HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT
ANNUAL REPORT 2008

HHLA CONTAINER

HHLA's comprehensive container handling activities are pooled in the container segment. With its terminals in Hamburg and Odessa, this handled more than 7 million standard containers in 2008. Technical innovations and automated work processes make for high productivity and shorter ships' lay times. The three Hamburg HHLA Container Terminals Altenwerder, Burchardkai and Tollerort thus secure the outstanding importance of the Port of Hamburg as a logistics hub between overseas and the economies of Central and Eastern Europe. Moreover, specialized service providers offer comprehensive services, from repairs or warehousing empty containers, to handling project cargo and heavy loads. With its container terminal in Odessa Commercial Seaport, HHLA operates one of the leading transhipment facilities on the Black Sea. In the coming years a highly flexible modernization and expansion programme will increase performance and capacity of HHLA's terminals based on the actual needs.

HHLA INTERMODAL

HHLA's intermodal companies offer a comprehensive transport network by rail, road and waterway, connecting the German seaports with their hinterland in Europe. The main transport focus lies in Central and Eastern Europe. The HHLA network handled over 1.8 million standard containers in 2008. The rail companies TFG Transfracht (Germany, Austria, Switzerland), Metrans (Czech Republic, Slovakia, Hungary) and Polzug (Poland, CIS states) have specialized very successfully in their regional markets, in each of which they are the market leaders for container traffic by rail. CTD distributes containers by truck in the Hamburg metropolitan region and North Germany as well as over long distances. The Baltic Region is served by HHLA subsidiary combisped via the landbridge from Hamburg to Lübeck and Container Terminal Lübeck (CTL). From Lübeck CTL organizes feedership transport with Finland and Russia. HHLA will systematically extend its network in the coming years.

HHLA LOGISTICS

Consulting, special handling and contract logistics: the HHLA companies in the logistics segment pool a wide range of services that typify the universal Port of Hamburg. Unikai Lagerei & Spedition is the competence centre for vehicle logistics in the Port of Hamburg and additionally handles cruise ships at Hamburg Cruise Center. The Frucht- und Kühlzentrum is the German market leader for fruit handling, as Ulrich Stein GmbH is for fruit forwarding. With Hansaport, HHLA is involved in the biggest, highly automated German terminal for ore and coal. HHLA Logistics stands for high-value contract and warehousing logistics and runs Logistikzentrum Altenwerder in close proximity to HHLA Container Terminal Altenwerder. HHLA's competence in the developing port technology and concepts, and planning efficient transport chains, enjoys worldwide success. HPC Hamburg Port Consulting and its subsidiaries Uniconsult and HPTI impart and market this know-how.

HHLA REAL ESTATE

Project and portfolio development, city district management and active shaping of urban structural change: the Real Estate segment carries out projects and lets office, commercial and industrial property in highly desirable Hamburg business locations. At the focus of attention is the unique backdrop of Hamburg's Speicherstadt or historic warehouse district that HHLA is carefully developing into a modern quarter. In the exemplary modernized area, media, catering and fashion firms find inspiration. Cultural attractions like the “Dungeon”, “Miniature Wonderland” or “Dialogue in the Dark” attract millions of visitors. The traditional business, like coffee roasting, quartermasters and carpet wholesalers give the warehousing complex, standing under preservation order a unique flair. On the northern banks of the Elbe, HHLA preserves the Hamburg-Altona Fischmarkt, a part of the traditional fisheries business, now embedded in a local development with restaurants and modern office buildings.

HHLA key figures

		HHLA Group		
		2008	2007	Change
Revenue and earnings				
Revenue	€ million	1,326.8	1,180.0	12.4 %
EBITDA	€ million	456.8	378.7	20.6 %
EBITDA margin	%	34.4	32.1	2.3 PP
EBIT	€ million	355.1	287.6	23.4 %
EBIT margin	%	26.8	24.4	2.4 PP
Profit after tax	€ million	217.5	152.0	43.1 %
Profit after tax and minority interests	€ million	160.4	111.3	44.1 %
Balance sheet and cash flow statement				
Total assets	€ million	1,612.5	1,483.8	8.7 %
Equity	€ million	682.6	569.5	19.9 %
Equity ratio	%	42.3	38.4	3.9 PP
Cash flow from operating activities	€ million	341.9	246.7	38.6 %
Investments	€ million	259.4	194.8	33.1 %
Employees				
Employees at year-end	#	5,001	4,565	9.6 %
Performance data				
Container throughput	thousand TEU	7,317	7,229	1.2 %
Container transport[1]	thousand TEU	1,841	1,651	11.5 %

		Subgroup Port Logistics[2, 3]			Subgroup Real Estate[2, 4]		
		2008	2007	Change	2008	2007	Change
Revenue	€ million	1,299.2	1,152.4	12.7 %	32.6	30.8	5.8 %
EBITDA	€ million	439.4	364.6	20.5 %	17.6	14.1	25.0 %
EBITDA margin	%	33.8	31.6	2.2 PP	54.0	45.7	8.3 PP
EBIT	€ million	341.3	277.0	23.2 %	13.7	10.3	32.2 %
EBIT margin	%	26.3	24.0	2.3 PP	41.9	33.6	8.3 PP
Profit after tax	€ million	211.7	149.1	41.9 %	5.6	4.1	34.9 %
Profit after tax and minority interests	€ million	154.5	108.4	42.5 %	5.6	4.1	34.9 %
Earnings per share, basic	€/share	2.21	1.60	38.1 %	2.15	1.04	106.7 %
Earnings per share, diluted	€/share	2.21	1.60	38.1 %	2.15	1.04	106.7 %
Dividend[5]	€/share	1.00	0.85	17.6 %	1.00	1.00	–

[1] The transport volume was fully consolidated. [2] Before consolidation between subgroups. [3] Listed A shares. [4] Non-listed S shares. [5] 2008: Dividend proposal.

THE WORLD IS GROWING TOGETHER.

Goods flows and their accompanying data are interlinking our world to an increasing extent. Hamburger Hafen und Logistik AG (HHLA) is actively and far-sightedly shaping this process at one of the interfaces of the world economy. With its efficient container terminals, high-performance transport systems and comprehensive logistics services, HHLA constitutes a complete network between the overseas port and the European hinterland. Logistics chains are therefore created that conserve the climate and promote development in the world economy.

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

FOREWORD

HHLA Group attained its ambitious goals in 2008, setting new records for revenue and result. This is all the more remarkable since the economic environment became increasingly overcast in the course of the year. In the fourth quarter of 2008 the repercussions of the financial crisis on the real economy also hit global transport and logistics chains with full force. That became apparent in the distinctly downward trend in volumes at the end of the year. The nevertheless fine result for the year as a whole was primarily achieved through the optimization of workflows and processes, increasing the depth and volume of services we provide, as well by once again boosting efficiency and productivity. Our investments in modernization in recent years substantially contributed to this favourable trend.

Crucial for these successes were once again the continued motivation and dedication of our staff. Their willingness to perform and their flexibility are a decisive prerequisite if we are to discharge the ever more demanding tasks in transport and logistics chains. With increasing utilization of IT and automation, experience and the ability to judge are factors central to success. One indicator of the staff's strong identification with the company was the high take-up rate of 55 percent for the scheme allowing them to purchase HHLA shares at a concessionary price in an already difficult stock exchange market at the end of 2008.

Whereas in recent years foresight in catering for high growth rates represented the greatest challenge for the development of the company, today the situation is considerably more complex: the world economy and our direct market environment are in a serious recession, the extent of which nobody is currently able to estimate. At the same time, much suggests that the long-term trend towards globalization will remain uninterrupted, with constantly stronger intermeshing of production and consumption in the world economy, as well as the related growth in world goods flows.

For us, this means that we must adjust to distinct falls in demand in the short term, without however losing sight of the prospects for growth in the medium and long term. Today HHLA is well prepared in several respects to meet this double challenge. For a start, our solid balance sheet structure with its high equity ratio forms a fine foundation. The great value-added depth of our successful strategy of vertical integration along the transport chain ensures potentials for earnings, even in economically difficult times. Above all, however, we are able to react very flexibly in providing services, also in the pace and timing of our modernization and expansion programmes. We already initiated appropriate measures in 2008.

At the same time, the current trend on volumes offers an opportunity to make good the backlog in the expansion of public infrastructure for the Port of Hamburg's sea and shore traffic links and for our handling facilities. Through the Federal government's programme for the economy, which also favours the transport links of German seaports, as well as an investment package from the Free and Hanseatic City of Hamburg for bringing forward investments in port infrastructure, considerable improvements have become apparent just recently. Another contribution here arises from HHLA's stock exchange flotation on 2 November 2007. Over one billion euros from the proceeds of this will be invested in Port of Hamburg infrastructure.

HHLA will undoubtedly remain on course in what will definitely be a difficult year in 2009. We shall not therefore be losing sight of our long-term growth course, but at the same time we shall be prepared to actively counter the present challenges with flexible measures appropriate to the situation. We shall also exploit the opportunities offered during the present crisis for consolidating and further expanding our position as one of Northern Europe's leaders in port logistics.

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

CHRONOLOGY 2008

JANUARY

To arrange handling of vehicles, fruit and containers more efficiently, at the multi-functional O'Swaldkai terminal the use of various areas is reorganized. As a first module, from 18 January around 700 parking spaces for staff and visitors are concentrated in the new multi-storey car park.

FEBRUARY

HHLA Container Terminal Altenwerder (CTA) is growing: on 18 February the staff of CTA and HPC Hamburg Port Consulting move into 115 additional offices and changing rooms made available by the just completed stage of construction of the main building covering 5,000 square metres.

MARCH

On 25 March 2008 the HHLA share is admitted to the MDAX. Its admission comes just five months after HHLA's stock exchange launch on 2 November 2007 on the prime standard of the Frankfurt and the Hamburg stock exchanges.

APRIL

In April CTD Container Transport Dienst opens a branch in Berlin, its third base along with the head office in Hamburg and a branch in Bremen. The specialist for container trucking thus expands its network between German seaports and the Eastern states of Germany.

APRIL

A countrywide "Logistics Open Day" is held for the first time on initiative of the Federal Logistics Association on 16 April. HHLA supports this opening up of the logistics field to the public in Hamburg with lectures, tours of the terminals and as sponsor of the parallel Job and Career Mart at Shed 52.

APRIL

The fashion and textiles industry presents itself in the newly refurbished Warehouse R of Speicherstadt. Fashion companies and furniture designers present their collections to wholesalers on around 4,500 square metres of space. HHLA's Real Estate segment is responsible for modernizing the warehouse, built in 1892, in a manner suitable for a protected monument.

MAY

The Port of Hamburg's first container gantry cranes started operation 40 years ago, thus clearing the way for the container's triumphal progress. HHLA celebrates this anniversary at Container Terminal Burchardkai with representatives of the Hamburg government, customers and some of the personalities who took the right decisions at the time.

MAY

With the entry into service of a new on-dock container rail terminal on 29 May, HHLA Container Terminal Tollerort (CTT) boosts its handling capacity and its efficiency. Special rail gantry cranes can now load containers directly onto block trains. In addition, CTT opens its gates for combined goods services.

JUNE

Around 2,000 shareholders and visitors attend HHLA's first Annual General Meeting in the CCH Congress Center, Hamburg on 12 June. In its large Auditorium 1, all items requiring a vote are accepted with assent of 99.9 percent – including the proposal for distribution of 0.85 euro per share entitled to dividend.

JULY

HHLA's Polzug Intermodal has modernized and extended its rail terminal in Wroclaw, the expanding Polish location for electronic entertainment and the automotive industry. The 45,000 square metre site here contains four rail sidings and a storage yard for 2,200 standard containers.

AUGUST

On 28 August the first of five Twin-Forty container gantry cranes reaches HHLA Container Terminal Burchardkai on one of Chinese gantry crane manufacturer ZPMC's special transporters. The new tandem gantry cranes can shift two 40-foot containers simultaneously – representing the latest technology for higher productivity on the quayside.

SEPTEMBER

HHLA sets a fresh training record as 39 vocational trainees and 6 students on dual courses – altogether nine more than in the previous year – start work at the company on 1 September. The spectrum extends from office clerks to specialists in port logistics to business data processors.

SEPTEMBER

Environmentally friendly hydrogen cell technology arrives at HHLA: a hydrogen-cell stacker is taken into service at Überseezentrum on 15 September to prove itself in actual operation over a two-year period. The stacker is manufactured by Still, with Linde supplying hydrogen for refuelling.

OCTOBER

The venerable "Patriotic Society of 1765" awards HHLA its Prize for Outstanding Conservation of Historic Monuments for its refurbishing of Block P in Hamburg's Speicherstadt. HHLA's Real Estate has refurbished the 23,000 square metre warehouse block as headquarters for Hamburg Port Authority while retaining its character as a historic building.

NOVEMBER

The first straddle carrier with an energy-storage system enters service at HHLA Container Terminal Tollerort on 4 November. The Noell straddle carrier stores energy derived from braking in 200 double-layer capacitators for a short period, thus saving around ten percent of fuel and CO_2 emissions.

DECEMBER

The new bimodal terminal for combined services in "bayernhafen Bamberg" opens punctually to coincide with the change of timetable. HHLA's intermodal affiliate TFG Transfracht owns a 25.1 percent stake in the terminal. Bamberg will now be linked by rail with German seaports three times a week.

THE SHARE

Sharp devaluations on stock markets

On the international stock markets, the downward trend that had taken hold at the end of 2007 intensified during the course of 2008. The year began under the influence of a spreading real estate and financial crisis and was characterized mainly by sharp declines in share prices. Triggered by write-offs totalling billions in the banking sector, the uncertainty gradually spread to the real economy and led to substantial declines in even the broad-based market indices as expectations of slackening economic growth hardened. Although energetic monetary and fiscal measures by central banks and governments led to a temporary recovery in the early summer, grave distortions on the global financial markets subsequently ensued due to, in particular, the failure of a rescue package for the US investment bank Lehman Brothers. As a consequence, numerous stock markets posted record losses. The DAX closed the year with a decline of almost 40 percent against the beginning of the year. This means that 2008 was the second-worst year – after 2002 – in the German benchmark index's history. The MDAX, in which HHLA is represented, posted an even bigger decline of 43 percent over the year as a whole. In this environment the level of general uncertainty on stock markets, as measured by their day-to-day price fluctuations, reached its highest level for more than 20 years.

Between international financial crisis ...

At the beginning of the year, the HHLA share, at €60, was still well above its issue price from November 2007 despite the gloom that was already becoming evident on the financial markets. As the year progressed, however, the share price was unable to divorce itself from the effects of the financial and economic crisis. The HHLA share was hampered in this situation by its lack of a price history from previous business cycles, which is often used by investors as an additional

Share price development

CLOSING PRICES 2008 IN PERCENT (INDEX = 100)

Source: Datastream

indicator for making their assessments. Against a backdrop of growing fears that a recession was on the way, the share price fell sharply at times as a result of profit-taking, the portfolio adjustments in favour of more defensive stocks and other investment categories, and technical reactions, before it staged a noticeable recovery in the latter part of the first quarter.

Fortified by the support shown by Hamburg's new governing coalition for the project to deepen the river Elbe and by the publication of the annual report for 2007, the HHLA share began the second quarter with robust increases in its price. This trend, which outstripped that shown by the comparable indices, saw the price rise to € 58.20 at the beginning of June after consistently good results for the first quarter had been announced. This was followed by a resumption of the sharp downward trend as fears grew that many national economies were about to suffer an economic downturn simultaneously.

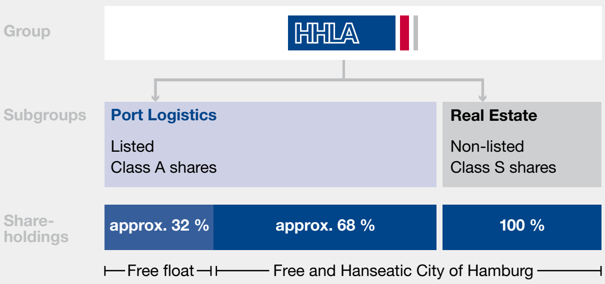
… and global recession

When the publication of the semi-annual results revealed that revenue and results expectations had been exceeded, thereby reinforcing the forecast for 2008 as a whole, the company's share price stabilized for a while before the dramatic intensification of the international financial crisis and the negative news from the container shipping industry put it under pressure again. Against the backdrop of a severe deterioration in the general economic outlook, the HHLA share price fell to its annual low of € 20.89 in early December. Even a continuation of the positive business trend that HHLA was able to report for the third quarter, plus further confirmation of its outlook for the financial year as a whole, failed to arrest the general negative trend that was caused primarily by the overall mood on international stock markets. The HHLA share's closing price at year-end showed a slight upward trend at € 23.50. The market capitalization of the listed HHLA subgroup Port Logistics consequently amounted to € 1,644.4 million.

As expected, the turnover of the HHLA share decreased significantly compared to the high volumes shortly after the IPO in November 2007.

Shareholder structure

AS OF 31.12.2008



Inclusion in significant share indices

In the course of the year, the capital market's interest in the HHLA share continued to grow following its inclusion in the MDAX effective from 25 March. This inclusion means that HHLA is now one of the 50 listed companies in Germany which, in terms of their size and turnover levels, are second to the DAX companies. On 2 June, further momentum was provided when the share was admitted to the regional index MSCI Germany, which is calculated by Morgan Stanley Capital International and is used as an important reference for regional share portfolios. On 1 September the HHLA share was additionally admitted to the HASPAX; a share index which encompasses the 25 largest and highest-turnover companies on the Hamburg stock exchange.

Active dialogue with capital market

In the reporting period, the company continuously stepped up its communication with all of the capital markets' participants. The activities are entirely oriented to the principles of credibility, speed and continuity, with a view to providing information that is as transparent, up to date and comprehensible as possible and thereby gaining and keeping the capital markets' trust. At the same time, the company absorbed information and ideas from the capital markets and integrated them into its own corporate development. In the reporting period, engaging in dialogue with private

Key figures HHLA share

		2008	2007[4]	Change
Closing price at year-end[1]	€	23.50	61.00	- 61.5 %
Highest share price[1]	€	60.00	67.50	- 11.1 %
Lowest share price[1]	€	20.89	53.00	- 60.6 %
Performance	%	- 61.5	15.1	-
Average daily trading volume[2]	#	137,884	544,984	-
Average daily trading volume[2]	€ million	6,058.5	33,214.1	-
Number of shares as of 31.12.	#	72,679,826	72,625,000	0.1 %
Listed shares (Class A shares)	#	69,975,326	69,920,500	0.1 %
Non-listed shares (Class S shares)	#	2,704,500	2,704,500	-
Dividend per Class A share[3]	€	1.00	0.85	17.6 %
Dividend yield (closing price)	%	4.3	1.4	2.9 PP
Market capitalization as of 31.12. (Class A shares)	€ million	1,644.4	4,265.2	- 61.4 %
Price-earnings ratio at year-end		10.7	38.8	-

[1] XETRA [2] XETRA, Frankfurt / Main, Hamburg [3] dividend proposal for 2008 [4] admitted to quotation on 02.11.2007

shareholders, institutional investors and analysts, as well as increasing awareness of HHLA in Germany and abroad, were at the forefront of the company's investor relations work. These activities involved the management and the Investor Relations team explaining the company's strategy, long-term business model and profitability in numerous one-on-one discussions.

At information events such as the "Hamburger Börsentag", a stock exchange fair intended especially for private investors, the Executive Board set out HHLA's commercial situation and its prospects for the future. The company's fair stand additionally offered visitors the opportunity to inform themselves about the share and discuss questions. Furthermore, HHLA attended a number of national and international investors' conferences, where it sought to gain the trust of institutional investors. At roadshows in the financial centres of Europe and North America, HHLA intensified its dialogue with shareholders while also making contact with new investors. In addition to this, it staged quarterly teleconferences in which the Executive Board members commented on the company's business results and made themselves available to answer questions.

The company's financial reporting, too, was successfully developed further. The jurors of the "Best Annual Report" competition run by "manager magazin" gave an award to the HHLA annual report in the "Stock market newcomers" category. In addition, the range of information concerning the HHLA share on the company's website was expanded. The spectrum of direct communication by telephone, letter, e-mail and fax using the contact information provided on the site was used intensively in the reporting year.

Annual General Meeting well attended

HHLA's first Annual General Meeting after its stock flotation aroused a high level of interest, especially among private investors, as evidenced by its attendance figures of around 2,000. Almost 80 percent of the nominal capital was represented at the meeting, which was held in Hamburg on 12 June. The resolutions proposed by the Supervisory Board and the Executive Board were approved with large majorities, as was the proposed dividend of € 0.85 per listed Class A share, which was paid out on 13 June. At the Annual General Meeting in 2009, the Executive Board and Supervisory Board will propose increasing the dividend to € 1.00 per Class A share. Thus, the dividend would rise by 17.6 percent compared to last year. Based on the year-end closing price of € 23.50 in 2008, this would mean a dividend yield of 4.3 percent for the HHLA share.

More employee shareholding

In November 2008, HHLA launched its second employee share programme since its IPO. Approximately 55 percent of the employees entitled to take part accepted the offer. With HHLA's authorized capital being utilized in part, 54,826 shares in the subgroup Port Logistics were issued in all and the nominal capital was increased accordingly. This offer of participation was both a reward for the high commitment of the workforce and an opportunity for them to share in the long-term development of the company's business.

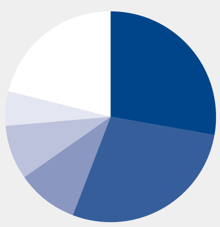
Broad spread of shares traded

With some 35,000 registered shareholders according to the share register, HHLA has a broad shareholder base. In addition to the share of around 68 percent of the total nominal capital of the listed subgroup Port Logistics held by the Free and Hanseatic City of Hamburg, the free float is accounted for as follows: 27.9 percent is held by investors in Germany, 28.2 percent by investors in the USA and 9.4 percent by investors in the United Kingdom. Most of the remaining shares are held by investors in other European countries. The proportion of the free float held by private investors remained relatively stable at around 22 percent, despite the general retreat from shares in the reporting period.

