as well as the company articles are the responsibility of the Executive Board of the Company. It is our task, on the basis of the audit conducted by us, to give a judgement on the consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (German Commercial Code) and the generally accepted standards for the audit of financial statements in Germany promulgated by the Institut der Wirtschaftsprüfer (IDW: Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with applicable accounting regulations and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework

of the audit. The examination comprises an assessment of the annual financial statements of the companies included in the Group financial statements, the definition of the scope of consolidation, the accounting and consolidation methods applied and the principal estimates of management as well as an assessment of the overall picture conveyed by the Group financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as applicable in the EU, and with the supplementary commercial law provisions pursuant to § 315 a(1) HGB as well as the company articles and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 10 March 2008

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Ditting  
Auditor

Retzlaff  
Auditor

## ASSURANCE BY THE LEGAL REPRESENTATIVES

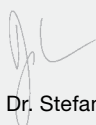
We hereby give our assurance that – to the best of our knowledge – the consolidated financial statements convey a true and fair view of the assets, financial position and profit situation of the Group in accordance with the applicable accounting principles. Furthermore, we hereby certify that the Group management report conveys a true and fair view of the course of business, including the business earnings and the Group's situation, and that the principal opportunities and risks entailed in the Group's probable development in the coming financial year are described.

Hamburg, 10 March 2008

Hamburger Hafen und Logistik AG  
The Executive Board



Klaus-Dieter Peters



Dr. Stefan Behn



Gerd Drossel



Rolf Fritsch



Dr. Roland Lappin

## ANNUAL FINANCIAL STATEMENT

The annual financial statement and report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for fiscal year 2007 have been prepared according to the provisions of German commercial law and have been endorsed with an unrestricted auditor's certificate by the

auditors of KPMG Deutsche Treuhand-Gesellschaft-Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

The statement of income for the period 1 January to 31 December 2007 and the balance sheet as of 31 December 2007 are presented on the following pages.

## Income statement

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2007

		2007	2006
	EUR	EUR	EUR
1. Revenues		139,345,787.57	128,550,111.99
2. Reduction in work in progress		- 413,083.00	- 620,258.00
3. Own work capitalized		543,054.91	595,007.26
4. Other operating income		24,458,135.00	5,019,896.37
5. Cost of materials and services			
a) Expenses for raw materials, consumables, supplies and purchased merchandise	5,034,243.76		4,679,192.52
b) Expenses for purchased services	1,370,499.91	6,404,743.67	944,615.35
6. Personnel expenses			
a) Wages and salaries	99,214,330.39		92,571,516.61
b) Social security contributions and expenses for pension and similar benefits	124,047,313.73	223,261,644.12	33,853,520.19
of which for pensions EUR 107,790,553.81 (prev. yr. EUR 17,047,370.81)			126,425,036.80
7. Depreciation and amortization on intangible fixed assets and property, plant and equipment		9,906,649.33	4,689,654.66
8. Other operating expenses		38,646,468.50	24,166,284.02
9. Income from profit transfer agreements		135,517,787.11	109,079,865.64
10. Income from equity participations of which from affiliated companies EUR 852,117.90 (prev. yr. EUR 809,083.24)		4,728,068.49	3,156,466.15
11. Other interest and similar income of which from affiliated companies EUR 8,985,072.04 (prev. yr. EUR 5,752,677.91)		9,829,742.43	5,932,566.86
12. Amortization and impairment losses on financial investments		400,000.00	0.00
13. Expenses from assumed losses		1,047,082.55	2,191,149.19
14. Interest and similar expenses of which to affiliated companies EUR 3,209,305.15 (prev. yr. EUR 1,582,512.30)		3,338,835.71	2,027,214.90
<b>15. Result from ordinary income</b>		<b>31,004,068.63</b>	<b>86,590,508.83</b>
16. Income taxes		42,786,413.93	35,497,085.87
17. Other taxes		354,239.83	358,547.47
<b>18. Net profit/loss for the year</b>		<b>- 12,136,585.13</b>	<b>50,734,875.49</b>
19. Profit carried forward from previous year		96,801,226.77	61,066,351.28
<b>20. Distributable profit</b>		<b>84,664,641.64</b>	<b>111,801,226.77</b>