Increasing number of analysts' surveys

The group of financial institutions which regularly analyse and comment on the development of HHLA's business expanded steadily during the course of the year. Since the end of 2007, the number of analysts' reports on the company has increased from eight to the current total of 18 continuous assessments. The vast majority of these surveys recommend buying or holding the HHLA share. As per year-end 2008, the average target price stated by all these surveys was around € 35. Financial analysts are important opinion leaders who enhance investors' understanding of the company's business model and ensure a comprehensive spectrum of opinion.

Free float by region
AS OF DECEMBER 2008



- **27.9 %** Germany
- **28.2 %** United States
- **9.4 %** United Kingdom
- **8.2 %** Rest of Europe
- **5.2 %** Other countries
- **21.1 %** Unidentified Investors

Source: Share register, HHLA analysis

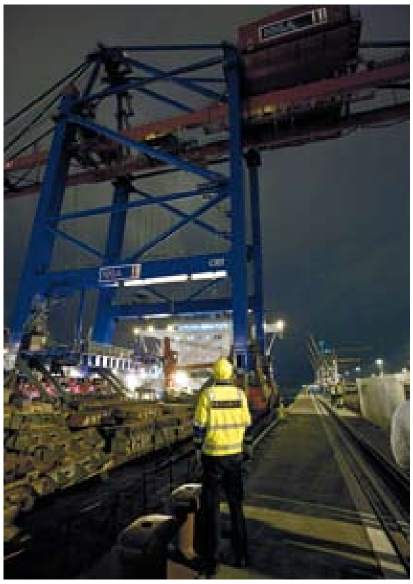
Basic data HHLA share

Type of shares	No-par value registered shares
ISIN International Security Identification Number	DE000A0S8488
WKN	A0S8488
Symbol	HHFA
Stock exchanges	Regulated market: Frankfurt am Main, Hamburg Open market: Berlin-Bremen, Düsseldorf, Hanover, Munich, Stuttgart
Stock exchange segment	Prime Standard
Prime Sector	Transport & Logistics
Indices	MDAX, MSCI Germany, HASPAX, CDAX, HDAX, Prime All Share, Classic All Share
Ticker symbol Reuters	HHFGn.de
Ticker symbol Bloomberg	HHFA: GR
First listing	02.11.2007


CHARDKAI
CSAV

AT THE CORE OF HHLA'S STRATEGY

At Burchardkai everything points towards the future. Hamburg's first and largest container terminal is being made fit to meet the challenges of coming decades while remaining fully operational.



One of Chinese manufacturer ZPMC's special ships arrives in port. The first tandem container gantry crane is already eagerly awaited.

After a 60-day voyage to Hamburg from Shanghai, suddenly just centimetres are at stake. In the early evening of 30 August 2008 the white "Zhenhua 17", a tanker refitted as a special transport vessel, lying low in the water very slowly edges towards the quay wall at Burchardkai in Waltershof basin. The first of altogether five new high-tech container gantry cranes built by the Chinese world market leader Shanghai Zhenhua Port Machinery Co. (ZPMC) has reached its final destination. Already painted in HHLA's blue and red livery, with its 68-metre boom the mighty steel structure rises 84 metres into the evening sky. Weighing 2,250 tons, the same as around 200 trucks or 3,000 Smart cars, next morning it will be gently pushed on to the quay wall at Burchardkai.

"Tandem gantry cranes" can lift two 40-foot containers simultaneously in one move, doubling the performance of existing gantry cranes.

Once again Burchardkai is proving the pioneer with an innovation in terminal operation. With four additional gantry cranes arriving three weeks later on a sister-ship, HHLA Container Terminal Burchardkai (CTB) is the first facility in Europe opening up the era of the tandem cranes. These gigantic "Twin-Forty" gantry cranes can lift two 40-foot containers, corresponding to four standard containers, simultaneously in one move, thus doubling performance of existing gantry cranes. Designed for handling the largest mega-container-ships of the future, these Twin-Forties can lift loads of up to 125 tons at one time.

The port's first and largest container terminal is currently being enlarged in practically all dimensions: faster, bigger, higher, further – but all on the same space, a tongue of land covering no less than 1.4 million square metres, only slightly smaller than the Principality of Monaco. The enlargement and modernization project running since the end of 2004, the largest single investment in HHLA's history, has an ambitious goal. On completion, more than 5 million standard containers per year should be handled, double the 2006 total. "We are growing outwards from within and want to utilize the existing space more intensively," explains Peter Schwencke, the Managing Director, who has played a part in development of CTB for three decades. Apart from doubling capacity, the aim is to achieve decisive improvements in productivity, efficiency and economy.

Already top of the European performance league along with neighbouring Container Terminal Altenwerder (CTA), Burchardkai aspires to set new benchmarks in future. With the new on-dock container rail terminal, for instance, already taken into service in 2006, and its 700-metre sidings that permit whole block trains to be assembled. Or with its novel automated block storage system, with three stacking cranes simultaneously taking over storage and removal of the containers in one block, two small and one larger and able to pass over the smaller pair. Or with its tandem container gantry cranes, promising to set new handling records for mega-containerships. And lastly with an integrated terminal operating system that combines the different sub-systems at the container terminal, from ship planning to truck clearance, from gantry crane control to block storage organization, in one seamless IT system.

Container Terminal Burchardkai is growing outwards from within utilizing the existing space more intensively.

To meet all these goals, the whole area is currently being rebuilt on the "rolling construction site" principle. Whereas with the construction of a new terminal on a greenfield site, such as the terminal in Altenwerder that entered service in 2002 and has since been seen as state-of-the-art for container terminals generally, no account needs to be taken of anything already existing, with the upgrading of CTB it is all quite different. Thomas Schütz could tell many a tale about this. As project coordinator he knows to a tee the fine balance that needs to be struck between current operations and the demands of the expansion project. The CTB planners were aware of the problem from the start. The 50-strong project team therefore comprises a mixture of engineers and IT specialists, project managers and staff from the operations side.

Thomas Schütz's workplace on the third floor of the office building offers him a fine view of the first stage of construction of the storage block: "The new block storage facility will boost our productivity very substantially." One unit comprising eight storage blocks will be the first to enter service, ensuring a distinct leap in efficiency and capacity. On completion, 29 storage blocks will then offer space for over 70,000 containers, more than twice as many as today's 30,000. Five blocks are under construction and the gigantic stacking and gantry cranes are already undergoing practical trials.

While real operations are being simulated outside, indoors the new storage system is on virtual test: workroom A106 on the first floor is packed full of PCs and screens. Barely has the red-blue gantry crane started moving on one of the high-definition flat-screen displays and it's stuck again. "The demonstration jinx,"

An additional four container gantry cranes being prepared for rolling ashore. Each of them weighs 2,250 tons or as much as about 3,000 Smart cars.

says one of the testers. One PC per storage crane is required for the simulation exercise. The elaborate trial runs test the manufacturer's software to the limits and optimize this further.

The fifth floor offers a fantastic panorama view of the entire facility. It is here, where the control stand for the entire system will shortly be installed, that the main part of the test operation is running, distributed among several working groups. Even if the software developers and testers can fall back on experience with the build-up of the HHLA terminal in Altenwerder, each terminal is an individual case with spatial parameters that are all its own and require customized organization of operations. "We put modern tools into people's hands, relieving them of superfluous drudgery," explains Thomas Schütz. "They need to be as well informed as possible at every moment so as to take their decisions." The focus is on close cooperation between programmers and people on the job. Schütz emphasizes that "daily networking of operational practice and project development is a crucial prerequisite for the success of the project."

There's a long tradition on Burchardkai. The facility is accustomed to writing container history. In May 1968 handling here of the "American Lancer", the first full containership in liner service, ushered in the container era in Hamburg. Here the world's first straddle carriers, or SCs, entered service. This vehicle not simply transports the steel boxes across the facility but also stacks them up to three high in the container storage areas. CTB also pioneered the data radio that transmits movement orders to SC drivers and satellite positioning data for the storage area. These pioneering innovations have been supported by Federal Ministry of Research funds for the Innovative Seaport Technologies (ISETEC) initiative.

From project development to the heavy vehicle driver, networking and data interchange are the fundamentals of success.

CTB's 'young' sister terminal also profited from its know-how. The advanced double-trolley container gantry cranes of the highly automated HHLA Container Terminal Altenwerder had been used for the first time at Berth 1 here. With the Twin-Forties, in the rivalry between the terminals, Burchardkai is now out in the fast lane again. "Now we are hitting back," comments a smiling Peter Schwencke, Managing Director, about the sporting competition between the two large HHLA terminals CTB and CTA. "Even so," concedes Schwencke, "each terminal has a profile of its own." Where CTA shines with its highly automated, integrated operations system, under which wholly automated, remote controlled transport vehicles known as AGVs (Automated Guided Vehicles) replace the straddle carriers for transport between container gantry cranes and storage, CTB is proud of the great flexibility of its straddle carriers.

Peak loads can be mastered very effectively by a short-term concentration of SCs and staff. For very practical reasons, moreover, Burchardkai has to maintain its SC system: AGVs need storage blocks where gigantic gantry cranes undertake the stacking, whereas by contrast a SC can serve both conventional and block storage equally well. Even after completion of the modernization of Burchardkai, part of the area of a shape unsuitable for block storage will continue as conventional storage served by SC. For Peter Schwencke, this necessity is certainly a virtue. He sees an ideal combination of two strengths at the future container terminal. At CTB, the qualities of the industrialized, highly automated container handling at CTA will be taken over, along with block storage and integrated terminal control. Experience with meanwhile six years of successful operations at CTA will be of considerable assistance. By contrast, CTB can further develop its traditional strength, the SCs' tremendous flexibility. "That we can hold our own with CTA using this combination is something that we wish to demonstrate and certainly will," asserts Schwencke.

"The world of terminal designers is easy to grasp, since most innovations stem from fresh demands by the customers."

Even today, the major shipping company APL offers a fine platform for the sporting rivalry between HHLA's two largest terminals. In the performance category "Container throughput per hour of ship's lay time" the two were ranked way out in front of other European container terminals in 2008. Nor did the trend among the most important customers, the shipping companies, remain static. On 21 November 2008 the largest containership under German flag berthed at Burchardkai during her maiden voyage. Operating for the leading French shipping company and transporting over 11,000 standard containers between Northern Europe and Asia, the CMACGM 'Vela' is 348 metres long and 45 metres wide.

"The world of terminal designers is easy to grasp, since most innovations stem from fresh demands by the customers," realizes Peter Schwencke. And in this respect too HHLA Container Terminal Burchardkai aims to be right up among the leaders in future. "Perhaps one day with a Twin-Forty container gantry crane in semi-automated two-trolley operation."

The new container gantry cranes (far l.) have already arrived, the building site for Berth 2 will soon be "rolling" across the terminal.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THE MEGA-SHIPS ARE COMING

The size of containerships and the volume of cargo each one transports are continually growing. The highly innovative HHLA Container Terminal Altenwerder (CTA) was designed to meet this challenge – and today does so in style.

As the NYK VEGA slips under Köhlbrand Bridge, it stops raining on this grey Saturday morning in November 2008. Two high-powered tugs assist the 333-metre long containership in berthing. With help from her own bow-thrusters, she slowly approaches the berth allocated. Barely has the vessel tied up on the 1,400-metre quay in Hamburg-Altenwerder at 10.05, and ship's planner Uwe Berger goes on board. Even in the high-tech era, personal contact at the terminal is tremendously important. He now agrees his stowage plan with the First Officer. From now on, one CTA ship's planner working in shifts around the clock will be responsible for the VEGA. After a brief discussion, Uwe Berger quickly walks down the gangway, drives back to the office in an orange VW Polo and gives the green light for the plans prepared for the use of his colleagues on the container gantry cranes and at the CTA control console. Loading and discharging of containers have already started.

The real countdown for the NYK VEGA had already started in the early hours of Friday as she cast off in Southampton. The mega-containership's voyage from the south coast of England to Hamburg took 29 hours. As she left port, an e-mail from major Japanese shipping company NYK Line's central planner in London was received at CTA with the containership's load status – as the starting signal for final preparations at the terminal. Initial planning had already commenced four weeks earlier, when the ship left the Port of Singapore and first rough handling data were transmitted to Hamburg.

"It is important that our planners are experienced hands able to talk to decision-makers on board on an equal footing," explains Jörg Gregor, head of CTA shore operations. "We therefore prefer to hire people with experience at sea as nautical officers." Now in his mid-fifties, Gregor with his alert blue eyes himself went to sea before working for a shipping line and then joining HHLA. He is one of the original team who have travelled all the way from drawing-board sketch to fully functioning cargo handling facility. "It is great to see how CTA has thrived. On average today we work with four cranes per ship and turn round more than 100 boxes per hour – and for that the shipping company APL named us the best terminal in the European North Range in 2008."

There has been no lack of awards for CTA. In 2008 Germanischer Lloyd certified the HHLA facility with its new "Container Terminal Quality Indicator" (CTQI) standard as the first in the world to receive this. This international standard measures a container terminal's performance on the basis of speed, safety, cost efficiency and its hinterland links. On an international comparison, the testers highlighted the fact that CTA is not only highly automated but also transparently structured, and notable for clear information and communication channels as well as targeted action towards specific goals. In addition, CTA is continually driving terminal technology forward. When the planners determined the requirements profile for HHLA Container Terminal Altenwerder at the end of 1990s, they went for nothing less than a quantum leap: a hitherto never accomplished degree of automation was to raise the container terminal's performance to a completely new level, making it the most important interface in global cargo flows.

The NYK VEGA sails up the Köhlbrand towards Altenwerder with assistance from tugs.

The trend towards ever larger ships, the tempestuous growth in container traffic and shortage of space in the ports called for a future-proof answer. At first sight the approach to the solution seemed simple. In Altenwerder the best and most advanced terminal modules worldwide were to be united into a new whole. For this purpose such proven innovations as storage blocks with gantry cranes, autonomous transport vehicles or Automated Guided Vehicles (AGV), and the double-trolley container gantry crane that had entered service at HHLA Container Terminal Burchardkai for the first time in the world, were to be further developed and integrated into a unified system.

For the storage block, HHLA had the idea of the second crane: at CTA a larger gantry crane can "override" the smaller one, tremendously boosting productivity and flexibility. The AGVs, moreover, learned to move more intelligently at CTA. Instead of being run in a fixed circle by a large induction loop, as during previous use, the AGVs, meanwhile 84 of them, now pursue the optimal course between the crane and storage with the aid of terminal software that locates and steers the AGVs using altogether 15,000 transponders inside the CTA enclosure. Another special feature of CTA is the division of the container movement between ship and quay between a manually controlled main trolley that handles the box between the ship and the crane, and the automatic gantry crane trolley that deposits containers on the AGVs. Transhipment speed can be maintained at a high level thanks to the short distances covered by the main trolley, and handling by AGVs is also separated from handling at the ship.

The real challenge, however, was the terminal software. While separate modules were available for use, the core control system for the entire operation needed to be developed as something entirely new. For this, HHLA programmers wrote well over one million lines of programming code. When

From the edge of the quay to the on-dock container rail terminal (in the background), all the processes at Terminal Altenwerder interlock efficiently.

the new terminal entered service in summer 2002, it came at exactly the right moment for one of the Port of Hamburg's most hectic growth phases. Container volumes were rising at a pace not foreseen by any forecasts. In the period between 2000 and 2008, annual growth in container throughput in Hamburg averaged 11 percent. And the mega-ships are coming. Of 434 ships berthing in Altenwerder in 2006, 18 were longer than 335 metres and capable of transporting more than 8,500 standard containers (TEU). By 2008, or within just two years, this number had grown almost fivefold, to 89 out of a total of 445 calls.

Meanwhile CTA has far outstripped the expectations of its planners. In combination with the adjacent Altenwerder Logistics Centre and with its direct links to the European rail and road network, it plays a pivotal role in goods traffic flows between East Asia and Central and Eastern Europe via the Port of Hamburg.

Long before the NYK VEGA reaches Southampton, the first export containers that are subsequently to make the voyage to East Asia on board the ship have arrived in Altenwerder. A high proportion come by rail. For this purpose an on-dock container rail terminal is available, its seven 700-metre sidings enabling entire block trains to be handled. Massive gantry cranes lift the steel boxes off the railcars and on to terminal-owned chassis that then cover a distance of around 150 metres to the storage block, towed by a tractor. They are then accepted by stacking cranes and automatically stored in the storage block. Trucks deliver their containers direct to the storage blocks assigned to them as they enter the terminal. In the week before the NYK VEGA arrives at CTA, the 2,200 or so containers that she is to take on board will be distributed between eight and ten storage blocks.

Constantly larger ships and the tempestuous growth of container traffic demand a future-proof response.

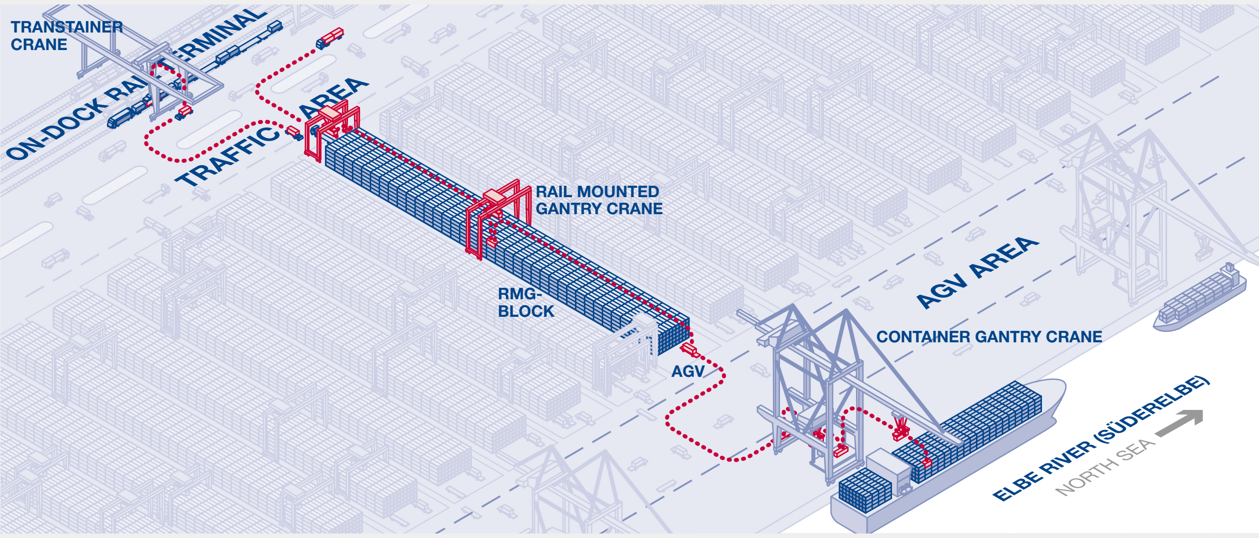
The crane ballet in the automatic storage block is constantly under the watchful eye of Oliver Dux, CTA's Managing Director, from his office on the third floor of the operations building. He sees how around 2,500 trucks and 25 trains maintain a daily supply of containers to CTA and its hinterland in Europe. "The flow of data rushing ahead of the containers is very important for our performance capability," says Oliver Dux. "When we know a box's next destination, we can optimize workflows around that." From his viewpoint, CTA is not modern solely because it possesses technology equal even to requirements still lying in the future. Automation of standard workflows and sophisticated logistics are just as essential. The high degree of productivity and efficiency, moreover, is only possible thanks to the dedication of around 500 trained and motivated staff, as well as the transparent and effective organization of their work.

"Computers are only machines that implement the commands that they are fed. Intelligent control is where humans take over."

In the control centre ship's planner Uwe Berger has once again taken his place at the surveillance monitors. He observes just how the stowage plan is being implemented. If delays or disruptions occur, he intervenes. "What's up with container gantry crane 14? It doesn't seem to be operating just now," he asks the colleague two consoles away who is supervising the work on the waterside. After a few mouse clicks and a brief glance at the screen it becomes obvious that a work package is being re-arranged to keep the flow of containers moving. "We only intervene in the automated work process if this gets stuck somewhere. It is precisely this that we can look after with excellent tools," says Uwe Berger. While the ship is being handled here, the planner is the central point of contact for the crew. He will arrange a suitable gangway, or coordinate the ship's chandlers so that they do not form a queue along the quay. After eight hours he hands over the ship and a detailed checklist to a colleague on late shift.

Comparable with the control tower of an airport, CTA's control centre is manned around the clock. All the threads

A container's path through Container Terminal Altenwerder



The top left corner of the diagram symbolizes the on-dock container rail terminal with its rail gantry cranes. These load and unload the block trains directly on the terminal site. Transport to the storage block in the centre is provided by chassis towed by terminal vehicles. A single storage block is then highlighted. Here two gantry cranes (red) of different heights can run under or over each other so that even if one crane is out of service the boxes stored there remain accessible. In a fenced-off area, software-controlled Automatic Guided Vehicles (AGVs) provide transport between storage blocks and the quayside where container gantry cranes discharge or load the ships (far r.).

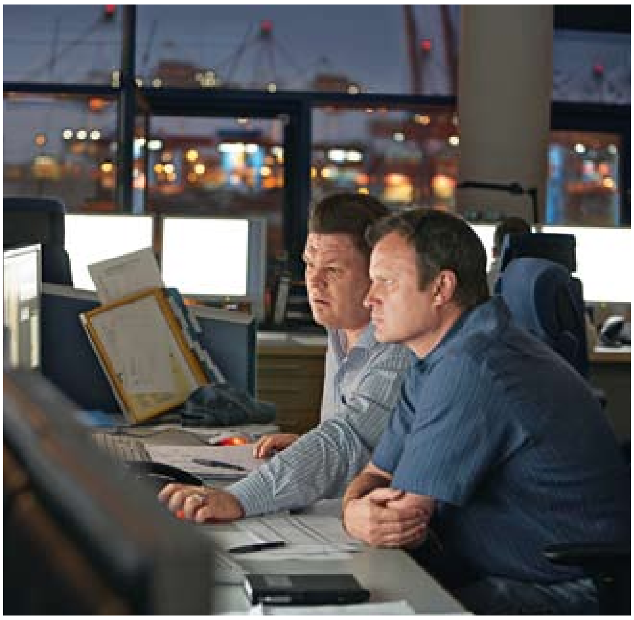
run together here, control of the container gantry cranes, of AGVs and storage block cranes, and also of rail and truck clearance. Between six and ten staff acting in close consultation optimize operation of the entire terminal. If a ship urgently needs clearance to be able to leave port when the state of the tide is right, the automated storage block cranes will be allocated more capacity for the quayside. If trucks are queuing at the terminal entrance, then extra effort is required on the land side. The decision falls to the shift leader concerned, but teamwork and experience are of special importance here.

"Nothing happens here of its own accord," stresses Andree Rüder, one of those involved in building up the EDP system control at CTA. "Computers are only machines that implement the commands that they are fed. Intelligent control is where humans take over." To ensure the greatest possible stability and availability of the systems, the controlling EDP is simply structured. "You can run the unit with three elementary commands." Here again, the rule is not to intervene unless it's essential. Routine moves are constantly automated to gain breathing spaces when the team can attend to special cases and solving problems.

The trend towards ever larger ships is uninterrupted. Whereas just a few years ago cargo volumes of 8,000 TEU were the usual benchmark, today those of over 10,000 TEU are by no means a rarity. In the next few years a growing number of ever larger ships will be coming to Hamburg. Such growth poses two demands: unhindered access to port berths of the kind that should be guaranteed by the deepening of the navigation channel on the Lower Elbe. On the other hand, ships are bringing and fetching more cargo per call and handling of 6,000 or 7,000 standard containers per vessel has become part of everyday working routine for the terminals.

Record for the year: 10,000 standard containers were handled within just 50 hours on the Colombo Express in January 2008.

The year's record was already set on 17 and 18 January 2008, when over 10,000 standard containers were handled for the "Colombo Express" within just 50 hours. Only a few years ago, such quantities would have been unthinkable. Moreover, this trend will be maintained even during difficult stages for the economy. Shipping companies will then prefer to fill their large ships to capacity as far as possible.



The CTA control centre: precise control of complex systems.

Although drizzle is hampering Gerhard Brüggemann's vision, unfazed the skilled container gantry crane driver lowers the last container on board the NYK VEGA. Almost 5,000 TEU have been unloaded or loaded within 28 hours. Now the booms of the container gantry cranes are raised so as not to collide with the ship's superstructure as she sails. Ship's planner Uwe Berger, once again on early shift, completes the stowage plan and forwards it by e-mail to the central planner for the NYK VEGA. He will briefly check this before forwarding it to the terminal in Rotterdam. The ship will be berthing there in about 18 hours to discharge cargo for Western Europe and to take on board containers for East Asia.

On the landside of CTA a red diesel locomotive is hauling a fully loaded container train away from the CTA site. The 80 railcars of HHLA's Metrans rail affiliate are transporting the first part of the NYK VEGA's cargo to Prague, from where it will be distributed in the Czech Republic and Slovakia. Then the loaded shuttle train will return to the Port of Hamburg, bringing containers for another vessel. Once again the countdown is running.

THE NETWORK IS GROWING

The Czech Republic, Slovakia and Hungary are ideally intermeshed in world trade. Not least of all thanks to the Czech HHLA rail subsidiary Metrans, whose terminals and shuttle trains provide direct access to the overseas ports.

It looks as if someone has been disturbed while sorting Lego bricks: the intention is already recognizable, but still with no kind of visible order. The steel boxes are colourfully stacked against the grey winter sky. In the canyons between them, reach stackers rule, robust vehicles that can lift and stack containers weighing up to 42 tons. A good 25 metres higher, the rail gantry cranes are operating. The mighty steel structures span the 650-metre long tracks and can discharge a block train of over 600-metres length with up to 92 containers in only 3 hours. The modern railcars built to Metrans' own design, custom-built for container transport, facilitate the work. The company now owns over 1,000 flat-cars.

How can anyone keep an overview in this milling throng of boxes, vehicles, trains and cranes? Well there is one person at the Metrans terminal in Dunajská Streda, Slovakia, who ensures that everything is in the right place, and that is 39-year-old Peter Lank. Without his 'okay' no truck passes the entrance to the terminal. He and his team from the tracking department check and document: delivery notes, Customs seals, container numbers and any possible damage. The data enters directly into the terminal's IT system, is stored and forwarded. "This is how the crane drivers know which container they have to load next or for the reach-stacker drivers which storage position has been allocated to the empty container," says Peter Lank. After the data acquisition the truck driver receives a loading number. When it is flashed up on the large display panel next to the gate, he is allowed to drive into the loading and discharging zone to dispose of his cargo and shoulder a new box.

Along with Prague-Uhříněves and Zlín, Dunajská Streda is the third Metrans terminal. It lies on the Slovakian-Hungarian border between Bratislava, Budapest and Vienna.

Newly built on the outskirts: the terminal in Dunajská Streda.

“In 2006 we faced a choice: to extend the existing terminal in the city centre or to build a new one on the outskirts,” explains Metrans Danubia managing director Peter Kiss. The decision was taken to build a new one. “There, we were able to decide for ourselves where the rail tracks should be and how the storage areas should be built.”

The intelligent Metrans concept benefits both the Port of Hamburg and the Czech economy.

The terminal at the new location came into operation on 1 January 2007. By the end of 2008, already more than 600,000 standard containers (TEU) had been transhipped between the five rail tracks and the road. From Dunajská Streda the cargo goes on to Hungary, Austria and Slovenia. It comes by train from the ports in Hamburg and Bremerhaven or is taken there, directly to the quay walls.

Prague-Uhříněves, one of the biggest inland terminals in Europe, served as a model. Metrans has been operating this container rail terminal since 1992. On these far-stretching premises, twelve kilometres of rail track meander before the gates of Prague’s City South. Up to 25,000 standard containers can be stored here simultaneously. For strangers the premises come across as a labyrinth of colourful building bricks. However, Jiří Florián confidently heads for his target through the maze. He started work at the terminal in 1994 and is really part of the furniture, he says with a smile. In the past he helped the shunting engine drivers to assemble the container trains. Today Florián is the terminal’s director of operations ensuring that the containers from Hamburg and Bremen do not miss their connecting trains to Eastern Europe.

For the Czechs the quickest way to the sea is via Hamburg. The trade routes used today by goods trains, already proved their value in the Middle Ages. With 31 percent of exports and 28 percent of imports, Germany is still one of the Czech Republic’s most important trade partners. Some 75 percent of cargo between Germany and the Czech Republic is carried by environmentally-friendly rail transport. This is not least of all thanks to Metrans which, with its 84 weekly direct connections between Hamburg and Bremerhaven to and from Prague, Dunajská Streda and Zlín, has long been the market leader.

The basis for this success that also benefits the Port of Hamburg and the Czech economy, is an intelligent production concept: shuttle trains that for example are handled at the rail facilities of HHLA’s Hamburg container terminals ensure a direct, fast service. Every six hours a Metrans train leaves and arrives in Hamburg. Every day hundreds of containers make their way from the North German ports to the Prague terminal. Here they are either put on trucks or are marshalled into new trains, since many boxes are still eastbound.

Metrans has 300 staff at Prague-Uhříněves. 150 of these have directly to do with container transhipment. The terminal is equipped with cutting-edge technology. Three container gantry cranes are dedicated to exports, three others for imports. On the premises there is also an M&R workshop that can handle up to three railcars simultaneously for service or repair. Czech Customs are located on the first floor of the main building. Metrans follows a philosophy of comprehensive customer services for container transport on rail and road. This includes computer-assisted cargo tracking and tracing, handling Customs formalities, the forwarding of goods by truck and if required the storage, cleaning and repair of empty containers.

At the terminal in Dunajská Streda, Peter Kiss also follows this philosophy. Its success shows that he is right. Until now the number of containers handled has increased annually. In 2007 just about 275,000 TEU passed through the terminal: in 2008 it was already a good 100,000 more.

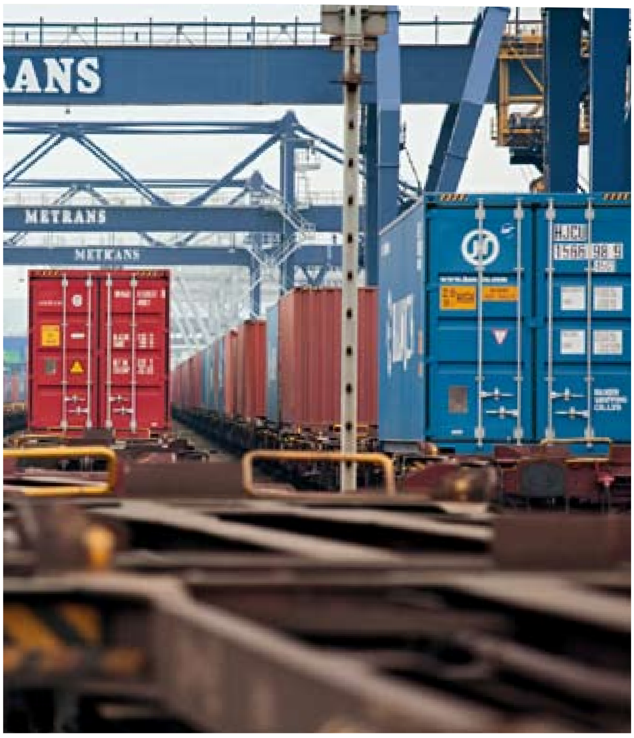
"When we put the new terminal into operation in 2007, we assumed that our capacity would be sufficient for the next ten years," says Peter Kiss. Two years later he now knows better. Through his office window he looks out over a building site. "We are now extending the site with a third gantry crane, four new tracks and an additional storage area," he adds, explaining the construction work. Currently a team is equipping the new rail gantry crane. It is constructed in only five days, but the commissioning lasts five to six weeks. For example, some six kilometres of cable have to be checked. When the new Metrans terminal is ready at the beginning of 2009, there will be a storage capacity of 280,000 square metres available. This means that the Slovakian logistics hub will be almost as large as its big sister in Prague-Uhříněves.

The Dunajská Streda terminal in Slovakia is quickly developing into an important logistics centre.

Metrans, the German-Czech company, in which HHLA holds 51.5 percent, intends to develop the terminal in south-west Slovakia long-term into an important logistics centre. Peter Kiss sees the current investments in the terminal as a further step to increase efficiency and handling quality. "Until now, the two rail gantry cranes have had to cover over-stretch distances. With the third crane their action radius will be reduced. This will make us even faster," says Kiss.

Not only is the terminal growing. At its fringes too, its dynamic is catching on. The shoe manufacturer Deichmann has opened its fifth distribution centre, complete with administration, in the direct vicinity of the terminal. Other companies are also showing great interest in setting up their businesses at the pulsating Dunajská Streda hub.

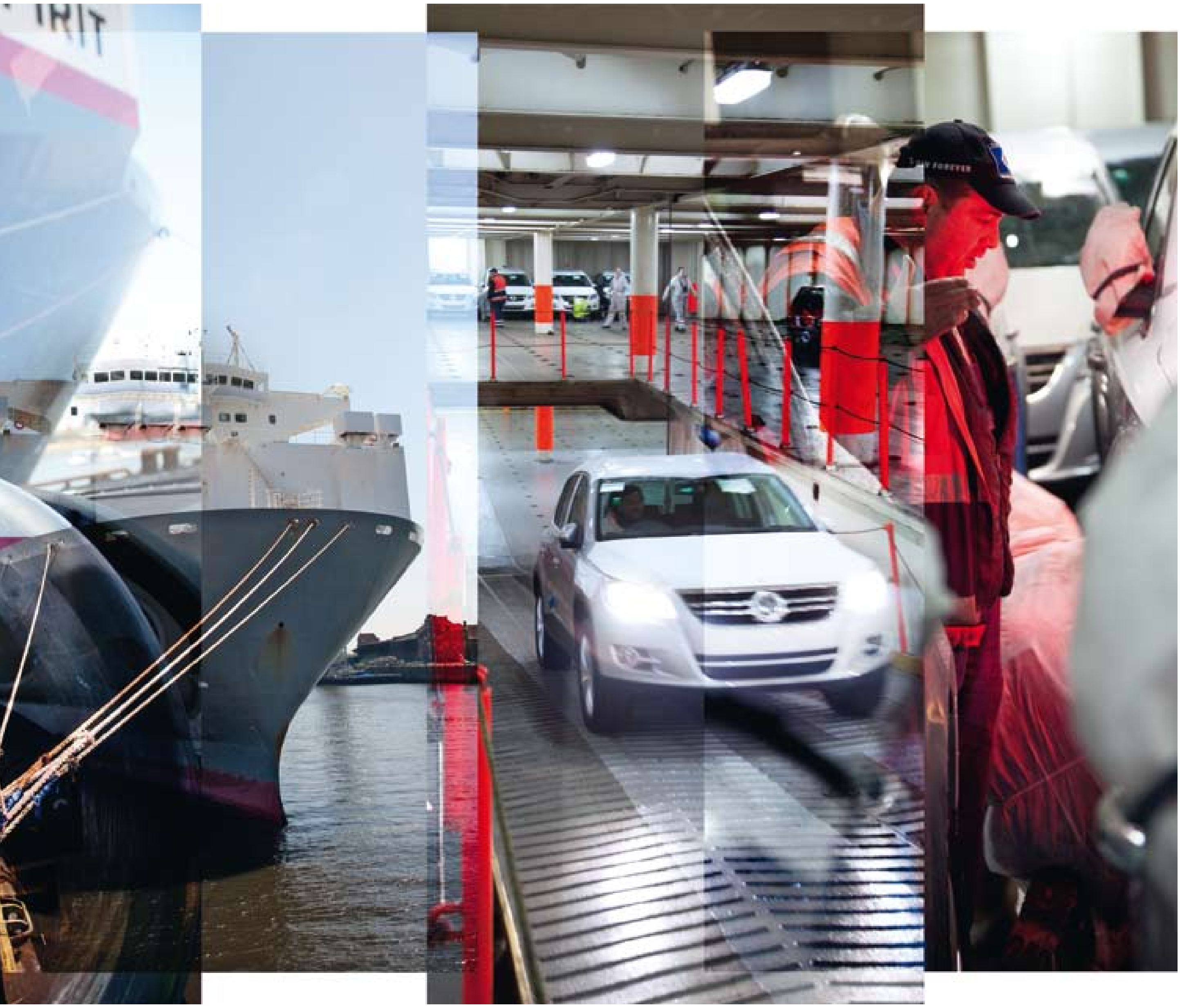
Investments are also being made in the rising demand at terminal manager Martin Hořínek's location in Prague. In 2009 the seventh gantry crane will come into action; the last system checks are currently being run on the crane unit. Hořínek still has other things on his shopping list. "We want to extend our rail tracks to at least 610 metres." The container trains that commute between the Czech Republic and the Ports of Hamburg and Bremerhaven are some 610 metres long. He also wants more space for the storage of empty containers on the site. Meanwhile another truck is leaving the Prague terminal. Just as Peter Lank records the data for each container coming into the terminal in Dunajská Streda, in Prague the data is recorded for every container leaving the terminal. Even if it does not look like it, order reigns covertly among the colourful steel boxes – regardless of whether they end up on a train or truck, are hanging from a rail gantry crane, are being moved by a reach stacker or are waiting in the store for their next voyage.



Prague-Uhříněves is one of the biggest inland terminals in Europe.

PRECISION WORK FOR EXPORTS

German cars for export find their way all over the world via O'Swaldkai in the heart of the Port of Hamburg. The recipe for success consists of sophisticated logistics combined with individual care for each vehicle.



The warning lights blink at the level crossing and road traffic comes to a halt as the red shunting locomotive pulls at least a dozen double-decker railcars across Hamburg's O'Swaldkai terminal. These are loaded with Volkswagens wrapped in white, and silver Audis in protective foil, bound for all sorts of overseas destinations. Half a dozen drivers and two checkers are already waiting for the car train at the unloading track. They climb out of the flame-red Polos, in which they have sought shelter from the icy blast in the port, slipping into white disposable overalls. Not a spot must be left on the upholstery of these luxury cars! A ramp is brought up, the securing wedges against the tyres of the vehicles removed, and already the first Touareg roll off the train.

Grimaldi vessels make Hamburg a RoRo hub.

Checkers with rolls of adhesive labels hanging out of their pockets give each vehicle a distinctive identification. Along with barcodes, their adhesive labels show a number reconciled with the chassis number on the windscreen. Clammy fingers feed the figures into a scanner that immediately radios these to the data network. Only now can the ORVs be moved to one of the numerous parking spaces. HHLA's 78-hectare multi-function terminal has space for up to 7,000 vehicles and is at the heart of vehicle logistics. Gleaming luxury limousines, the manufacturers' latest models, stand alongside massive mobile cranes and agricultural machines, rows of white trucks alongside several hundred used vehicles already awaited by buyers in West Africa. Last year about 78,400 new and 72,000 used vehicles were shipped from here, as well as around 91,500 standard containers and 102,000 tons of heavy and general cargoes.

"There has never been a year like it," reminisces Michael Sieck, Managing Director of HHLA's Unikai Lagerei und Speditionsgesellschaft affiliate. His company was fortunately geared to growth, having rebuilt parking areas and the entire terminal traffic system in good time. Sieck attributes volume growth primarily to Italian shipping company Grimaldi's 49 percent stake in Unikai since 2007. In January 2008 Grimaldi switched the America service of its expanding subsidiary ACL to Hamburg, making the Hanseatic City one of the central European hubs for wheeled cargo. O'Swaldkai is directly meshed into the all the main trades operated by RoRo (roll-on, roll-off) vessels. 342 ship departures were already recorded here in 2008.

"We are a universal port, with extremely short transit times – that's what makes the difference for the major car manufacturers," explains Sieck. Unikai lives from car industry port contracts, meeting the requirements in these as precisely as possible. "Generally, their deliveries to us are chaotic. Vehicles for Nigeria, Korea, Kuwait and Brazil will appear on one car train. Sorting only starts with us in Hamburg." If requested to do so by Liebherr Group, for instance, Unikai's forwarding department will take over export Customs formalities and shipment. Automobile logistics may involve large quantities, yet each vehicle calls for precise, individual treatment. The car manufacturers send the rough template, the precision work is done by Unikai.

That only functions with effective and well networked software. Michael Harth not only has a view of most of the parking spaces from his office window; on the PC on his desk he can also retrieve details for each car separately. Before the car train is unloaded at the terminal, Volkswagen has already transmitted the data to the system. As the cars are checked in, their arrival and any damage are recorded, while later the data helps in the compilation of appropriate stowage plans for ships of various types. As Operations Manager, Harth has to keep his eye on two aspects: the big picture guaranteeing punctuality and reliability, and the mass of changes that throw everything into disarray again. With white snowflakes on his shoulders as he comes into the office, ship's planners like Rüdiger Bols assist Harth with

Once the securing clamps are removed (l.), vehicles roll off the car train and are given adhesive labels as identification.

this. Meanwhile it is snowing outside, there are delays and yet again Unikai has to adjust its plans. “Shipping happens at sea,” comments Harth drily, “but you only know whether a ship is coming when she’s there.” These two men have to coordinate the tasks of up to 200 staff. First of all, they scrutinize the general data from Antwerp delivered by Grimaldi’s central stowage planning department for the ship now arriving. Cars need to go onto the ship in reverse order, i.e., with those for the final port first. If possible, to save space vehicles of the same model should be lined up together. Unfortunately the vehicle transporters for which planning is now in progress do not serve all the destinations that are waiting for Volkswagens. That makes Unikai’s job even more complicated.

Not every region can be reached by a RoRo ship, but with the container it is possible. So some cars have to travel in the steel box.

Some Touareg are bound for Xingang in China. They wait at a container storage area on the quay wall, then to disappear one after another into a long row of the steel boxes. Hamburg is fortunately a port offering regular liner services with virtually all regions of the world. The Touareg, for instance, will set off on voyage aboard the “CMA CGM Ivanhoe” from HHLA Container Terminal Burchardkai just a few days later. O’Swaldkai also serves as the port’s internal hub for car exports.

Container moves within the Port of Hamburg are normally done by truck, which can cause traffic jams at peak times. Ingenious Unikai staffers have thought up a solution here that spares the environment and cuts costs. Special inland waterway craft are loaded with about 200 standard containers (TEU), rendering more than 100 truck tours superfluous each time. Up to 1,600 TEU accumulate each week and since inland waterway craft emit 70 percent less carbon dioxide than trucks, about 330 tons of carbon dioxide emissions are avoided annually.

Today, however, Rüdiger Bols has nothing to do with inland waterway ships. Looming in front of him in the snow flurries are the massive outlines of the white-yellow “Grande Brasile”. A vast black hole yawns at the stern of the RoRo ship, all the cargo being fed into this across its ramp. On Deck 4 a traffic marshal uses the stowage plan to wave on ORVs. The drivers cautiously manoeuvre into the narrow parking spaces. They need to be capable of driving anything on wheels that moves, from a Mercedes S-class to a combine harvester. “We lash these choice limos with special stretch belts so that the aluminium wheel rims are not damaged,” explains Rüdiger Bols. “With some, the key must not be left in the vehicle, others may not be parked sideways on the ship … we do everything!“

Vehicle logistics is of course a labour-intensive business. Checkers use scanners to re-check the adhesive labels on the closely packed Tiguan and Touareg. The display of the scanner switches from Status 45 (ready to load) to Status 50 (on board). The destination port can now be read: Paranagua, Brazil. The Grimaldi ship will soon be closing her stern ramp. Then the Volkswagens will start their long passage to South America.

HEADING TOWARDS SUSTAINABILITY

HHLA has practiced sustainable commerce for more than 120 years. With a comprehensive sustainability concept, the port logistics company is now setting new accents while taking three main aspects into account: environmental, social and commercial issues.

Sustainability is not a foreign concept for HHLA. On the contrary, those who manage terminals, hinterland networks and logistics real estate are compelled to take a wider view. Ever since the company was founded in 1885, its business model has been geared to the long term.