## Balance sheet as of 31 December 2007

### ASSETS

		31.12.2007		31.12.2006
	EUR	EUR	EUR	EUR
<b>A. Non-current assets</b>				
<b>I. Intangible assets</b>				
Software		1,095,630.62		1,077,443.36
<b>II. Property, plant and equipment</b>				
1. Land, equivalent land rights and buildings, including buildings on leased land	57,114,834.18		55,428,278.43	
2. Technical plant and machinery	1,029,199.55		441,347.58	
3. Other plant, operating and office equipment	3,300,453.76		3,427,659.61	
4. Payments made on account and plant under construction	9,025,889.30	70,470,376.79	1,012,765.28	60,310,050.90
<b>III. Financial assets</b>				
1. Interests in affiliated companies	204,539,145.17		205,753,395.17	
2. Equity investments	5,097,041.94		7,136,243.71	
3. Non-current securities	408,898.07	210,045,085.18	127,789.87	213,017,428.75
		<b>281,611,092.59</b>		<b>274,404,923.01</b>
<b>B. Current assets</b>				
<b>I. Inventories</b>				
1. Raw materials, consumables and supplies	129,522.76		110,448.06	
2. Work in progress	0.00	129,522.76	413,083.00	523,531.06
<b>II. Receivables and other assets</b>				
1. Trade receivables	1,326,587.62		1,084,967.53	
2. Receivables from the Free and Hanseatic City of Hamburg	711,261.68		42,818.82	
3. Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH and HHLA Beteiligungsgesellschaft mbH	3,655,680.00		15,615,199.03	
4. Receivables from affiliated companies	263,122,621.82		203,439,815.93	
5. Receivables from investee companies	378,881.12		7,189.17	
6. Other assets of which with a residual term of more than one year EUR 903,922.63 (prev. yr. EUR 111,538.87)	11,835,746.45	281,030,778.69	7,140,338.39	227,330,328.87
<b>III. Cash and cash equivalents</b>		199,279,590.01		8,394,911.41
		<b>480,439,891.46</b>		<b>236,248,771.34</b>
<b>C. Accruals and deferrals</b>		365,197.42		461,676.26
		<b>762,416,181.47</b>		<b>511,115,370.61</b>