Farsightedness and responsible actions have shaped all aspects of HHLA's development – whether represented by innovations in container handling, or in special and contract logistics, or with the creation of intermodal networks, or the realization of an intelligent expansion programme for existing facilities. In addition, the company is strongly committed to meeting the social welfare needs of its employees. During 2008 HHLA drew up a comprehensive sustainability concept with a focus on three basic areas, namely environmental, social and commercial issues.

Ever since HHLA was founded in 1885, its business model has been geared to long-term comprehensive aims.

This is the starting point for the modern, comprehensive sustainability management that the company will introduce in the course of 2009. The aim of this will be to make responsibility for sustainable practices even clearer internally and externally. Ten spheres of activity have been defined, on which HHLA will put emphasis in the coming years.

- **Environmental issues:** With commitment to numerous projects and measures as well as a business model that is exemplary from an ecological standpoint (e.g. in the organization of transport chains using the environmentally friendly carriers ship and rail), HHLA is already actively involved in environmental protection. This is reflected in growing energy efficiency and with it reduced pollutants during container handling, as well as efficient use of space at the facilities. HHLA will develop further programmes of measures and set concrete goals for four newly defined fields of activity: "climate protection", "space conservation", "nature conservation" and "ecological transport chains".
- **Social issues:** Whether with its comprehensive prevention concept for health protection or the high standards of safety at work – at HHLA safety and health are top of the list. HHLA also sets standards with its vocational and in-service training programmes. The lifetime work savings account, staff participation in company share ownership and the collective agreement on "demographic change" are examples of HHLA's modern social policies. The three fields of activity, "health protection", "staff development" and "social responsibility", will accentuate HHLA's future activities in dialogue with both society and its own human resources management.
- **Commercial issues:** With a proportion of value added of almost 50 percent of turnover, its value-oriented company strategy and the creation of over 1,000 jobs in the last four years, HHLA has made an important contribution to economic development in the Hamburg Metropolitan Region and beyond. With the three fields of activity, "value creation", "business partners" and "shareholders", HHLA will lay the foundations for further highlighting its commercial sustainability.

THINKING ABOUT TOMORROW

As an alternative to a pension at 67, the lifetime work savings account at HHLA allows you to determine your timely entry into retirement – with attractive conditions for all involved.

"In principle I have only been waiting for the lifetime work savings account to heave into view." Dieter Kautscher, 51, has seen a lot of the world. Before signing on as a ship's planner at HHLA Container Terminal Burchardkai over 18 years ago, he sailed for more than ten years as a ship's captain. The Pacific, South America, everywhere where the Hamburg Süd shipping line sailed on a trade route. After further studies he acquired his engineer's ticket. No wonder HHLA welcomed him with open arms in 1991. At Burchardkai the ship's planner is responsible at any one time for one ship during its entire lay time. This can be more than 48 hours and involve irregular working hours. The mobile phone is always

Dieter Kautscher relies on the lifetime work savings account.

on standby, as long as the containership remains at the quay wall. "Always being on duty is hard going," explains Dieter Kautscher. In 2005 when in a collective company agreement HHLA introduced the lifetime work savings account, which is offered by the Group holding and seven subsidiaries, he was immediately on board: "A pension at 65 or 67 was never my aim." Now Dieter Kautscher puts aside a large part of his overtime, his annual holiday, any extra bonuses, and several hundred euros from his gross monthly salary. He aims to quit active working life "at 60 or earlier" on full salary and full pension rights.

"Basically I have been waiting for the lifetime work savings account to heave into view."

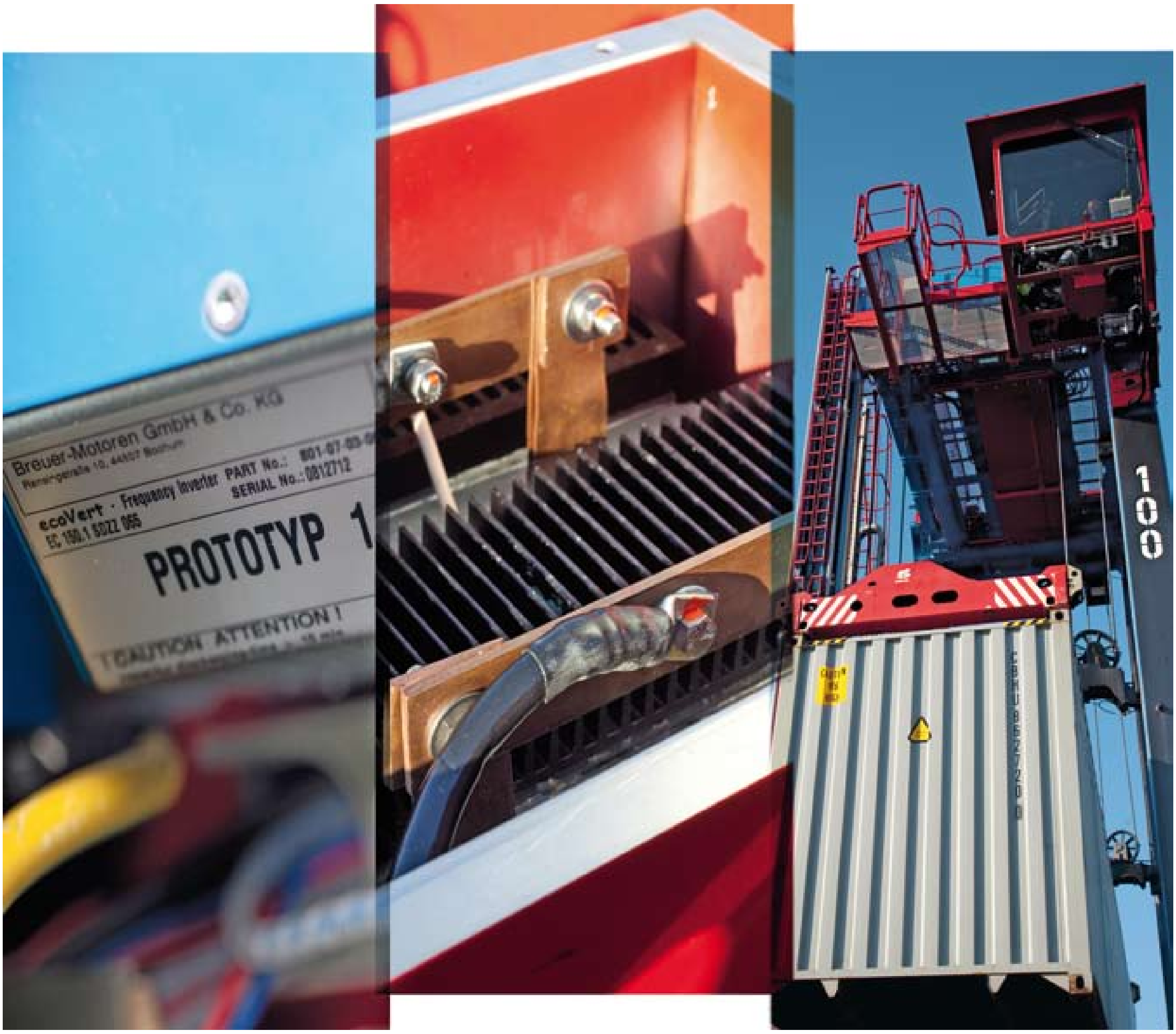
The basic idea of the lifetime work savings account is redistributing one's working lifetime. The HHLA model allows early retirement from working life through "payments" of working-time credits, like holiday periods or days in lieu of unpaid overtime, and portions of salary. The lifetime work savings account is managed as time credits converted into money with an external fund provider who invests it for the account holder. This form of investment secures the money against insolvency of the company, and should you change jobs, it can "be taken with you" or can be paid out when there is a reduction in earning capacity or the death of the account holder. Along with the opportunity to choose the length of your working life, the account offers financial benefits. The gross amounts are invested and earn interest – returns will be taxed later. Dieter Kautscher: "Regarding tax, I can see it clearly. In the past I did not earn much from overtime."

Another characteristic of this model increases value: except for special cases of job change, reduction in earning capacity or death, redemption of HHLA's lifetime work savings account is only allowed by "release". When credit on the account has reached the value of remuneration up to eligibility for the statutory pension, the release phase begins. In this phase the account holder remains employed by HHLA and profits from holiday entitlement (1.5 months) and from the number of days in lieu of unpaid overtime (up to 1.5 months). To obtain the last salary for twelve months one must only save for a good nine months. Those who want to lengthen the release phase can then also forego up to 25 percent of their salary and so lengthen the release phase considerably.

For HHLA too the model is worthwhile, as working time is reallocated at the present time. Despite all the apparent advantages the model is "very consultation-intensive" as Tim Oelkers, head of personnel administration knows. In the last few years, he has introduced the model among HHLA employees in individual interviews and information events. This has not been without success: whereas at the introduction of the lifetime work savings account, of the almost 2,000 staff then eligible, eleven percent signed up. Today it is over 25 percent of the increasing number of those entitled.

Whereas for the staff at HHLA headquarters the quota is still far below 10 percent, some terminal subsidiaries have already reached 50 per cent. Not only older employees make considerable contributions, but the younger workers, like Matthias Schult, 31, are also involved. The safety engineer has set himself an aim: "I don't want to work until 67 for my pension, but rather to stop two or three years earlier." In all probability he will easily surpass this aim. Matthias Schult does not think about the value and exchange rate fluctuations in the account: "There is already a large amount piling up. I am reckoning with about two or three years. Everything over and above that is good."

Matthias Schult wants to retire early.



CLIMATE PROTECTION ON EIGHT WHEELS

At the core of HHLA's climate protection programme are straddle carriers and AGVs, the vehicles that move containers at the terminals.

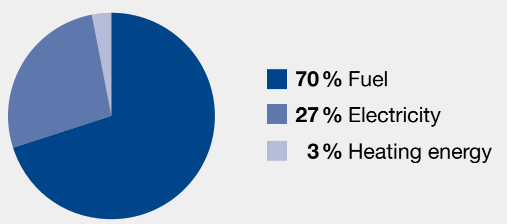
Every day when the shifts change at 15.00, at Burchardkai you can see a unique picture: over 100 of the up to 15-metre high straddle carriers (SCs) parked in rank and file. When the relief drivers climb into their cockpits the giant vehicles spread out again in all directions across the 1.4 square-kilometre terminal, where they have to carry out their hard work day and night.

The straddle carrier is known as such since it moves over the waiting box, straddling it. Then its hoisting device, the spreader, lifts the container by its four corners. The SC transports a maximum load of 50 tons between the quayside and the container storage, where it stacks the steel boxes up to four high. In 1968 here at Burchardkai, the first Peiner straddle carrier began its triumphal procession and is today in operation worldwide in most container terminals.

The 182-vehicle strong SC fleet at HHLA Container Terminals Burchardkai and Tollerort handles almost all horizontal and vertical transport of loaded containers. It is no wonder that these heavy-load carriers are responsible for a large proportion of the carbon-dioxide emissions caused by HHLA. Of a total of around 150,000 tons of CO_2 emitted by HHLA in 2008, a good 70 per cent was accounted for by fuel consumption, largely by SCs and Automated Guided Vehicles (AGVs) at HHLA Container Terminal Altenwerder. This is why the transport vehicles at the terminals are the focus of HHLA's efforts on climate protection.

CO_2 emissions by energy type

AT HHLA (2008)



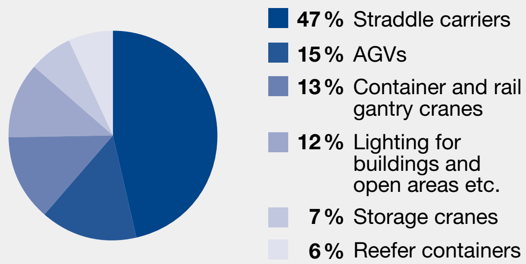
Total = 150,000 tons of CO_2

Conventional SCs consume up to 30 litres of diesel per hour. Their engines transfer the energy created via gears and hydraulic oil-lines to the drive, brake and lifting systems. Since 2004 HHLA has deployed SCs with diesel-electric engines which use 20 to 30 percent less diesel. A diesel engine continually operating in its optimal range produces electrical energy which can be used by several decentralized electric motors “locally” with high efficiency, for accelerating or lifting.

Step by step the SC and AGV fleet will be changed over to the new system. In the meantime 132 diesel-electric SCs and AGVs have ensured that within the period between 2005 and 2008, CO_2 was cut down by 22,000 tons in total. The next cuts are already being tested at Tollerort. There the world's first SC with an energy saving system is at work, the NSC 644 E ECO, manufactured by Noell Mobile Systems in Würzburg. The world market leader is the successor of Peiner, who in cooperation with HHLA developed the first straddle carriers of all. The equipment can feed back energy from braking and stacking activities not only into the drive system and use it like a bicycle dynamo. ECO cap is new technology that can store such energy for a short time. 200 electric double-layer capacitors cover the immediate energy needs before the electric generator restarts. Therefore, the SCs use hybrid propulsion that reduces diesel consumption again by 10 per cent. If the tests run as expected, every new SC will save a further 20 tons of CO_2 emissions per year.

CO_2 emissions by equipment type

AVERAGE FOR THE HHLA CONTAINER TERMINALS



NEW LIFE WITHIN OLD WALLS

Market Hall, Miniature Wonderland or the Hamburg Port Authority – in the sensitive structural transformation of Speicherstadt, a protected historical monument, HHLA's Real Estate experts combine intelligent project development with sustainable commercial success.

A small bronze beehive adorns the brick facade of Block P in Hamburg's Speicherstadt. Just 15 centimetres high, the relief with its inscription "Patriotic Society Prize for Historic Building Conservation 2008" glows sombrely at eye level. This somewhat inconspicuous plaque represents a distinguished award that is only conferred every three years. The venerable Patriotic Society of 1765 "for the promotion of the arts and useful trades" has singled out HHLA for its sensitive restoration of the former warehouse block, thus also honouring its treatment of the warehouse ensemble that is also a protected monument. Built in Neo-Gothic style between 1891 and 1893, Block P contains 23,000 square metres of space on six floors. Divided into four properties and 127 metres

Block P, recipient of a Patriotic Society award.

long, the building once offered storage space for coffee and spices. Today it is the headquarters of Hamburg Port Authority (HPA). Three light wells extending down from the roof as far as the second floor bring daylight into the former warehouse floors and provide bright, spacious offices for over 600 staff. Glass and steel are so combined with white plaster in the interior as to create a harmonious and almost homely atmosphere.

"When restructuring buildings, we make sure that we preserve substance by using long-life materials," says Kim Gutsche, head of the building and services department of HHLA's Real Estate segment. Among those used are terrazzo floors for heavily frequented entrance areas, clinker for facades, and copper for roofs. Behind the historic brick facades, nevertheless, the state-of-the-art office technology ranges from fire protection devices to cable ducts for IT and lighting, to provision of heating, water and waste disposal.

The equally traditional and vibrant quarter forms a bridge between downtown Hamburg and HafenCity.

For over 100 years the massive ensemble of Speicherstadt was a redbrick wall sealing off the route into the Freeport. Anybody wishing to cross the bridges across Zollkanal had to pass officers of the Customs – and smuggling was forbidden. In around 1900, tens of thousands of workers in the port would stream daily into the warehouses to store goods from all over the world as required, or to prepare these for Hamburg merchants to re-sell. The warehouse buildings comprised the world port of Hamburg's most modern logistics centre. On around 600,000 square metres at the time, coffee and tea, spices, rubber, carpets and cotton were stored, on the floors of warehouses whose thick, clinker walls offered built-in controlled temperature for the sensitive goods. Each warehouse had both water and street frontages, so that the goods could be brought there or removed by lighters or barges, by carts or handcarts. Using modern winches, quartermasters would heave large bales up to the storage floors.

Damage done during the Second World War was afterwards rapidly remedied in order to bring the port up to speed again as the backbone of Hamburg's economy. Damaged warehouses were rebuilt, and some gaps filled in by new buildings. From the end of the 1960s the first containerships were reaching Hamburg, initially from the USA and South America, then from Australia and finally from East Asia. Port cargo handling gradually shifted down the Elbe to new and more extensive areas where ships of increasing size could berth directly. There, goods were either packed or immediately stuffed into containers. Tea brokers and Oriental carpet dealers remained in Speicherstadt and continued to set the tone for the milieu. Today these traditional users have received some new neighbours: fashion designers present their collections to wholesalers on modernized warehouse floors, advertising agencies enliven venerable counting houses, cafés and restaurants invite people to linger, and creative artists lure visitors to the area. Such popular draws as the Miniature Wonderland model railway, the Hamburg Dungeon or Dialogue in the Dark are now known far beyond Hamburg.

As the owner of Speicherstadt, HHLA has steered and witnessed this cautious transformation for decades now. It has brought a sure instinct to finding new tenants who will prove lively newcomers for the quarter. Being up to 30 metres deep, the old warehouse blocks may not be easy to revamp, but the ground plans are very flexible. "We can cater very individually for tenants' requirements when renovating," says Rainer Nelde, head of Real Estate marketing. "Our portfolio extends from storage areas for carpets, to customized showrooms for fashion shows, to offices with glass-steel structures that despite individual partitioning let plenty of light into the building." Since spring 2008, for instance, Warehouse R3 has offered several fashion designers presentation areas on around 4,500 square metres of space. With every change of usage, apart from the tenant's requests, attention is also given to preserving substance and to other possible utilization schemes for subsequent tenants. "We keep the long-term development of Speicherstadt in view and are not simply targeting short-term returns," is the explanation from Thomas Kuhlmann, head of HHLA's Real Estate segment for this sustainable approach. "Experts from the letting department and project development invariably consider a property together, so that all aspects are illuminated. Here we always have the entire life cycle of a building in mind." The result is a vibrant mix of uses in a quarter that has long since become the interface between downtown Hamburg and HafenCity under construction further to the south. Even these new neighbours are impressed by the development of the quarter, using the range of shops and restaurants now available here. In 2008, for instance, a new Market Hall was opened in Block N.

In developing and refurbishing warehouse blocks we always have in mind the entire life cycle of the building.

Rainer Nelde does not fear the competition between HafenCity and Speicherstadt: "For one thing, our buildings have the perceived advantage of having a soul. For another, low operating costs, or what is known as 'second rent', also play a significant part." Here again, the hallowed Speicherstadt with its thick brick walls can easily compete with reinforced concrete blocks.

Their average life expectation has already effortlessly been exceeded by the warehouses that are fit to face the next 100 years and offer potential for almost all interesting forms of use.

View of the copper roofs of Speicherstadt, with the Coffee Exchange, one of the few newer buildings in the whole ensemble, in the foreground.

AT CLOSE QUARTERS WITH GLOBALIZATION

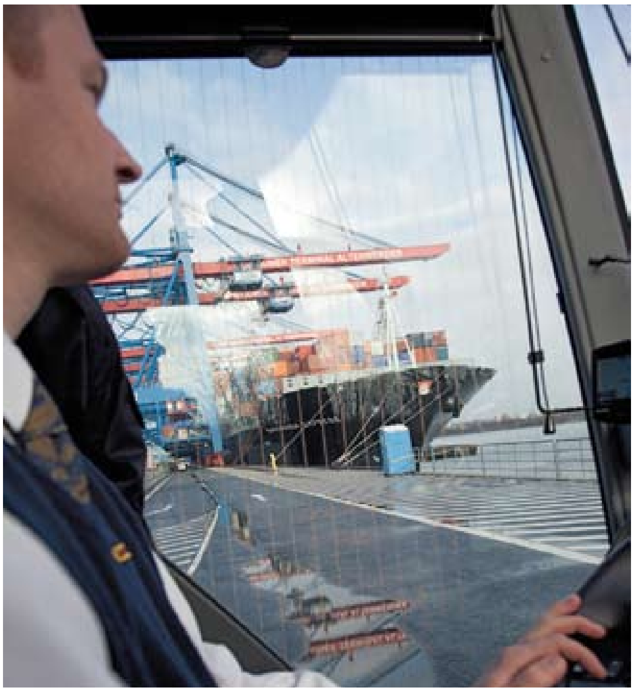
Nowhere offers a finer glimpse of the modern port than HHLA's Container Terminals in Hamburg. The round trip by bus provided by Jasper and HHLA offers a unique experience, for which demand can barely be satisfied.

Paul and Nils have already given their talk about the Port of Hamburg at their school. So there is really no need for the eleven-year-old twins to climb into the bus waiting at Überseebrücke. Yet the youngsters – like their parents – are determined to go along on the “Face to Face with the Giants” tour. There must be some reason, feel the family from Aachen, why last year they no longer obtained any tickets despite several attempts.

And there certainly is. None of the normal round-the-harbour trips reaches the places where the pulse of goods traffic beats for 24 hours a day, seven days a week, namely the Port of Hamburg’s vast container terminals. The terminals are subject to the stringent security regulations under the ISPS Code that was drawn up after the terrorist attacks of 11 September 2001 and has been systematically implemented in the Port of Hamburg since 2004. The Code has caused the hermetic sealing off of most of the port’s facilities. Thanks to cooperation between HHLA and the Jasper bus company, the latter’s vehicles can ignore virtually all the “No Entry!” signs. Every passenger, however, needs to be in possession of a valid identity card or passport.

The drive from Überseebrücke first passes the old merchants’ houses of central Hamburg, continuing through Speicherstadt, which rests on oak piles rammed into the Elbe. The bus then crosses the Norderelbe, reaching quayside Shed 50A, where a Port Museum is being assembled. Here, one gains some idea of how people used to work in the port, back in the days when general cargo ships would berth at the quay walls, when 80 stevedores per shift and ship would lug bales, barrels and bags into the sheds or dump these directly into the rail waggons waiting at the quayside. A veteran railway engine stands on the disused rail siding here.

Alexandra Bode, a full-time instructor at the Museum for Hamburg History, very articulately explains the background to an unusual tour of the port that moves from the past into the present. She has just arrived at the invention of the container. Just how much the normed box, 6.19 metres long, 2.44 metres wide and 2.59 metres high, has changed the world is then evident at HHLA’s Container Terminal Burchardkai (CTB). It was at this gigantic port facility that



The edge of the quay at HHLA Container Terminal Altenwerder: some of the world's largest ships loom up directly in front of the windows of the bus.

the story of container handling in Hamburg commenced in 1968. Burchardkai is the port's oldest and largest container-handling terminal. One in three of all steel boxes in Hamburg are shifted at CTB – by what are locally known as straddle carriers that transport them at a speed of up to 30 kilometres per hour and always enjoy priority over other traffic. That leaving the bus here would mean putting your life at risk is just as obvious as the basic principle behind globalization: fewer people more and more swiftly transporting ever-growing quantities of goods. Today it takes a little over two minutes for the container gantry crane to move an approximately 15-ton container from ship to shore.

Even such insiders as former shipping manager Bernd Oldoerp are overwhelmed by the fast-moving throng.

The view of the unloading and stacking, of the mountains of boxes, raises questions. Bernd Oldoerp, 64, a former shipping manager who had simply wished to show his brother-in-law from Bavaria the port, and is now "overwhelmed by this fast-moving throng" wants to know whether despite modern computer technology boxes can go missing. "The system is practically one hundred percent perfect," stresses Alexandra Bode. "Roughly 35,000 containers are handled per day and in the course of a year a search is needed for perhaps three of these."

At least half of the three-hour tour is over and it's time for a coffee break at 'Duckdalben' ('Dolphins'), the seamen's mission in the middle of the port. This establishment offers seafarers of all nations, who have less and less time to go ashore, an opportunity to relax, to feel dry land under their feet and to make Internet contact with their families.

From 'Duckdalben' the tour continues to HHLA Container Terminal Altenwerder (CTA). While the bus slowly glides along the quay, mega-ships capable of accepting more than 10,000 containers are to its left, with such cargo items as tramcars, lighthouse parts and ship's propellers to the right. An awed silence falls inside the bus. Altenwerder is state of the art, the world's most advanced and highly automated container handling facility. No straddle carriers operate here, but instead AGVs, or Automated Guided Vehicles that move around unmanned to orders from software

A Jasper bus amid the massive equipment on Burchardkai: the tour is quite rightly called "Face to Face with the Giants".

with a total of over one million lines of programming. The dimensions involved cause one word to be heard over and over again in the bus: "Amazing!"

As the bus arrives back at its point of departure, nearly everybody agrees that the highlight of the tour had been CTA, that they had experienced logistics at very close quarters and that they now understand port operations better. Only trucker Manfred Burk, 34, had been even more impressed by the 'Quiet Room' at 'Duckdalben', by the 40 square metres where symbols of world religions stand alongside one another: the seven-branch candelabra of the Jews, the prayer mat pointing towards Mecca of the Muslims, the Cross of the Christians, Hindu and Buddhist altars. "Why," asks Burk, "can it not be that peaceful everywhere?"

42,000 passengers in 2008

In 2008 alone, more than 42,000 visitors went "Face to Face with the Giants" in the Port of Hamburg and were thus able to experience port logistics only a whisker away. The ongoing interchange between Jasper and HHLA as partners in this venture ensure topicality and a high level of expertise. Christoph Heilmann, a seasoned expert on both tourism and the port, developed the scheme for the tour in dialogue with HHLA that granted permission for access to its terminals under this joint venture. All tour guides receive regular training and are supplied with the latest information on the port in a newsletter from Christoph Heilmann. The first three-hour tour under the motto "Face to Face with the Giants" was run in 2002. Christoph Heilmann reckoned at the time with approximately 100 tours per year, but even in the first year there were twice as many. In 2008 there were more than 960 bus round trips, an increase of almost 15 percent on 2007.

Nearly 400 of these tours were open to private individuals, the remainder being booked by school classes, companies or special-interest groups. Introduced in 2007 with additional sponsorship from HHLA, the programme for schools met with an excellent response. In 2008 no less than 65 schools took up the offer, coming from as far away as Weitz in Austria and Helsingborg in Sweden.

Anybody wishing to take the tour should book tickets in good time with Jasper. Group tour bookings (max: 57 people) to include the bus, the driver and the guide are also accepted. On security grounds, every visitor must be in possession of a valid identity card or passport.

For further details: www.jasper.de

REPORT OF THE SUPERVISORY BOARD

Working relationship between the Supervisory Board and the Executive Board

In the reporting year, the Supervisory Board fulfilled the responsibilities entrusted to it by law, the company articles and rules of procedure, and the German Corporate Governance Code. It monitored the Executive Board's management of the business carefully and regularly and provided advice on the company's further strategic development and on important individual measures.

At its meetings and in the form of written and verbal reports, the Executive Board provided the Supervisory Board with prompt, regular and comprehensive information, especially on the position of HHLA and the Group, corporate planning, fundamental issues of company policy and strategy, investment plans and the personnel situation. Other focal points were risk management and HHLA's compliance system. In addition, the Chairman of the Supervisory Board was regularly in touch with the Executive Board and was informed about the ongoing development of HHLA's commercial position, business transactions of material importance and risk management. The Supervisory Board was involved in all decisions of major significance for HHLA and the HHLA Group. On the basis of its own thorough examination and in-depth discussions with the Executive Board, the Supervisory Board approved all the proposals submitted to the Supervisory Board for approval by the Executive Board in accordance with the company articles and the Executive Board's instructions.

Meetings

In the financial year 2008 the Supervisory Board held four scheduled meetings and one special meeting, and adopted two resolutions by means of document circulation. Two previous Supervisory Board members whose terms ended in 2008 (Gunther Bonz and Thomas Lütje) and one Supervisory Board member appointed by Hamburg Local Court (Carsten Frigge) took part in fewer than half of the Supervisory Board meetings held in 2008 owing to the fact that they served on the Supervisory Board for only part of the year.

At each ordinary meeting the Supervisory Board dealt with the current development 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 the individual segments, as well as on the financial position and the Group's further strategic and structural development.

The financial statements meeting held on 27 March 2008 focussed on the reporting, auditing and approval of the financial statements and the Management Report of HHLA, including the individual divisional financial statements for the A and S divisions, the consolidated financial statements and the Group Management Report for the financial year 2007. The auditors were present at this meeting, where they reported on the main results of their audit and were available to answer questions. In addition, the Supervisory Board discussed the Executive Board's proposal on the allocation of profits and the proposal on the choice of auditors for the financial year 2008. Also under discussion at the meeting were the agenda for the first public Annual General Meeting in 2008, the Supervisory Board's report to the Annual General Meeting, and the corporate governance report.

The meeting held on 18 June 2008 focussed mainly on the collective labour agreement negotiations conducted by the Association of German Port Companies (Zentralverband der Seehafenbetriebe – ZDS) and the company's internal collective labour agreement negotiations. At its October meeting, the Supervisory Board concerned itself primarily with the amendments to the German Corporate Governance Code for 2008 and a corresponding adjustment to the Supervisory Board's rules of procedure, and approved the collective labour agreement on the employee share ownership scheme for 2008.

At the special meeting held on 3 December 2008, Heinz Brandt was appointed as new Supervisory Board member and the successor to Rolf Fritsch as Labour Director.

The last meeting in the reporting period was held on 17 December, when the Supervisory Board concerned itself primarily with the budget for 2009, which it approved, and the medium-term corporate planning for 2010 to 2013. Another matter of major significance was the Executive Board's detailed report on risks and risk management. The Executive Board and the Supervisory Board also discussed the statement of compliance with the German Corporate Governance Code and the Supervisory Board resolved to issue the annual statement of compliance.

The two written resolutions by circulation concerned the appointment of Dr. Sebastian Jürgens as deputy member of the Executive Board and the Supervisory Board's approval for the partial utilization of Authorized Capital I in accordance with Section 3 (4) of the HHLA company articles in connection with the employee profit-sharing scheme for 2008, the related exclusion of subscription rights and the amendment to the company articles required as a consequence of the capital increase.

Committee work

The Finance Committee (Audit Committee) met four times in the reporting period: in March, June, September and December 2008. The main focal points of its work were the extensive discussion and examination of the financial statements of HHLA, the consolidated financial statements and the management reports, and a recommendation for the Supervisory Board regarding the submission of a proposal to the Annual General Meeting for the choice of auditor for the financial year 2008. Another major concern of the Finance Committee was its preliminary review of the budget for 2009 and the medium-term planning for 2010 to 2013. At its meetings in June and December, the Committee dealt additionally with risk reporting, risk management, and HHLA's compliance system and its further development. At the September meeting, the further development of the German Corporate Governance Code and corresponding adjustments to the Supervisory Board's rules of procedure were discussed. This meeting additionally focussed on the audit assignment entrusted to the auditors for the financial year 2008.

The Real Estate Committee met three times in the financial year 2008. The main focal points of its activities – in each case relating to the Real Estate subgroup (S division) – were alongside the general development of business, also the discussion and auditing of the HHLA financial statements, including the S division's individual financial statements and the consolidated financial statements, as well as the management reports, the budget for the financial year 2009 and the medium-term plans for 2010 to 2013.

The Personnel Committee met four times in the reporting period. At all of its meetings it concerned itself with Executive Board matters. The June meeting focussed on issues relating to Executive Board remuneration. At the July meeting, the Committee discussed the recommendation to the Supervisory Board to appoint Dr. Sebastian Jürgens as successor to Gerd Drossel, who retired at the end of the year. At the meetings in October and November, the Committee prepared to find a successor for Rolf Fritsch as Labour Director and recommended that the Supervisory Board appoints Heinz Brandt as a new Supervisory Board member.

The Nomination Committee did not meet in the financial year 2008.

The Arbitration Committee had no reason to meet in the reporting period.

Upon conclusion of the respective committee meetings, the chairmen of the committees reported to the Supervisory Board on the committees' activities and results and their recommendations to the Supervisory Board.

Corporate governance

At the Finance Committee meeting in September and at its own meeting on 1 October 2008, the Supervisory Board dealt with the amendments to the German Corporate Governance Code adopted by the Code's Government Commission on 6 June 2008 and published on 8 August 2008. At the Supervisory Board meeting on 17 December 2008, the Executive Board and the Supervisory Board then discussed the statement of compliance with the German Corporate Governance Code and issued a joint statement of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG). This has been made permanently available to the general public on the HHLA website, www.hhla.de. The Supervisory Board does not consist of any former members of the company's Executive Board. The Executive Board and the Supervisory Board report on the statement of compliance and HHLA's corporate governance in the corporate governance report for 2008.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, were elected as auditors at the Annual General Meeting on 12 June 2008 and instructed 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 (subgroup Port Logistics) and the S division (subgroup Real Estate) presented as part of the Notes, the consolidated financial statements including the subgroup 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 issued an unqualified opinion with respect to the foregoing.

The HHLA Executive Board also prepared a report on company transactions with related parties for the financial year 2008 in line with Section 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 unqualified opinion:

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

1. the factual statements in the report are correct,
2. the consideration paid by the company for the transactions mentioned was not inappropriately high,
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 Section 4 (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 2008. The auditors have audited this report, delivered a written report on their findings and, having no objections to make, gave the following unqualified opinion:

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

1. the factual statements in 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 returns which could not be attributed directly to one division were distributed among the divisions 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 reports 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 20 March 2009. In the financial statements meeting of the Supervisory Board on 27 March 2009, the Supervisory Board examined the aforementioned financial statements and reports as well as the proposal for appropriating profits 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 subgroup 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, at the financial statements meeting held on 27 March 2009, approved the financial statements, including the divisional financial statements, the consolidated financial statements including the subgroup 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. After carrying out its own audit, the Supervisory Board concurred with the Executive Board's proposal on the appropriation of profit.

Personnel changes

In the reporting period there were the following changes in the Executive Board:

After 47 years of employment at HHLA, the Executive Board member Gerd Drossel retired as of 31 December 2008. The Supervisory Board thanks Mr. Drossel for his excellent work and his constructive cooperation with the Supervisory Board over the past eleven years. The Supervisory Board has appointed Dr. Sebastian Jürgens as a new deputy member of the HHLA Executive Board effective as of 1 January 2009. As Gerd Drossel's successor, Dr. Sebastian Jürgens, who previously headed the Intermodal division at Deutsche Bahn, is assuming responsibility for the Intermodal and Logistics segments.

In addition, the Supervisory Board has appointed Heinz Brandt as a new HHLA Executive Board member effective as of 1 January 2009. Heinz Brandt, hitherto Labour Director at the Eurogate Group, will be taking over responsibility for the areas of human resources, employee welfare, purchasing and legal/insurance from Rolf Fritsch, who is leaving his post as of 31 March 2009.

The previous Supervisory Board member representing the executive staff, Thomas Lütje, has been appointed as the Managing Director of a dependent subsidiary (HHLA Container Terminals GmbH) of HHLA. In his place, Holger Heinzel was appointed as a Supervisory Board member by Hamburg Local Court as of 2 August 2008. Another appointee of Hamburg Local Court was Carsten Frigge, State Secretary in the Free and Hanseatic City of Hamburg's Economics and Employment Department. His appointment took effect as of 28 November 2008 in place of Gunther Bonz, former State Secretary in the Free and Hanseatic City of Hamburg's Economics and Employment Department, who resigned from his post as a member of the Supervisory Board effective as of 26 November 2008. In line with the recommendation in Item 5.4.3 of the German Corporate Governance Code, the appointment was initially made for the period up to the end of the company's next Annual General Meeting. The Supervisory Board would like to thank Thomas Lütje and Gunther Bonz for their good work and dedication.

The Supervisory Board would like to express its thanks and appreciation to the members of the Executive Board and to all employees and their representatives at HHLA and its affiliated companies. Once again, they have contributed to a successful business year for HHLA.

Hamburg, 27 March 2009

Supervisory Board
Prof. Dr. Peer Witten
Chairman

CORPORATE GOVERNANCE AT HHLA

Since it was introduced in 2002, the German Corporate Governance Code (Code) has proved its worth as a benchmark for good corporate governance in Germany. Responsible and transparent corporate management geared towards sustainable value has always been an essential foundation of HHLA's commercial success. HHLA's Supervisory Board and Executive Board expressly support the Code and the objectives and purposes which it pursues.

Supervisory Board and Executive Board

In accordance with the stipulations of German stock corporation law, HHLA has a dual system of management with an Executive Board and a Supervisory Board as management bodies, both of which have their own defined areas of competence. This system is characterized by having separate personnel to carry out the management and supervision functions: the Executive Board manages the company on its own responsibility, while the Supervisory Board supervises the Executive Board and discusses relevant matters with it. Simultaneous membership of both bodies is not permissible. HHLA's Executive Board and Supervisory Board work closely and trustingly together for the company's benefit.

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's articles of association and Sections 95 and 96 of the German Stock Corporation Act (AktG) and Section 7 of the German Co-Determination Act (MitbestG), the Supervisory Board consists of six shareholder representatives elected by the Annual General Meeting and six employee representatives elected in accordance with the German Co-Determination Act (MitbestG). Unless the Annual 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 its term of office. The financial year in which the term of office begins is not included.

Members of the Supervisory Board are obliged to disclose any conflicts of interest to the Supervisory Board as a whole, especially conflicts which may arise as a result of an advisory role or seat on a management body involving customers, suppliers, creditors or other business partners. If a member of the Supervisory Board has significant conflicts of interest which are not merely temporary, this should result in the termination of his/her period of office. The Supervisory Board should give notification of any conflicts of interest which arise and how they are being handled by submitting a report to the Annual General Meeting. In the reporting year, no members of HHLA's Supervisory Board had any conflicts of interest.

The company has arranged for 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 currently constituted the following five committees:

- The **Finance Committee** performs the role of **Audit Committee** at HHLA. It examines the documents relating to the annual financial statements and prepares the Supervisory Board's decision on adopting the company's financial statements, the approval of the consolidated financial statements and 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 establishes the necessary independence of the auditors, prepares the Supervisory Board's resolution proposal to the Annual General Meeting on the election of the auditors and, after these have been elected by the Annual General Meeting, awards the audit assignment for the consolidated and annual financial statements. 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 monitoring procedures.

- The **Arbitration Committee** was constituted for the purposes laid down in Section 31 (3) of the German Co-Determination Act (MitbestG). 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 to be taken by the Supervisory Board, negotiates terms and conditions, and represents the company in concluding, amending and terminating service contracts with members of the Executive Board. However, resolutions affecting the Executive Board's remuneration system, including significant contractual elements and the regular examination of the remuneration system – in accordance with Item 4.2.2 sentence 1 of the Code which was revised in 2008 – remain with the full Supervisory Board. In addition, the committee approves the appointment and dismissal of senior managers with power of attorney on behalf of the Supervisory Board. Furthermore, the Personnel Committee fulfils the role of **Nomination Committee** – consisting solely of shareholders' representatives when performing this role – in compliance with the Code. It proposes to the Supervisory Board, for approval by the Annual General Meeting suitable candidates for the shareholder representatives on the Supervisory Board.
- As HHLA is divided into two subgroups (Port Logistics subgroup – A division – and Real Estate subgroup – S division), a **Real Estate Committee** was constituted for the latter. This committee receives all Executive Board reports on behalf of the Supervisory Board and is involved in discussing all affairs that relate to the Real Estate subgroup. It also decides on whether to grant Supervisory Board approval for all legal transactions requiring such approval and all other matters which affect the Real Estate subgroup either primarily or in their entirety. In addition, the Real Estate Committee is responsible for examining the documents relating to the annual financial statements and preparing the Supervisory Board's decision on the adoption of the financial statements, but only insofar as these relate to the affairs of the Real Estate subgroup. Its tasks also include preparing the approval of the consolidated financial statements and confirming the Executive Board's proposal for appropriation of the distributable profit by the Supervisory Board, insofar as these relate to the Real Estate subgroup.

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

As from 1 April 2009, the Executive Board of HHLA consists of five members. Further details of its current composition can be found in the Supervisory Board's report. Section 8 of the articles of association stipulates that it must have at least two members. The Executive Board's members are appointed by the Supervisory Board.

The Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all matters that are relevant for the Group. These include, in particular, the intended business policy, corporate profitability, the course of business and the position of the company, planning, the current risk position, risk management and compliance. The Executive Board must notify the Chairman of the Supervisory Board without undue delay of any important events of fundamental significance for the assessment of the position and development or the management of the Group. These include operational malfunctions and illegal actions which disadvantage the company, for example.

Certain actions and transactions of fundamental importance by 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 undue delay and to inform the other Executive Board members accordingly. Executive Board members may take on other paid duties, especially supervisory board posts at companies outside the Group, only with the approval of the Supervisory Board. In the reporting period, the members of HHLA's Executive Board had no conflicts of interest. Transactions of material importance between Group companies and members of the Executive Board, parties related to them, or companies closely associated with them also 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.

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

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 is to follow in this chapter as a part of the management report.

ANNUAL GENERAL MEETING

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

Shareholders may exercise their voting rights at the Annual 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 how to give voting instructions is provided along with the invitation to the Annual General Meeting. In addition, the Company has a telephone hotline for shareholders' questions. The reports and documents required by law for the Annual General Meeting, including the annual report, are published on the company's website at www.hhla.de/agm together with the agenda. The information on attendance at the Annual General Meeting and the voting results can likewise be found on the company's website soon after the Annual General Meeting.

Statement of compliance

The Executive Board and the Supervisory Board dealt with matters relating to corporate governance on several occasions during the financial year 2008. On 17 December 2008 they jointly issued their statement of compliance for 2008 in accordance with Section 161 of the German Stock Corporation Act (AktG). The statement has been made permanently available to the general public on HHLA's website at www.hhla.de. Apart from the following three exceptions, in the financial year 2008 HHLA complied with the recommendations of the German Corporate Governance Code as published on 14 June 2007, and thereafter as amended on 6 June 2008 and announced on 8 August 2008, and will continue to comply with these in the future.

DIVERGENCE FROM THE RECOMMENDATIONS

- Item 4.2.3 of the Code deals with share options or similar arrangements as variable components of remuneration for Executive Board members. At present there is no LTI (long-term incentive) programme of this kind for members of the Executive Board at HHLA. One important reason for this is the conscious diminution of the inherent conflict – which has occurred openly at other companies on several occasions – between the insider rules in the German Securities Trading Act (WphG) and the special knowledge available to Executive Board members by virtue of their position. Correspondingly, there is no description of such programmes in the remuneration report or the corporate governance report as provided for in Items 4.2.5 and 7.1.3 of the Code.
- In accordance with Item 4.2.3 sub-paragraphs 4 and 5 of the Code, care should be taken that when Executive Board members' contracts are being concluded, payments made

to an Executive Board member when his/her Executive Board membership is terminated prematurely without good cause or as the result of a change of control do not exceed particular limits (caps) on severance pay. When calculating the relevant severance pay cap, the total remuneration in the past financial year and, if applicable, the likely total remuneration in the ongoing financial year should be taken into account. The rule on severance pay for Executive Board members (including the members newly appointed in 2008) that was described in the IPO prospectus and in the last remuneration report for change-of-control cases and comparable circumstances complies with these standards only partly. HHLA regards further severance pay caps for cases of premature termination of Executive Board membership without good cause as rather impracticable, since Executive Board contracts are regularly concluded for the entire period of appointment and can basically not be terminated by ordinary means. Any caps on severance pay agreed upon when the contract is concluded would run counter to this concept and, additionally, appear to be difficult for the company to enforce.

- In accordance with Item 7.1.2 sentence 2 of the Code as amended on 6 June 2008, semi-annual and quarterly financial reports should be discussed with the Executive Board by the Supervisory Board or its Audit Committee before they are published. This recommendation is not being complied with at present because as HHLA has separate reporting for its A and S divisions, the preparation of the appropriate reports is more time-consuming than for companies with only one share class. An effective prior examination by the Supervisory Board or the Audit Committee can therefore not be guaranteed. In order to ensure more regular and more professional auditing it is intended that in future, the semi-annual financial report and the interim management report will be examined by the auditors in accordance with Section 37w (5) of the German Securities Trading Act (WpHG).

Directors' dealings

Pursuant to Section 15 a 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 German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) without delay if they purchase or sell HHLA shares above a threshold of €5,000 within any calendar year. In the financial year 2008, the company has not received notifications regarding any directors' dealings.

Overall, the Executive Board and Supervisory Board did not possess more than 1% of the shares issued by HHLA as of 31 December 2008.