## Balance sheet as of 31 December 2007

### EQUITY AND LIABILITIES

		31.12.2007	31.12.2006
	EUR	EUR	EUR
<b>A. Shareholders' equity</b>			
<b>I. Subscribed capital</b>			
1. Port Logistics	69,920,500.00		
2. Real Estate	2,704,500.00	72,625,000.00	53,300,000.00
<b>II. Capital reserve</b>			
1. Port Logistics	133,572,156.63		
2. Real Estate	506,206.26	134,078,362.89	30,178,362.89
<b>III. Revenue reserves</b>			
1. Statutory reserve			
a) Port Logistics	5,125,000.00		
b) Real Estate	205,000.00	5,330,000.00	5,330,000.00
2. Other earnings reserves			
a) Port Logistics	15,676,571.45		
b) Real Estate	627,062.86	16,303,634.31	16,303,634.31
		21,633,634.31	21,633,634.31
<b>IV. Profit carried forward</b>			
1. Port Logistics	93,078,679.59		
2. Real Estate	3,722,547.18	96,801,226.77	61,066,351.28
<b>V. Net profit/loss for the year</b>			
1. Port Logistics	- 14,126,793.78		
2. Real Estate	1,990,208.65	- 12,136,585.13	50,734,875.49
		<b>313,001,638.84</b>	<b>216,913,223.97</b>
<b>B. Special tax-allowable reserve</b>		<b>0.00</b>	<b>4,500,000.00</b>
<b>C. Provisions</b>			
1. Provisions for pensions and similar obligations		311,241,251.00	222,651,113.00
2. Tax provisions		4,571,344.25	11,828,359.87
3. Other provisions		33,220,219.83	26,494,782.29
		<b>349,032,815.08</b>	<b>260,974,255.16</b>
<b>D. Liabilities</b>			
1. Bank debt		282,224.24	0.00
2. Accounts payable		3,769,416.30	3,410,526.89
3. Liabilities towards the Free and Hanseatic City of Hamburg		8,298.16	2,329.00
4. Liabilities towards HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH		36,841,341.36	0.00
5. Liabilities towards affiliated companies		49,364,457.67	15,366,037.63
6. Liabilities towards investee companies		533,035.17	1,211,237.56
7. Other liabilities		8,534,585.81	7,497,410.26
of which from taxes			
EUR 3,729,759.71 (prev. yr. EUR 2,855,256.02)			
of which for social security			
EUR 1,494,036.73 (prev. yr. EUR 1,625,258.57)			
		99,333,358.71	27,487,541.34
<b>E. Accruals and deferrals</b>		1,048,368.84	1,240,350.14
		<b>762,416,181.47</b>	<b>511,115,370.61</b>



## SPECIALIST TERMINOLOGY

**AUTOMATED GUIDED VEHICLE (AGV):** Fully automated unmanned transport system used to move containers between quayside container gantry cranes at the waterside and storage blocks. Deployed by HHLA at Container Terminal Altenwerder.

**BLOCK STORAGE:** Automated storage blocks used by HHLA at Container Terminal Altenwerder - and henceforth also at Container Terminal Burchardkai – for transport and stacking of boxes >> rail-mounted gantry cranes.

**CONTAINER GANTRY CRANE:** Crane used for loading and discharging containerships. A distinction is made between Panmax, Post-Panmax and Super-Post-Panmax container gantry cranes for handling ships of the corresponding sizes.

**CONTAINER TRUCKING:** Transport of containers by truck. Transport within the port is known as a 'tour'.

**CONTRACT LOGISTICS:** Business model based on long-term cooperation and division of labour between a manufacturer of goods and a service provider and regulated by a service contract. Providers of contract logistics services provide logistics and logistics-related services along the value-added chain.

**ELEVATORS:** These transshipment units discharge banana cartons from special freighters and transfer them directly into the Frucht- und Kühl-Zentrum (fruit and refrigeration center).

**FEEDER, FEEDERSHIP:** Regional containerships that distribute smaller quantities of containers onwards to ports not served directly by large containerships. From Hamburg, for example, the Baltic Region is served by feeders.

**HINTERLAND:** Describes a port's catchment area.

**INTERMODAL AND/OR INTERMODAL SYSTEMS:** Transport utilizing several carriers (rail, water, road) and combining the specific advantages of each.

**NORTH RANGE:** Overseas ports in Northern Europe, in a wider sense signifying all the large continental ports in Northern Europe from Le Havre as far as Hamburg and Gothenburg. In a narrower sense, the term is Hamburg-Antwerp Range.

**RAIL-MOUNTED GANTRY CRANE (RMG):** Crane units spanning their working area like a gantry, often operating on rails, hence the abbreviation RMG. Widely used for >> Block Storage.

**STANDARD CONTAINER:** see TEU.

**TERMINAL:** In maritime logistics this means a transshipment point for cargo, usually a container terminal.

**TWENTY FOOT EQUIVALENT UNIT (TEU):** Term denoting a normed standard container, in worldwide use as a unit of measure for uniform counting of container quantities. A 20-foot container is 20 feet/6.1 metres long, 8 feet/2.44 metres wide and 8 feet 6 inches/2.59 metres high.