Transparency

HHLA informs capital market participants and interested members of the general public comprehensively about the position of the Group and important company developments, particularly by means of its financial reporting (annual report and interim reports), press conferences for analysts and financial press conferences, dialogue with analysts and the press, press releases and ad hoc announcements as required, and its General Meetings. The website www.hhla.de is a constantly usable and up-to-date communication medium which makes all the relevant information available in both German and English. In addition to comprehensive information about the HHLA Group and the HHLA share, it contains a financial calendar which provides an overview of the main events. Any enquiries over and above this from shareholders, investors and analysts should be addressed to the Investor Relations department.

Corporate compliance

Compliance with the statutory provisions and corporate guidelines relevant to the activity of the company (hereinafter also referred to as "corporate compliance") is regarded as an essential part of corporate governance at HHLA. The management team in each corporate unit is therefore responsible for ensuring compliance with the regulations that are relevant for their field of activity and area of responsibility. To achieve this, every person responsible for a work process (process owner) must be informed about the regulations and laws that apply to his/her area of responsibility. Workflows and processes must be structured in line with these regulations. The process owner must continue to supervise the corporate compliance in his/her area and monitor it regularly. The details are set down in a Group directive which additionally contains a code of conduct that applies for every employee. This code formulates overriding principles on topics with special relevance for compliance such as conduct in the competitive environment, the prevention of corruption and conflicts of interest, and how to deal with sensitive corporate information. The overall coordination of corporate compliance is performed by a Compliance Officer, who synchronizes his activities closely with those of the Risk Management and Internal Audit departments.

Risk management

The HHLA Group's risk management system is described in detail in the "Risk report" chapter of the annual report. In accordance with the statutory provisions, 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 averted. The risk strategy and risk policy are derived largely from the results of the risk inventory that is carried out every year for strategic and operational risks, including the specific risks in the individual segments. In performing its duties, the Risk Management department receives material support from the Controlling department, the Compliance Officer and the Internal Audit department.

Accounting and auditing

HHLA prepares its consolidated financial statements and its interim reports 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 AG are prepared in line with the 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 the auditors elected by the Annual General Meeting. The auditor for the financial year 2008 is KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg. The audit conducted includes an extended audit as stipulated under Section 53 of the German Budgetary Procedures Act (HGrG). This requires an audit and assessment of the propriety of the company's management and its financial situation as part of the audit of the annual financial statements.

REMUNERATION REPORT

The following remuneration report is part of the Group management report.

Executive Board remuneration

In accordance with Sec. 11, para. 2 of the Hamburger Hafen und Logistik AG (HHLA) articles of association, the Supervisory Board is responsible for concluding and terminating service contracts with members of the Executive Board. In accordance with the revised recommendation in Item 4.2.2 of the German Corporate Governance Code (DCGK), the Supervisory Board in its entirety, following the proposals of the Personnel Committee, determines the Executive Board's remuneration system, including its essential contractual elements, and reviews it on a regular basis. When conducting these reviews, the Personnel Committee and the Supervisory Board take into account HHLA's size and area of operations, its financial position and the amount and structure of Executive Board remuneration at comparable companies.

The remuneration of Executive Board members is made up of a non-performance-related 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 earnings before taxes (EBT), and before additions to pension accruals and reduced by any extraordinary income from the disposal of companies and real estate.

The current remuneration structure does not include any long-term incentive components.

In addition to this, there is a pension commitment for each Executive Board member. Pensions are paid to former Executive Board members either after five or eight years' service on the Executive Board if they leave the Board for non-person-related reasons or as a result of incapacity or if they reach retirement age. Pensions consist of a percentage of the entitlement salary, which in turn is based on the annual basic salary. The percentage is between 35 % and 50 %. Several different forms of income are being accounted for this, for example those from statutory pension insurance and pensions and related benefits from public funds.

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

Should the pension entitlement have been suspended or no longer apply when the Executive Board member leaves

Individual remuneration of Executive Board members

IN EUROS

	Performance-unrelated payments				Performace-related components		Total remuneration	
	Basic salary		Supplementary payments					
	2008	2007	2008	2007	2008	2007	2008	2007
Klaus-Dieter Peters	350,000	325,000	12,244	11,499	689,080	401,453	1,051,324	737,953
Dr. Stefan Behn	275,000	225,000	7,554	6,176	344,540	301,453	627,094	532,630
Gerd Drossel	275,000	225,000	14,943	28,359	344,540	301,453	634,483	554,813
Rolf Fritsch	275,000	225,000	25,785	25,155	344,540	301,453	645,325	551,608
Dr. Roland Lappin	275,000	225,000	3,149	6,240	344,540	301,453	622,689	532,693
Total	**1,450,000**	**1,225,000**	**63,675**	**77,430**	**2,067,240**	**1,607,268**	**3,580,915**	**2,909,699**

the Board, transitional pay will apply for a limited period on the basis of the annual basic salary. The service contracts concluded with Mr. Drossel and Mr. Fritsch do not include clauses pertaining to transitional pay as they already fulfil the criteria for pension entitlement.

Insofar as the service contracts include a compensation provision relating to change of control or comparable circumstances, Executive Board members will be entitled to receive their remuneration entitlements as a lump sum for the remaining duration of their respective contracts, discounted by 2 % per annum. This does not affect their pension entitlements. Mr. Fritsch's service contract does not contain this clause.

The members of the Executive Board were not granted any loans or similar payments.

The members of the Executive Board received a total remuneration of € 3.6 million for their services in the financial year 2008.

Pension entitlements

AS OF 31.12.2008 IN EUROS

	Change in pension provisions under IAS 19
Klaus-Dieter Peters	139,094
Dr. Stefan Behn	179,311
Gerd Drossel	354,458
Rolf Fritsch	396,549
Dr. Roland Lappin	93,298
Total	**1,162,710**

Former members of the Executive Board and their surviving dependents received total payments of € 519,519. Total provisions of € 6,438,364 have been formed for pension obligations to former members of the Executive Board and their surviving dependents.

Supervisory Board remuneration

In accordance with Section 16 of HHLA's articles of association, 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 results. The current remuneration clause was adopted at the General Meetings held on 24 September and 18 October 2007.

The members of the Supervisory Board receive fixed remuneration of € 10,000 per financial year. The Chairman receives three times this amount and the Vice Chairman is paid one and a half times the basic figure. This remuneration increases by 35 % when a dividend is paid out to the holders of the company's Class A shares for the financial year in question. Supervisory Board members who belong to a committee receive an additional € 2,500 per committee per year, while the Chairman of the respective committee receives € 5,000, but altogether no more than € 10,000. Supervisory Board members who have belonged to the Supervisory Board or a committee for less than a whole year receive a respective pro rata payment.

Furthermore, Supervisory Board members receive a meeting attendance fee of € 250 for each meeting of the Supervisory Board or one of its committees. No loans or similar payments were granted to members of the Supervisory Board.

The total remuneration paid to members of the Supervisory Board amounted to € 290,385.

Individual remuneration of Supervisory Board members

IN EUROS

	Fixed remuneration		Variable remuneration		Remuneration for committee work		Meeting fee		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Prof. Dr. Peer Witten[1]	35,700	5,000	12,495	1,750	5,950	833	3,558	–	57,703	7,583
Gunther Bonz	9,044	1,667	3,165	583	2,261	417	1,660	160	16,130	2,827
Dr. Berndt Egert	10,000	1,667	3,500	583	5,000	417	3,910	80	22,410	2,747
Carsten Frigge	929	–	325	–	232	–	500	–	1,986	–
Holger Heinzel	4,153	–	1,454	–	–	–	750	–	6,357	–
Rolf Kirchfeld[1]	11,900	1,667	4,165	583	–	–	1,488	755	17,553	3,005
Jörg Klauke	10,000	1,667	3,500	583	2,500	417	2,250	750	18,250	3,417
Dr. Rainer Klemmt-Nissen	10,000	1,667	3,500	583	10,000	833	3,580	160	27,080	3,243
Thomas Lütje	4,973	1,667	1,740	583	–	–	250	830	6,963	3,080
Thomas Mendrzik	10,000	1,667	3,500	583	2,500	–	2,000	500	18,000	2,750
Arno Münster	10,000	1,667	3,500	583	7,500	833	4,000	750	25,000	3,833
Wolfgang Rose[1]	17,850	3,333	6,248	1,167	2,975	–	2,380	1,052	29,453	5,553
Uwe Schröder	10,000	1,667	3,500	583	5,000	833	3,250	910	21,750	3,993
Walter Stork	10,000	1,667	3,500	583	5,000	417	3,250	910	21,750	3,577
Total	**154,549**	**25,000**	**54,092**	**8,750**	**48,918**	**5,000**	**32,826**	**8,864**	**290,385**	**45,608**

[1] All figures include VAT.

BOARD MEMBERS AND MANDATES

The Supervisory Board members and their mandates*

PROF. DR. PEER WITTEN
Chairman
Businessman, Hamburg
- Honorary executive board member Bundesvereinigung Logistik
- 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

WOLFGANG ROSE
Vice Chairman
Banker, Hamburg
Executive at ver.di (trade union) in Hamburg
- Hapag-Lloyd AG, Hamburg
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg
- Asklepios Kliniken Hamburg GmbH, Hamburg

GUNTHER BONZ
Administrative lawyer, Hamburg
State Secretary of the Free and Hanseatic City of Hamburg (until 28 November 2008)
- Hamburger Arbeit Beschäftigungsgesellschaft mbH, Hamburg (until 7 October 2008)
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (until 7 October 2008)
- Hamburg Media School GmbH, Hamburg (until 27 May 2008)
- Hamburg Tourismus GmbH, Hamburg (until 27 May 2008)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg (until 7 October 2008)
- Projektierungsgesellschaft Finkenwerder mbH & Co. KG, Hamburg (until 7 October 2008)
- Fischereihafenentwicklungsgesellschaft mbH & Co. KG, Hamburg (from 1 July until 7 October 2008)

DR. BERND EGERT
Physicist, Winsen a.d. Luhe
Senate Director in the Ministry for Economic & Labour Affairs
- Flughafen Hamburg GmbH, Hamburg
- Internationale Bauausstellung Hamburg GmbH, Hamburg
- Internationale Gartenausstellung Hamburg 2013 GmbH, Hamburg
- Wachstumsinitiative Süderelbe AG, Hamburg

CARSTEN FRIGGE
Graduate in business administration (Dipl.-Kaufmann), Hamburg
State Secretary in the Ministry for Economic & Labour Affairs (since 28 November 2008)
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (since 7 October 2008)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg (since 7 October 2008)
- Projektierungsgesellschaft Finkenwerder mbH & Co. KG, Hamburg (since 7 October 2008)
- Fischereihafenentwicklungsgesellschaft mbH & Co. KG, Hamburg (since 7 October 2008)
- Dedalus GmbH & Co. KG, Hamburg (since 22 December 2008)

HOLGER HEINZEL
Graduate in business administration (Dipl.-Kaufmann), Hittfeld
Head of Controlling at HHLA (since 2 August 2008)
- Member of the representative committee Hafen Hamburg Marketing e.V., Hamburg
- Member of the management committee Hafenfonds Gesamthafen-Betriebsgesellschaft mbH, Hamburg

* Seats on statutory supervisory boards or comparable supervisory bodies at domestic and foreign companies.

ROLF KIRCHFELD
Graduate in business administration (Dipl.-Kaufmann), Hamburg
- Marquard & Bahls AG, Hamburg
- Treugarant AG, Hamburg
- Bankhaus C.L. Seeliger, Wolfenbüttel
- Hermann Lother & Co., Hamburg
- MPC Münchmeyer Petersen & Co. Hamburg
- KEMNA Bau Andreae & Co. KG, Pinneberg

JÖRG KLAUKE
Port technician, Hamburg
Vice Chairman of HHLA works council

DR. RAINER KLEMMT-NISSEN
Administrative lawyer, Hamburg
Senate Director in the Finance Ministry of the Free and Hanseatic City of Hamburg
- Sprinkenhof AG, Hamburg
- Flughafen Hamburg GmbH, Hamburg
- Hamburger Hochbahn AG, Hamburg
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg

THOMAS LÜTJE
Shipping merchant, Jork
Managing director of HHLA Container Terminals GmbH (until 30 June 2008)
- Member of the representative committee Hafen Hamburg Marketing e.V., Hamburg
- LZU Leercontainer Zentrum Unikai GmbH, Hamburg
- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg

THOMAS MENDRZIK
Electrical technician, Hamburg
Chairman of the HHLA Container-Terminal Altenwerder GmbH works council
- 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

ARNO MÜNSTER
Port technician, Hamburg
Chairman of HHLA works council

UWE SCHRÖDER
Trade union secretary, Hamburg
Managing Director of the Seaports department of ver.di (trade union) in Hamburg
- 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
Logistics manager, Hamburg
Chairman of the Executive Board of NAVIS Schifffahrts- und Speditionsgesellschaft AG, Hamburg
- DAKOSY Datenkommunikationssystem AG, Hamburg
- DIHS-DAKOSY Interessengemeinschaft Hamburger Spediteure GmbH, Hamburg
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg
- HPA Hamburg Port Authority AöR, Hamburg

The Executive Board members and their mandates*

KLAUS-DIETER PETERS
Chairman of the Executive Board
Forwarding merchant, Hamburg
Appointed: 2003
Areas of responsibility:
- Executive Board coordination
- Corporate communications
- Corporate development
- Sustainability
- Logistics segment

Mandates:
- 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 GmbH, 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 Lagereiimmobilien-Verwaltung mbH, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block D mbH, Hamburg
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block T mbH, Hamburg
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Bei St. Annen mbH, Hamburg
- Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg
- HHLA Logistics GmbH, Hamburg
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg
- HHLA Intermodal GmbH, Hamburg
- CTD Container-Transport-Dienst GmbH, Hamburg

DR. STEFAN BEHN

Graduate in business administration (Dipl.-Kaufmann), Hamburg

Appointed: 1996

Areas of responsibility:

- Container segment
- Information systems

Mandates:

- 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 GmbH, 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
- SC HPC Ukraina, Odessa, Ukraine

HEINZ BRANDT

Legal assessor, Bremen

Appointed: 1 January 2009

Areas of responsibility:

- Human resources
- Purchasing & supplies/materials
- Health and safety in the work place
- Legal and insurance

Mandates:

- HHLA Logistics GmbH, Hamburg
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg
- Gesamthafen-Betriebsgesellschaft mbH, Hamburg
- ma-co maritimes competenzcentrum e.V., Hamburg
- Zentralverband der deutschen Seehafenbetriebe e.V., Hamburg

GERD DROSSEL

Forwarding merchant, Hamburg

(until 31 December 2008)

Appointed: 1998

Areas of responsibility:

- Intermodal segment
- Container marketing

Mandates:

- 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

Graduate in economics/politics (Dipl.-Volkswirt/Dipl.-Politologe), Drochtersen

(until 31 March 2009)

Appointed: 1999

Areas of responsibility:

- Human resources
- Purchasing & supplies/materials
- Health and safety in the work place
- Legal and insurance

Mandate:

- HHLA-Personal-Service-Gesellschaft mit beschränkter Haftung, Hamburg

DR. SEBASTIAN JÜRGENS

Attorney at law, Berlin

Appointed: 1 January 2009

Areas of responsibility:

- Intermodal segment
- Logistics segment

Mandates:

- CTL Container Terminal Lübeck GmbH, Lübeck
- HHLA Logistics GmbH, Hamburg
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg
- POLZUG Intermodal GmbH, Hamburg
- combisped Hanseatische Spedition GmbH, Lübeck
- TFG Transfracht Internationale Gesellschaft für Kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main
- METRANS a.s., Prague, Czech Republic

DR. ROLAND LAPPIN

Graduate in industrial engineering (Dipl.-Wirtschaftsingenieur), Hamburg

Appointed: 2003

Areas of responsibility:

- Finance
- Group Controlling and shareholdings
- Organization
- Internal audit
- Investor Relations
- Real Estate segment

Mandates:

- HHLA Rosshafen Terminal GmbH, Hamburg
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg
- HHLA Container Terminal Burchardkai GmbH, 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 Lagereiimmobilien-Verwaltung mbH, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block D mbH, Hamburg
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block T mbH, Hamburg
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Bei St. Annen mbH, Hamburg
- Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg
- HHLA Logistics GmbH, Hamburg
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, 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
- Advisory board region North Dresdner Bank u. Allianz AG Deutschland, Frankfurt am Main
- SC HPC Ukraina, Odessa, Ukraine

FINANCIAL INFORMATION

GROUP MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENT

Group structure

Group: HHLA

Subgroups:

Port Logistics	Real Estate
Listed Class A shares	Non-listed Class S shares

	Container	Intermodal	Logistics	Real Estate
Segments	Container	Intermodal	Logistics	Real Estate
Main services	Container handling Container-related services (e.g. storage, maintenance, repair)	Transport services via different carriers in the ports' hinterland Loading and unloading of carriers	Storage and contract logistics Special handling of bulk goods, fruit, etc. Consulting and training	Development, leasing, management of real estate in Hamburg's Speicherstadt historical warehouse district and Fischmarkt-Altona GmbH
Key figures for 2008[1]				
Revenue in € million	**792.3**	**369.7**	**126.9**	**32.6**
EBITDA in € million	**376.8**	**53.0**	**17.9**	**17.6**
EBITDA margin in %	47.6	14.4	14.1	54.0
EBIT in € million	**303.9**	**39.3**	**10.4**	**13.7**
EBIT margin in %	38.4	10.6	8.2	41.9

[1] Before consolidation between the segments

Due to the use of rounding procedures in this report, minor deviations may occur in the calculation of totals and percentages.

GROUP MANAGEMENT REPORT

- Group sales up by 12.4 % to € 1,326.8 million
- EBIT increases by 23.4 % to € 355.1 million
- Operating cash flow grows by 38.6 % to € 341.9 million

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 logistics chain between international ports and their European hinterland. Since it was founded, HHLA has also been developing and letting properties in Hamburg. Hamburger Hafen und Logistik Aktiengesellschaft controls the Group as its strategic management holding company. Its operations are carried out by the 38 domestic and 6 foreign subsidiaries which make up the group of consolidated companies.

HHLA – a leading company in the European seaport transportation industry

The HHLA Group is divided into two subgroups, Port Logistics and Real Estate. The Class A shares, which are listed on the stock exchange, belong to the subgroup Port Logistics and entitle shareholders merely to participate in the result and net assets of these commercial operations. The subgroup Port Logistics encompasses the Container, Intermodal and Logistics segments. The Holding/Other division is likewise part of the subgroup Port Logistics, although according to the International Financial Reporting Standards (IFRS) it does not constitute an independent segment. It contains the Group holding company, whose tasks are developing the overall HHLA strategy, examining strategies for the individual segments and managing resources and processes. As well as the overall management function, the holding company's central units perform functions such as finance, purchasing, human resources, IT and other services for the operating companies. Pooling the services in this way generates economies of scale and synergies for the Group. This division also includes the properties specific to HHLA's port handling business and the Group's floating crane operations.

Division into subgroups Port Logistics and Real Estate

Through its subgroup Port Logistics, HHLA is one of the leading port logistics companies in the European North Range, i.e. the ports between Hamburg and Le Havre. The geographical focus of its commercial activities is on the Port of Hamburg and its hinterland. The Port of Hamburg is the major international hub for container transport by sea and land with optimum hinterland links to the economies of Central and Eastern Europe, Scandinavia and the Baltic region.

The subgroup Real Estate includes those HHLA properties which are not specific to port handling, i.e. the properties in Hamburg's Speicherstadt historical warehouse district and

Listing of subgroup Port Logistics

Fischmarkt Hamburg-Altona GmbH. The performance and the financial result of the subgroup 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 solely by the Free and Hanseatic City of Hamburg (FHH). Under a separate agreement, the FHH municipal authority is responsible for indirectly assuming any losses for the subgroup Real Estate.

THE HHLA MANAGEMENT STRUCTURE

As a German stock corporation (Aktiengesellschaft), HHLA, with its Executive Board and Supervisory Board, has the dual structure of management and supervision that is the norm in Germany. The Executive Board manages the company on its own responsibility. The Supervisory Board appoints, advises and monitors the Executive Board.

In the reporting year 2008, the Executive Board had five members; their areas of responsibility are defined by their tasks and organizational segments. The Supervisory Board had 12 members in all, with six representing the shareholders and six representing the employees.

GROUP SEGMENTS

Segment Container

Business activities in four segments

HHLA's Container segment pools the Group's container handling operations and is its largest business unit in terms of revenue and results. The Group's activities in this segment consist primarily of handling container ships (the loading and unloading of containers) and transferring containers to other means of transport (e.g. rail wagons, trucks or feeder vessels). HHLA operates three high-performance container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort, abbreviated as CTA, CTB and CTT respectively). HHLA also operates a container terminal in Odessa, Ukraine. The portfolio is completed by supplementary container handling services such as storage, cleaning, maintenance and repair.

Segment Intermodal

The Intermodal segment is the second-largest of HHLA's segments in terms of revenue and results. As a core element of HHLA's business model, which is vertically integrated along the transportation chain, the segment provides transport services using different modes of transport (rail, road or feeder vessel) between the North Range ports and the Central and Eastern European hinterland or 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, from where feeder traffic to Finland and Russia is handled. HHLA operates the railway companies Transfracht, Metrans and Polzug with strategic partners.

Segment Logistics

The Logistics segment is the third pillar of HHLA's vertically integrated business model and offers a supplementary range of services. These encompass a wide range of contract logistics, consulting and specialist handling services, including the handling of bulk goods, fruit, motor vehicles and other break bulk cargo. Its service portfolio comprises not only stand-alone logistics services, but also entire process chains for the international procurement and distribution of merchandise. In this segment HHLA also provides consulting and management services for clients in the port and transport sectors. Most of the logistics services are provided together with partner companies.

Segment Real Estate

The HHLA Real Estate segment equals the subgroup Real Estate. Its business activities encompass the development, letting and managing of properties in the Port of Hamburg's peripheral area. These include the Speicherstadt historical warehouse district, the largest complex of traditional warehouses in the world. Here, HHLA offers some 300,000 m^2 of commercial space in a central location. Other prime properties are managed by Fischmarkt Hamburg-Altona GmbH in the exclusive environment of the river Elbe's northern banks. The segment's core competencies are real estate services tailored to customers' requirements, as well as services such as sales, property management, facility management, project development and construction.