**VAN CARRIER (VC), ALSO STRADDLE CARRIER:** Usually eight-wheeled, a vehicle used for moving containers around terminals. The van carrier driver is seated at the controls above the container, lifting and stacking it on one of several layers.

# FINANCIAL TERMS

**Ø OPERATING ASSETS:** Average net non-current assets (intangible assets, property, plant and equipment, investment properties and financial assets) + average net current assets (inventories plus trade receivables, less accounts payable).

**ADDED VALUE:** Added value is calculated on the basis of the value of production less input (costs of materials, depreciation, other costs). Added value is distributed to different interest groups in HHLA such as staff, lenders, partners or the state.

**COMMERCIAL DEBTS:** Net financial debts + pension reserves.

**DBO (DEFINED BENEFIT OBLIGATION):** Performance-oriented pension obligations arising from the accrued and estimated pensions rights of active and former members of staff as at settlement day, allowing for probable future changes in pensions and emoluments.

**DERIVATIVE FINANCIAL INSTRUMENTS:** Financial instruments that are traditionally used to protect existing investments or obligations.

**EBIT:** Earnings before interest and taxes.

**EBITDA:** Earnings before interest, taxes, depreciation and amortisation.

**EBT:** Earnings before taxes.

**EQUITY RATIO:** Equity/total assets.

**FINANCIAL RESULT:** Result from holdings + interest result less depreciations on and losses from disposal of investments as well as securities forming part of current assets.

**GEARING RATIO:** Commercial debts/equity.

**IAS:** International Accounting Standards.

**IFRS:** International Financial Reporting Standards.

**IMPAIRMENT TEST:** Impairment test as defined in IFRS.

**CAPITAL EXPENDITURE (CAPEX):** Expenditure for investments in property, plant and equipment.

**NET FINANCIAL LIABILITIES:** Liabilities (bank liabilities) - liquid funds.

**OPERATING CASH FLOW:** (as defined in literature on IFRS indicators): EBIT - taxes + amortization and depreciation - write-backs +/-  $\Delta$  non-current provisions (excl. interest portion) +/- gains/losses on the disposal of property, plant and equipment +  $\Delta$  working capital.

**OUTPUT VALUE:** Total revenues + other operational revenues +/- financial result.

**PRO RATA TEMPORIS:** Corresponding to time elapsed.

**REVENUES:** Sales derived from selling, letting or leasing and from services provided by the corporation, less sales deductions and turnover tax.

**ROCE (RETURN ON CAPITAL EMPLOYED):** EBIT/Ø operating assets.

**TOTAL PERFORMANCE:** Revenues +/-  $\Delta$  inventories + own work capitalized.



#### JANUARY

At the beginning of the year the Italian shipping company Grimaldi acquires a 49 percent stake in Unikai Lagerei und Speditionsgesellschaft mbH. The two companies thus further strengthen their cooperation on vehicle imports and exports via the O'Swaldkai terminal.

#### MARCH

30 percent of HHLA's capital is to be placed on the stock exchange. The decision is announced by the Hamburg Senate on 13 March. Speicherstadt, by contrast, protected as a listed historic monument, and Fischmarkt Altona (FMH) are both to remain 100 percent state-owned.

#### MARCH

As part of "Rückblende 2006" (Retrospects 2006), the works submitted for the German Prize for Political Photography and Caricature go on show at HHLA head office. Invitations to the exhibition, visiting Hamburg from 21 March to 6 May, are issued by HHLA and "Der Spiegel" magazine.

## CHRONOLOGY 2007



#### APRIL

Hamburg Port Authority (HPA), HHLA and the Hamburg Senate join forces to press the button: the first pile is ceremonially driven on 4 April for the expansion of the quay wall for Berth 2 at HHLA Container Terminal Burchardkai (CTB). It will be a major contribution to the ongoing expansion programme at CTB.