MARKET POSITION

Port logistics have benefited strongly from the substantial growth in global freight volume in recent years. Falling transport costs and the reduction in trade barriers have made a crucial contribution to this development. This was accompanied by a sharp acceleration in the internationalization of the division of labour in procurement, production and selling, with the intercontinental exchange of goods being handled predominantly via ocean-going traffic. Container shipping has been the fastest-growing sector in the global shipping industry over the past two decades. In addition to the advantages of the container as a standardized transport receptacle from an efficiency point of view, the increasing integration of the emerging economies of Central and Eastern Europe and Asia has made a significant contribution to dynamic growth in global container traffic.

In 2008, the Port of Hamburg ranked second in Europe, just after Rotterdam, with its handling volume of 9.7 million standard containers (TEU). Hamburg occupied eleventh place in the list of the world's leading international container handling ports, now that the Chinese ports, in particular, have risen to occupy the leading places due to their massive growth in recent years. Thanks to its high volume of traffic with the Asian region, the Port of Hamburg has largely benefited from this trend to date.

As the most easterly North Sea port, the Port of Hamburg is in the best possible position to function as the hub for the entire Baltic region and for hinterland traffic to Central and Eastern Europe. Furthermore, the long-standing trading relationships between the Port of Hamburg and the Asian markets are advancing Hamburg's role as an important European container hub.

The market for port services along the North Sea coast between Hamburg and Le Havre (the "North Range") that is relevant for HHLA is characterized by its relative preponderance of ports. The ports most strongly represented in the global competitive environment are currently the major North Range ports of Rotterdam, Hamburg, Antwerp and the Bremen ports – the "Hamburg-Antwerp Range". The market share of these ports' aggregate handling

Top 15 ports

BY CONTAINER THROUGHPUT 2008 IN TEU MILLION

1. Singapore	**29.9**
2. Shanghai	**28.0**
3. Hong Kong	**24.2**
4. Shenzhen	**21.4**
5. Busan	**13.4**
6. Dubai	**12.0**
7. Ningbo	**11.2**
8. Guangzhou	**11.0**
9. Rotterdam	**10.8**
10. Qingdao	**10.3**
11. **Hamburg**	**9.7**
12. Kaohsiung	**9.7**
13. Antwerp	**8.7**
14. Tienjin	**8.5**
15. Port Keelang	**8.0**

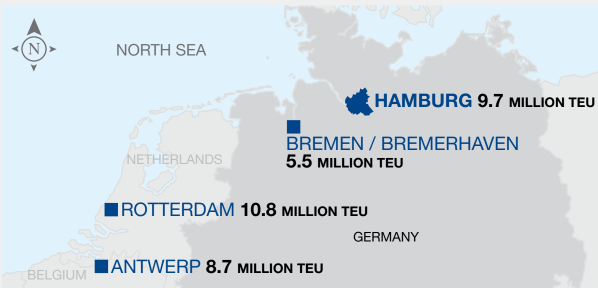
Source: Port Authorities

volume accounted for by the Port of Hamburg was 28.0 % in 2008. While Antwerp was still able to market its available handling capacity, especially at the beginning of the year, and temporarily benefited from a port strike in nearby Le Havre, Rotterdam and Hamburg were in the second half of the year noticeably affected by the downward trend in container traffic on important trading routes during the course of the year. In Bremerhaven, the handling volumes were accounted for mainly by the shipping companies A.P. Møller Mærsk and MSC, which have terminal holdings there.

In the Container segment, HHLA competes directly with other terminal operators in Hamburg and the rest of the North Range. Factors with relevance for competition apart from costs are, in particular, the available capacity, the reliability and speed of container handling, and the scope and quality of container handling services. Other factors affecting the ports' competitive position are their accessibility from the sea, their geographical position and their hinterland links. In Hamburg, HHLA, with a handling volume of 6.9 million TEU in 2008, is the largest container handling company and has a considerable lead over its nearest competitor. In 2008, HHLA dealt with 71 % of all container handling activity in the Port of Hamburg. In the Hamburg-Antwerp Range, HHLA's market share was 19.9 %.

Important North Range ports

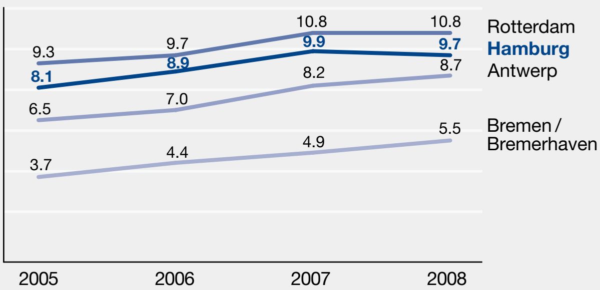
CONTAINER THROUGHPUT 2008



Source: Port Authorities

Container throughput

DEVELOPMENT 2005–2008 IN TEU MILLION



Source: Port Authorities

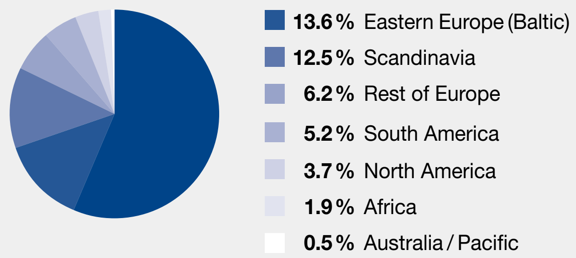
The market served by HHLA's Intermodal segment is characterized by competition among a multiplicity of service providers. HHLA is well positioned on this market with its diversity of carriers within a vertically integrated business model. In this area, the segment is benefiting in particular from Hamburg's position as the most significant rail traffic hub in Europe. Transfracht, for example, provides transport services for railbound hinterland traffic within Germany and from there to Austria and Switzerland, making it the market leader for seaport-hinterland traffic with the German seaports. The Metrans Group is the leading provider of rail links between the international ports of Hamburg and Bremerhaven on the one hand, and the Czech Republic, Slovakia and Hungary on the other. The Polzug Group has a strong competitive position in the railbound transport business from Hamburg, Bremerhaven and Rotterdam to the Central and Eastern European hinterland (primarily Poland, the Ukraine and Russia) and ultimately Central Asia. The rail companies' regional orientation provides a special market proximity and great market knowledge, both of which are among the HHLA rail companies' special competitive strengths.

The HHLA Logistics segment serves different market sectors, some of them heavily specialized. Thanks to its Frucht- und Kühlzentrum (fruit and refrigeration centre), for example, HHLA is market leader in the field of fruit handling in Germany and occupies second place in the North Range. Through its Hansaport terminal, moreover, HHLA has a stake in Germany's biggest seaport terminal for handling bulk cargo.

The HHLA Real Estate segment operates on the market for office and other commercial property, offering the development, letting and management of properties in Hamburg's Speicherstadt historical warehouse district and on the north banks of the river Elbe. Additionally, it offers construction and property services for logistics-related and commercial properties in the port and in areas adjacent to the port. With its population of around 1.7 million and its significance as an economic centre, Hamburg has one of the largest and most interesting property markets in Germany. The special attractiveness of the locations on the periphery of Hamburg's port area, the historic fabric of the buildings there and their customized and sustainable enhancement are giving the HHLA Real Estate segment an outstanding market position. In these areas, HHLA's property activities are competing with German and international investors who are marketing high-quality properties in comparable locations.

Seaborne container throughput

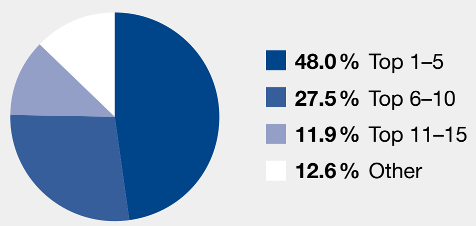
BY SHIPPING REGION IN THE PORT OF HAMBURG (%)



Source: Hafen Hamburg Marketing e.V.

Revenue distribution

SPLIT BY CUSTOMERS IN THE CONTAINER SEGMENT (%)



SALES AND CUSTOMER STRUCTURE

The customer base in the Container and Intermodal segments consists mainly of shipping companies and forwarders. The services provided in the Logistics segment are aimed at various customer groups, from retail companies (in the fruit logistics area) to operators of ports and other logistics centres (in the port consulting area). The Real Estate segment lets its office and industrial premises to a range of German and international corporate customers from a variety of sectors encompassing warehousing and trading companies, media, consulting and advertising agencies, fashion firms and restaurants.

The customers that make the biggest contributions to HHLA's revenue are the container shipping companies which operate globally. HHLA's container terminals treat ships from all shipping companies equally in preparing and allocating berths (multi-user principle) and can therefore offer their customers a consistently high level of service. At present, 18 of the 20 largest container shipping companies are part of HHLA's customer base. The companies A.P. Møller Mærsk and MSC demand services of HHLA only to a minor extent, as both primarily operate their own container terminals or have acquired direct stakes in terminal operating companies. In the financial year 2008, HHLA's five most important customers accounted for 48 %, its ten most important for 75 % and its 15 most important for 87 % of the revenue generated by the HHLA container terminals in Hamburg. HHLA has maintained commercial relationships with 75 % of its most important customers for more than 20 years.

Top 20 shipping companies

BY TRANSPORT CAPACITY 2008 IN TEU '000

1.	APM-Mærsk	**2,033**
2.	MSC	**1,470**
3.	CMA CGM Group	**991**
4.	Evergreen Line	**625**
5.	Hapag-Lloyd	**491**
6.	COSCO	**487**
7.	APL	**473**
8.	CSCL	**447**
9.	NYK	**433**
10.	MOL	**378**
11.	Hanjin / Senator	**377**
12.	OOCL	**361**
13.	Hamburg Süd Group	**324**
14.	K Line	**320**
15.	Yang Ming Line	**307**
16.	CSAV Group	**299**
17.	Zim	**271**
18.	Hyundai M.M.	**255**
19.	PIL (Pacific Intl. Line)	**186**
20.	UASC	**153**

Source: AXS Alphaliner

Generally, HHLA concludes individual framework contracts with its major customers. These contracts contain comprehensive descriptions of the services to be rendered and of the remuneration arrangements. The actual demand for the services is not fixed beforehand, as the shipping companies transport the goods, but the loading volumes and transport routes are determined by the producers or purchasers of the goods. For that reason, the volumes in the Container segment do not constitute an order stock in the traditional sense.

The selling activities are organized by means of traditional key account management with individual advice and support for major customers. Selling the services on offer is not the only objective of these activities. They are aimed additionally at optimizing processes and thereby helping to increase value added on the customer side. For this reason, HHLA provides container shipping companies with their own specific account executives. These employees are responsible for providing comprehensive advice at strategic and operational level. The account executives inform the container shipping companies regularly about the latest technological developments at the HHLA container terminals and advise them on ways of improving the efficiency of intermodal container transport via the Port of Hamburg.

The two HHLA segments Intermodal and Logistics are geared differently towards the heterogeneous needs of customers. Their selling activities are therefore organized mainly in a decentralized fashion while following – as far as is useful and viable – the strategic approach of vertical integration in terms of offering comprehensive transport and logistics services from a single source. The companies in the Intermodal segment, for example, maintain offices at the hubs of important transport links such as Bremen, Bremerhaven, Gdansk, Kiev, Koper, Rotterdam and Warsaw, as well as central locations overseas, to provide support for their forwarding and industrial customers and to canvass for new business.

In HHLA's Real Estate segment, selling activities are organized by way of its two central locations, Hamburg's Speicherstadt historical warehouse district and the north banks of the river Elbe. In this way, potential customers and tenants are supported with the whole spectrum of services by professional real estate staff who specialize in the respective properties and can therefore offer customized solutions with location-specific expertise.

CORPORATE STRATEGY

Enhancement of strong market positions

HHLA's strategy is aimed at developing its leading position as a port logistics group in the European North Range. Thanks to its vertical integration along the logistics chain between international seaports and the European hinterland, HHLA is well positioned to derive disproportionately large benefits from growth in global trade. In the process, HHLA's areas of activity are mutually beneficial to one another. Greater handling volumes in the Port of Hamburg result in more traffic for hinterland transport and increased demand for logistics services. Similarly, offering efficient transport systems and high-quality logistics services generates additional freight for the HHLA container terminals.

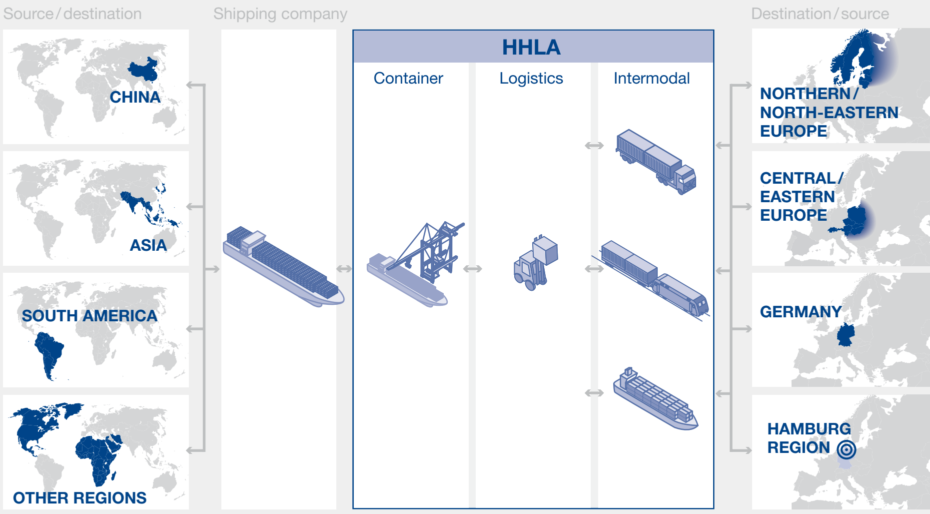
HHLA's commercial activities are therefore concentrated on Hamburg, the Baltic region, Central and Eastern Europe, the northern Adriatic and the Black Sea. HHLA's objective is to maintain its technological leadership and earn an attractive return on its capital. HHLA plans the following measures to help it achieve these strategic goals:

Vertical integration of core business

It is intended to further expand the container-related transport network between international ports and their respective hinterland so that we can consolidate our strong market position in the individual segments along the transport chain. To achieve this, we are planning the targeted expansion of complementary segment-specific services (such as empty container storage facilities, container repairs, etc.) and intend to achieve synergies between the individual segments.

Vertical integration

THE INTERLINKED BUSINESS MODEL OF HHLA



International hub for emerging economies

These activities are geared primarily towards making effective use of the Port of Hamburg's advantageous geographical position in terms of transport links. In this way, Hamburg's leading position as an international hub between the Far East, particularly China and India, and the economies of Central and Eastern Europe can be fortified and enhanced. The extension of the services offered by the Intermodal segment is designed to accompany this expansion.

HHLA intends to carry on extending its leading position in the areas of handling technology and efficiency. To achieve this, it aims to use innovative technologies and processes to generate sustained increases in the efficiency of, in particular, the container terminals. To facilitate this, HHLA is also planning to carry on improving its IT basis continuously. To ensure that it is largely independent from IT service providers, it intends to develop and maintain systems itself, especially those critical for its success, insofar as standard modules cannot be procured and used for these purposes.

Quality leadership for a broad customer base

HHLA intends to safeguard and expand its customer portfolio by means of continuous quality leadership. In the process, it intends to continue with the rigorous pursuit of its multi-user concept in the Container segment, i.e. the equal treatment of all shipping companies in the handling of ships and the allocation of berths. The company believes that this concept will secure the long-term existence of a balanced customer portfolio and the profitability of its services.

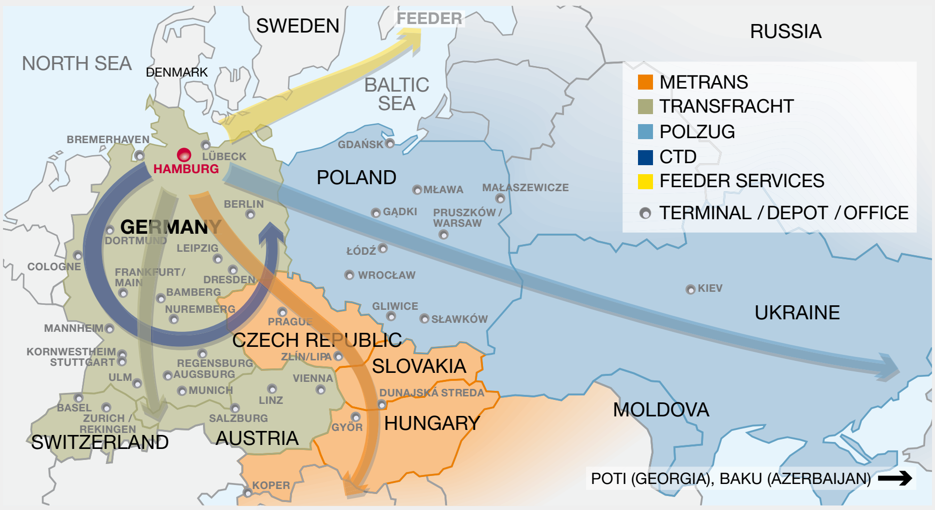
HHLA applies a value-oriented approach to its strategic investments. These investments focus on its existing core business segments – Container, Intermodal and Logistics. The most important investment criteria are the growth prospects and the anticipated return on capital of the investment projects being considered. It intends to increase capacities to match demand in dialogue with its customers so that the accumulation of unutilized capacity is avoided.

Constant enhancement of productivity at the container terminals

To ensure the best possible quality of service, HHLA is aiming for a continuous increase in the efficiency of the handling services at its three container terminals in Hamburg and in Odessa. These endeavours will be based on the rigorous orientation of the facilities' design and operation to productivity as regards surface areas, employees and capital, and a continuous increase in the standards of quality by using innovative technologies and processes. The plan is to expand the container terminals' capacities flexibly in line with the expected demand trend.

HHLA Intermodal network

GEOGRAPHICAL COVERAGE OF HHLA'S INTERMODAL COMPANIES



Efficient modal split in the hinterland

HHLA wants to improve its range of services in the Intermodal segment continuously by expanding intermodal services together with their rail, road and feeder network. Besides increasing the scope and range of the services, HHLA is aiming particularly to increase its real net output ratio. In the field of its rail activities, HHLA intends to further strengthen the market position of its intermodal subsidiaries on their respective markets, with the main geographical focus being on the growth markets of Central and Eastern Europe and major investment projects being earmarked for waggons and inland terminals. It intends to accompany these measures with an expansion of its truck platform.

In its Logistics segment, HHLA intends to benefit further from growth in specialist areas, where it wants to exploit its outstanding port transhipment expertise. As well as continuing systematically with its specialist activities, it plans to take selective advantage of opportunities to develop its operations on lucrative submarkets. The focus of these activities will be on specialist handling (e.g. RoRo, fruit or bulk goods handling). Alongside this, HHLA intends to expand complementary logistics services such as fruit forwarding, contract logistics and consulting.

Special expertise in Logistics and Real Estate

HHLA is also aiming for the value-oriented further development of the activities pooled in the Real Estate segment, in particular the cautious, sustainable development of properties, the marketing of real estate in the Speicherstadt historical warehouse district, commercial property management and facility management.

How HHLA is dealing with the current challenges posed by the international financial and economic crisis is described in detail in the sections on the Group's development and the forecast.

LEGAL FRAMEWORK

In its business operations, HHLA is subject to numerous German and foreign statutory provisions and regulations such as public law, trade, customs, labour, capital market and competition regulations.

As the bulk of HHLA's commercial activities are concentrated in and around the Port of Hamburg, its regulatory environment is largely determined by the Hamburg Port Development Act (Hamburgisches Hafenentwicklungsgesetz – HafenEG). The HafenEG formulates the structural framework for the sound development of commercial activity in the Hamburg port area. The HafenEG's objectives are to maintain the Port of Hamburg's competitiveness as an international all-purpose port, to safeguard freight volumes and to use the public infrastructure as effectively as possible. In the process, the Port of Hamburg is managed in accordance with the "landlord model", in which the public sector remains owner of the port area and takes care of building and maintaining the infrastructure. The privately owned port operators, on the other hand, are responsible for the development and maintenance of the superstructure (buildings and facilities).

Public ownership of port areas

In setting up, altering and operating the handling facilities, HHLA is reliant especially on the issuance and continued existence of authorizations under public law, especially official authorizations in accordance with the German Federal Emissions Control Act (Bundes-Immissionsschutzgesetz – BImSchG), the applicable local building regulations and water and waterways laws.

All construction and extension measures require separate authorizations by the respective competent authorities, irrespective of the planning approval procedure for the expansion of the throughput areas.

HHLA's Group companies are subject to a number of strict regulatory requirements, especially if they are involved in the handling of materials which can have damaging effects on people or the environment, e.g. the handling, storage and transportation of environmentally dangerous materials and hazardous goods. These regulatory requirements include, in particular, regulations on technical safety, health and safety in the work place and environmental protection.

Legal foundation for fair competition

HHLA's commercial activities are governed predominantly by the provisions of German and European competition law. This means that its pricing is determined by the market and is, as a matter of principle, not regulated.

Strict international security requirements

The security precautions in ports are stringent because of the dangers posed by international terrorism. An essential component of this is the International Ship and Port Facility Security Code (ISPS Code). The ISPS Code demands the internationally standardized installation of preventive measures to prevent terrorist attacks on ocean-going vessels and port facilities. For the operators of port facilities, implementation of the Code means that in addition to strict access control, numerous other measures for averting danger have to be complied with.

In the Port of Hamburg's area, the German Port Security Act (Hafensicherheitsgesetz – HafenSG) gives the aforementioned international provisions a more concrete, specific form and implements them locally. The Act contains far-reaching regulations so that the more stringent demands on security in the Port of Hamburg are satisfied.

HHLA's legal framework undergoes continuous change and is adjusted constantly at national and international level, particularly by the European Community, to take account of technical progress and the increased safety needs and environmental awareness of the general public. In the reporting period, no alterations to the legal framework with a substantial impact on operating activities occurred.