#### MARCH

CTD Container-Transport-Dienst GmbH opens a new branch in Bremen on 1 March in order to network the hinterland of North German seaports of Hamburg and Bremen more effectively and to extend CTD's range of trucking services on German and European long-haul routes.

#### APRIL

The first artist's studios are opened in Hamburg's Speicherstadt: new ateliers in Block V offer new space for creativity. Among those attending the opening on 26 April is Karin von Welck, Hamburg's culture senator, while an anonymous benefactor supports the artists with a rent subsidy.

#### MARCH

Peter Harry Carstensen, prime minister of Schleswig-Holstein, visits HHLA Container Terminal Altenwerder on 3 March. Here he gains an impression of work in the Port of Hamburg, which also provides jobs for numerous people from his neighbouring state to the north.

#### MAY

To optimize the entire container transport chain while networking it among all carriers – for 30 years HHLA's Uniconsult subsidiary has successfully adopted this multimodal approach on the international consultancy market, advising ports and airports and rail companies as well.

**MAY**

On Whit Sunday, HHLA Container Terminal Altenwerder (CTA) celebrates its fifth birthday with customers, staff and families. Since entering service in June 2002, CTA has far exceeded its planners' expectations – good cause for celebrations and a rare opportunity to look behind the scenes.

**JUNE**

HHLA is on display to international visitors with its own stand at the trade fair „transport logistic 2007“ in Munich. Between 12 and 15 June, HHLA staff and experts from the transport and logistics industry discuss the latest developments and trends in seaports, telematics and material flow.

**JUNE**

Delivery of the 14th post-panamax double-trolley container gantry crane at HHLA Container Terminal Altenwerder (CTA). After 63 days at sea, this reaches CTA on 15 June. Manufactured near Shanghai by the Chinese manufacturers of cranes and steel structures, ZPMC, the “CB 14” is one element in the expansion programme for CTA.

**JULY**

The Hamburg parliament decides on 5 July that HHLA should place 30 percent of its capital on the stock exchange in autumn 2007. Employees are to be able to buy shares on preferential terms. Proceeds of the part-privatization are to be used to finance investments in port infrastructure.

**AUGUST**

A visit to a container gantry crane on 6 August gives Dagmar Wöhr, the German government's maritime coordinator, an impression of working in a modern port. She had been invited to HHLA Container Terminal Altenwerder by the Federation of German Seaport Operators (ZDS).

**SEPTEMBER**

Prof. Dr. Peer Witten is elected Chairman of the HHLA Supervisory Board on 7 September. The Honorary Chairman of the German Logistics Federation (BVL) and Chairman of the Advisory Council of the Hamburg Logistics Initiative was previously a member of Otto Group's Main Executive Board.

**NOVEMBER**

The new HHLA share reaches 59 euros on 2 November, the first day of its listing on the Frankfurt and Hamburg stock exchanges. The value of the share thus turns out 11.3 percent above the initial offer price of 53 euros. HHLA's IPO is one of the largest and most successful ones in Germany in 2007.

**NOVEMBER**

The 'infant' being named is 335 metres long, 43 metres wide and can carry up to 8,750 standard containers: Hamburg-based shipping company Hapag-Lloyd's "Hanover Express" is named on 6 November at HHLA Container Terminal Altenwerder, where she will in future be berthing regularly in the East Asia-Europe trade.

## FINANCIAL CALENDER

31 March 2008

**ANNUAL PRESS CONFERENCE**

**ANALYSTS' CONFERENCE**

15 May 2008

**INTERIM REPORT JANUARY – MARCH 2008**

**ANALYSTS' CONFERENCE**

12 June 2008

**ANNUAL GENERAL MEETING**

14 August 2008

**INTERIM REPORT JANUARY – JUNE 2008**

**ANALYSTS' CONFERENCE**

14 November 2008

**INTERIM REPORT JANUARY – SEPTEMBER 2008**

## IMPRINT

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