CORPORATE AND VALUE MANAGEMENT

HHLA's primary objective is to increase its company value sustainably. For this reason, a Group-wide value management system is used for the planning, management and monitoring of its commercial activities. The central value-oriented control figure is the key performance indicator ROCE (return on capital employed). This benchmark takes account of all the Group's relevant earnings and assets parameters, thereby encouraging value-generating corporate decisions in the interests of the closely coordinated steering of profitability and capital employment.

ROCE is calculated as follows at the HHLA Group:

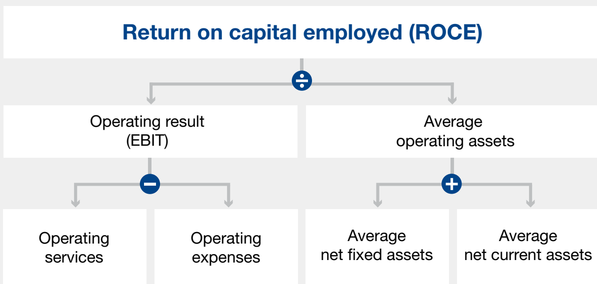
$$\text{ROCE} = \frac{\text{EBIT}}{\text{Average operating assets}}$$

The numerator – EBIT – corresponds to the operating result before interest and taxes. The Group uses EBIT to measure its operating performance potential and the earnings generated by its commercial activities in the respective period. The operating result is the aggregate performance in a period which is essentially determined by revenue less operating expenses, such as cost of materials and personnel expenses, as well as depreciation, amortization and other operating expenses. The denominator – average operating assets – is determined on the assets side of the balance sheet. It is calculated using the average non-current net assets (intangible assets and property, plant and equipment, investment property, assets held under the equity method and financial assets) and the average current net assets (inventories plus trade receivables less trade payables). The average operating assets are used to denote the Group's assets which go towards generating the operating result. In this way, the ROCE represents the average interest on the capital used to generate operating performance.

The return on capital employed is not just a central cri-terion for assessing investments; it is simultaneously a significant parameter for determining the variable components of the management's remuneration. In this way, value-oriented management serves to gear all the operating activities towards increasing the aggregate value. Commercial activities are basically regarded as value-generating if the return on capital employed exceeds the cost of capital. These capital costs correspond to the weighted average of equity costs and the cost of borrowed capital. In the financial year 2008, HHLA used a weighted average cost of capital of 10.5 % before tax to calculate its value appreciation.

Value management

ROCE – PARAMETERS AND INFLUENCING FACTORS



HHLA's objective is to earn an attractive premium on its capital costs. In order to fulfil this aspiration, a great deal of value is placed on expanding capacities in line with demand in dialogue with customers. Potential acquisition and investment possibilities that might constitute strategically useful additions are also assessed above all on the strength of their expected value contributions. The Group refrains from engaging in commercial activities with negative value contributions if there are no prospects of achieving the internal returns targets in the future.

Increase of value as prime business objective

In the financial year 2008, the return on capital employed again increased. This was attributable above all to the significant increase in the operating result (EBIT). Although the capital commitment, too, increased as a result of continued investments, its comparative rise was disproportionately low. ROCE thereby attained a level of 30.2 % (previous year: 27.4 %), significantly above capital costs.

Due to the long-term nature of many investments in the field of throughput and transport systems, ROCE may fluctuate over time depending on the length of the period under review.

Key performance indicators

		2008	2007	Change
EBIT	€ million	355.1	287.6	23.4 %
Average operating assets	€ million	1,174.8	1,050.8	11.8 %
ROCE	%	30.2	27.4	2.8 PP
Cost of capital before tax[1]	%	10.5	10.5	-
Relative value added	%	19.7	16.9	2.8 PP
Absolute value added	€ million	237.1	177.3	30.7 %

[1] of which 7,5 % for subgroup Real Estate

This applies in particular where there are reciprocal dependencies between individual modernization and/or expansion projects if the full results potential of asset additions cannot be realized until after a start-up phase or after the completion of individual subprojects.

In the operating business units, various non-financial central control parameters beyond the ROCE benchmark are used. For example, the number of handling movements per hour or the number of containers handled per square metre, the so-called land usage productivity, are important key indicators for the quality of the services rendered and the container terminals' performance. These and other central control parameters are therefore used intensively for the ongoing optimization of specific operational processes, although they also serve the overriding objective of value-generating management.

As early indicators for its operating activities, HHLA – further to a continuous dialogue with its customers – makes extensive use of macroeconomic forecasts, such as the anticipated trend in important trading partners' gross domestic product, and subsequent estimates for foreign trade, import/export flows and container traffic on relevant routes. As well as continuous dialogue with its customers.

STAFF

Qualified employees as a factor of success

HHLA had a workforce of 5,001 as of 31 December 2008. This is 436, or 9.6 %, more than one year earlier. In geographical terms, the workforce was concentrated mainly in Germany, with 3,785 staff members (76 %), and particularly in Hamburg, where 3,656 were employed (73 %). The 1,216 jobs at foreign sites are located predominantly in the Ukraine, the Czech Republic, Slovakia and Poland.

The largest increase in staff numbers (22.3 %) was in the Intermodal segment, which with its 883 staff now accounts for 17.7 % of HHLA's workforce. This increase is attributable primarily to the expansion of the terminal and transport activities at the HHLA subsidiary Metrans in the Czech Republic. Having grown by 5.9 % over the financial year, the Container segment now has 3,015 employees, or 60.3 % of the overall workforce. This increase resulted primarily from capacity extensions at the container terminals in Odessa and Hamburg.

The increase of 11.1 % in staff numbers at HHLA Holding to 549, too, is a consequence of HHLA's expansion and modernization programme. The central Information Systems department, which belongs to the Holding, has increased its staff numbers to keep up with the constantly growing IT requirements. This unit looks after the Hamburg terminals' IT systems, among other things, and is overseeing the development of the new terminal management system at Burchardkai. The commencement of operations at the new Altenwerder logistics centre, with its labour-intensive warehousing and contract logistics, ultimately made a decisive contribution to the 11 % increase in the Logistics segment's workforce to 513; it now accounts for 10.3 % of all HHLA's employees.

Actively managing demographic change is an important field of action for HHLA's human resources managers. The objective is to keep the age structure as balanced as possible, and indeed much progress has been made in this area over the past few years. While the proportion of younger employees (under 30 years old) at the Hamburg site was still just 17 % and that of older employees (over 50 years

HHLA Group employees
AS OF 31.12.

Segments	2008	2007	Change
Container	3,015	2,848	+ 5.9 %
Intermodal	883	722	+ 22.3 %
Logistics	513	462	+ 11.0 %
Real Estate	41	39	+ 5.1 %
Holding/Other	549	494	+ 11.1 %
Total	**5,001**	**4,565**	**+ 9.6 %**

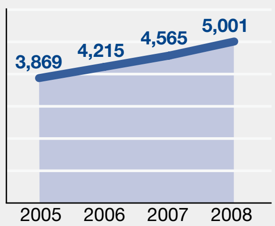
old) was 31 % in 2006, these proportions were 20 % (young employees) and 27 % (older employees) as of 31 December 2008. The employees' average age fell by one year to 41 in 2008 (men: 42, women: 36).

Most of the jobs in the HHLA Group are in a segment of the labour market in which men are traditionally employed. The proportion of women employed at HHLA, however, is increasing continuously. In the year ended, the proportion in Germany increased by more than a percentage point from 12.2% to 13.4 %. HHLA is deliberately employing women, even in traditionally male domains. For example, women are now working as operators of large-scale equipment on the container terminals. HHLA will continue to actively aim for an increase in the proportion of women in its workforce, e.g. with flexible working time models which make it easier to reconcile family and work demands.

HHLA's involvement in the establishment, as of 1 January 2008, of the national training and ongoing education institution "maritime competence centre" (ma-co), into which the HHLA Group has incorporated its corporate activities of its own port training college, is a focal point of its extended activities in the vocational training and specialist further education field. All in all, 66 staff have already acquired qualifications as container handling specialists, most of whom were previously unemployed or threatened by unemployment. In addition, 2,228 HHLA employees have taken part in seminars and training courses at the HHLA training college. The number of apprenticeships in Hamburg has reached a new record: the addition of 51 places means that HHLA is now offering 141 young people vocational training – 13 % more than in the previous year.

Staff numbers

AS OF 31.12.



PURCHASING & SUPPLIES/MATERIALS

Organization

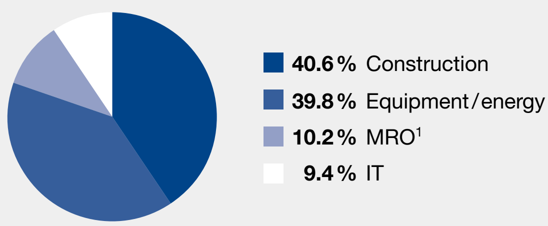
HHLA Group purchasing is organized centrally in the management holding division. It manages and coordinates all purchasing and procurement activities for the Group. The strategic focus of purchasing is to ensure that capital goods, raw materials and supplies, services and other products are reliably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

To facilitate the operational management of purchasing and cultivate the supplier markets optimally, purchasing is divided into four merchandise groups. In this way, requirements and procurement activities can be pooled right across the Group and internal customer requirements in terms of service and quality can be best fulfilled. In the reporting year, the construction and equipment/energy merchandise groups accounted for some 41 or 40 %, respectively, of the purchasing volume at Group level, while the IT and replacement parts/repairs/operation groups each accounted for around 10 %.

The strategic integration of the Group's suppliers into the development of products, facilities and processes in a spirit of partnership is fundamentally of major importance. Suppliers are therefore regularly examined and appraised for their reliability, quality, innovative capacity, flexibility and cost structure. In addition, the timely procurement

Procurement volume

BY CLASS OF GOODS 2008 (%)



[1]Maintenance, repair and operation

of supplies and replacement parts is an important factor in the operational readiness of the container handling equipment, which in turn makes high demands on flexibility and automation levels in the procurement area.

Process optimization

The steps initiated to optimize the procurement processes in the previous year were continued in 2008. One significant subproject was the introduction of a new purchasing guideline that defines the entire HHLA purchasing process chain from demand notification to the completion of the delivery. With the help of this guideline, the Group significantly increased the quality and transparency of the procurement processes and ensured unbroken documentation.

Similarly, the orientation towards environmental protection and sustainability was developed further. Suppliers' conformity with required standards of environmental-friendliness – not only as regards their products and services, but also the respective company's environmental policy – is increasingly gaining in significance. By developing and amending appropriate requirement profiles for the procurement of goods and services and the selection of suppliers, the purchasing division regards itself as a central element in the implementation of a committed environmental and sustainability policy.

RESEARCH AND DEVELOPMENT

One of HHLA's strategic objectives is to steadily improve the efficiency of its operating systems, and consequently its competitiveness, by developing application-oriented technologies. The main focus of these activities is therefore on engineering and IT-based innovation projects. As a result of this orientation, HHLA does not carry out pure research in the traditional sense.

Innovative Seaport Technologies II

As part of the support initiative "Innovative Seaport Technologies II (ISETEC II)" that was launched by the German Federal Ministry of Economics and Technology in 2007, numerous companies within the HHLA Group are involved in a variety of research projects. The focal points of these projects are, first and foremost, the optimization of existing operational processes, for example by investigating new container terminal technologies or developing intelligent routing and deployment systems for efficient seaport logistics. For example, the industry project "Optimization of the Operational Processes at Container Terminals" that was launched in June 2008 is examining the integration of tandem container gantry cranes into the operating processes and logistics management at CTB, the further development and optimization of the gantry crane monitoring system at CTA and the automation of the checking processes for rail containers at CTT.

Process optimization at container terminals

Numerous research projects, moreover, are contributing not only to an improvement in the internal operational processes at HHLA's terminals, but also to optimization from which a number of different ports and parties are benefiting. For example, the "Business Integration Truck" project which is currently being implemented at CTA deals with the development of inter-port processes for truck handling and the "Lean Port Management" project concentrates on, among other things, the development of an online platform via which all the information relevant to transportation is distributed to all those involved.

Optimization of logistics processes and new management procedures

Another of the HHLA Group's research projects is OLAS, which focuses on optimizing logistics processes and new management procedures for the Container Terminal Altenwerder. This, too, is a project sponsored by the German Federal Ministry of Economics and Technology (BMWi) which is intended to help achieve further efficiency gains and higher container throughput at the state-of-the-art Container Terminal Altenwerder, taking account of its hinterland links via road, rail and inland waterways.

Advancements in automated terminal operations

The OLAS project now encompasses not only the development of a "multiple-load mode" for driverless transport vehicles (AGVs – automated guided vehicles), but also deals with numerous other issues. These include, for example, the optimization of hinterland handling in the truck conveyance segment, the development of alternative storage strategies and the improvement of empty container handling at CTA.

The OLAS project involves not only HHLA's IT developers but also the Container Terminal Altenwerder and Uniconsult.

Management for Transport and Incidents in Rail Traffic

The steps completed in the financial year 2008 included involvement in the Management for Transport and Incidents in Rail Traffic (MaTIB) project, which was sponsored by the German Federal Ministry of Education and Research. Its objective was to make container transport in intermodal traffic more attractive by improving IT-aided workflow management. The HHLA Group companies involved in this combined cross-sector project were Polzug, HPC Hamburg Port Consulting and Uniconsult. They helped to develop a process standard which can now be used as a basis for further IT systems designed for other hinterland traffic. This can involve, for example, the management and monitoring of workflow processes which actively supervise every transport operation with the help of predefined events.

Improvement of data exchange in intermodal traffic

Equipment and system improvements

In addition to these overarching projects, work was also done in the reporting year on the technical improvement of individual equipment and systems. For example, HHLA was involved in the development of an energy-storing system for van carriers (also called straddle carriers) manufactured by Noell Mobile Systems. This innovative technology can not only feed energy from the vehicle's braking procedures back into the drive system; it can also store it for short periods, thereby reducing van carriers' diesel consumption. The world's first vehicle of this kind was put into operation at CTT.

In addition, the online deployment centre at the railway company Transfracht was developed further. It provides an overview of container bookings and current transport operations 24 hours a day. All the information entered in the booking centre – such as order recording and alterations to bookings – is fed into the deployment centre automatically. As well as using standard information, customers can create their own lists online and thereby inspect and track orders individually.

Certification as proof of success

In 2008, as confirmation of the success of its development processes to date, the Container Terminal Altenwerder (CTA) became the world's first terminal to receive the new certification in accordance with the new "Container Terminal Quality Indicator" (CTQI) standard. The standard, which was developed by the Global Institute of Logistics and Germanischer Lloyd, checks criteria such as the safety, performance level and efficiency of a terminal on both the water and land sides, as well as its links to pre-carriage and on-carriage systems.

Added value in the HHLA Group

€ MILLION

	2008	2007	2006	2005	2008/07
Employees	299	279	252	228	+ 7 %
Shareholders	217	152	117	69	+ 43 %
Lenders	19	15	16	17	+ 21 %
Taxes	107	105	70	44	+ 2 %
Total	**642**	**551**	**455**	**359**	**+ 16 %**

SUSTAINABILITY

HHLA is pursuing a sustainable, long-term corporate strategy. Showing responsibility towards its employees, society and the environment and taking responsibility for its business activities are at the heart of its corporate values. In the financial year 2008, HHLA developed a comprehensive sustainability concept that will be implemented in 2009.

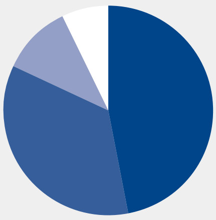
HHLA's HR management is a central element of its sustainable corporate strategy. Health management – a closely intermeshed system of occupational safety, health protection, industrial medicine, occupational integration management and preventive programmes – is a crucial component of this. The system was further improved and enhanced with a whole range of measures in 2008.

In the fields of vocational training, ongoing education, collective bargaining and social welfare, too, HHLA has provided proof of its farsighted HR management. In order to familiarize a broader section of the public with port logistics, HHLA is promoting a bus tour around the Port of Hamburg. In 2008 it drew up its first carbon footprint to help it achieve greater transparency in environmental and climate protection.

By increasing its net added value by 16.3 % to € 641.7 million (previous year: € 551.6 million), HHLA achieved another clear year-on-year improvement, in the process attaining an

Source of added value

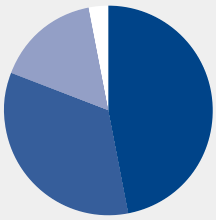
PRODUCTION VALUE (€ 1,37 BILLION) = 100 %



- **47 %** Added value
- **35 %** Cost of materials
- **11 %** Other expenses
- **7 %** Depreciation / amortization

Application of added value

ADDED VALUE (€ 642 MILLION) = 100 %



- **47 %** Employees
- **34 %** Shareholders
- **16 %** Taxes
- **3 %** Lenders

added value ratio of 46.7 % (previous year: 45.1 %). Net added value serves as an indicator of its business activities' "economic added value". It is calculated by taking the value of production and deducting all advance payments, depreciation and amortization from it. Shares of the added value go towards employees, lenders, taxes and the consolidated net income for the year. The largest proportion, 46.6 % or € 299.0 million, went to the employees. Shareholders account for the second-biggest share with € 217.5 million (33.9 %), followed by taxes with € 106.6 million (16.6 %) and payments to lenders amounting to € 18.6 million (2.9 %).

Economic environment

MACROECONOMIC DEVELOPMENT

2008 as a whole was characterized by an ongoing deterioration in the global economic environment. After the turbulence on the international financial markets and the high prices on the commodities and energy markets had already had a pronounced dampening effect on general economic growth in the first half of the year, the downward trend accelerated unexpectedly strongly in the second half and pushed some major industrial nations into a serious recession. According to the International Monetary Fund (IMF), the global economy still managed to grow by 3.4 % in 2008 but the robust expansion seen in recent years has now come to an abrupt end following the sharp decline in the fourth quarter of the year. The only element of relief in recent months has been provided by the substantial fall in crude oil prices. As this trend strengthened, world trade lost a great deal of its dynamism. According to calculations by the IMF, global trade grew by only 4.1 % in 2008, compared with 7.2 % in 2007.

Even the newly industrializing and developing countries, lately the drivers of growth for the world economy, were unable to escape the downward spiral. The sharp downturn in the industrial countries and the resultant decrease in demand led to a substantial dampening in their export business. The newly industrializing nations of Asia, however, still showed dynamism overall with growth of almost 8 % in their gross domestic product (GDP) in the year ended. While China's GDP again posted above-average growth of 9 %, this rate was considerably more sluggish than in the preceding years. In 2008 the economies of Central and Eastern Europe expanded by just 3.2 %, which was already slightly below the global average. In the eurozone, economic growth likewise decelerated sharply, reaching 1 %. In the European Union as a whole, GDP grew by 1.3 %.

GDP in Germany rose by 1.3 % in 2008 as a whole. Having reached an intermediate peak during the first half of the year, the business cycle was on a clear downward path in more recent months. The severe deterioration in the economic environment and the effects of the financial crisis have been having an impact since the middle of the year. Aggregate production experienced a sharp downward trend, particularly in the fourth quarter of 2008, while

GDP growth
(%)

	2008	2007	Change
Global	3.4	5.2	- 1.8 PP
Eurozone	1.0	2.6	- 1.6 PP
European Union	1.3	3.1	- 1.8 PP
Germany	**1.3**	2.5	- 1.2 PP
Eastern Europe	3.2	5.4	- 2.2 PP
Asia	7.8	10.6	- 2.8 PP
China	9.0	13.0	- 4.0 PP

Source: IMF

Significantly less growth dynamics

capacity utilization fell to below its long-term average. The German economy, dependent as it is on exports, is being affected particularly badly by the weakness of the international economy as a result of slackening demand for capital goods all over the world. Although exports and investment in equipment increased year on year in 2008 thanks to the positive start to the year, the most recent trend was downwards. As in the previous year, private consumption offered no momentum for growth.

SECTOR DEVELOPMENTS

Influenced by the cooling-off of the world economy, growth in global container throughput declined from its level of the preceding years and reached around 7 % in the reporting year, compared to 12 % in the previous year. In northern Europe, the growth in container throughput was slightly below that at some 6 % in 2008.

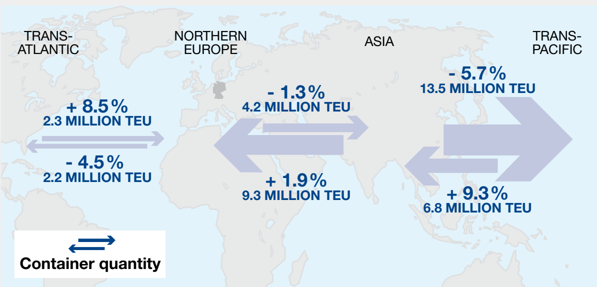
The major ports in the North Range, known as the Hamburg-Antwerp Range (Hamburg, the Bremen ports, Rotterdam, Antwerp) grew by 2.8 % in 2008 and handled a total of 34.7 million standard containers (TEU). In the difficult economic environment that prevailed, the container volume in the Port of Hamburg showed a slight decline in 2008. The volume handled amounted to 9.7 million TEU, 1.5 % below its level in the previous year.

Decline in container throughput

One of the major causes of the Port of Hamburg's first negative trend in container handling volume since 1982 was the 2.6 % decline in the most important shipping region of East Asia North (including China), which accounts for some 40 % of total container traffic. This reflected, in particular, the increasing weakness of the Chinese export economy. On the other hand, growth rates of a sometimes pronounced nature were generated on the shipping routes serving North America (+ 13.3 %, market share 2008: 3.7 %), Africa (+ 6.0 %, market share 2008: 1.9 %), the Red Sea/Gulf (+ 5.7%, market share 2008: 3.1 %) and India/Pakistan (+ 8.2 %, market share 2008: 2.9 %). This, however, was unable to compensate for the declines in volume in other relations.

International container traffic

2008 (2007) – Change (%)



Source: Drewry

The Europe shipping region (market share 2008: 32.3 %) showed a pronounced decline of 4.2 %. The main cause of this was Scandinavian container traffic (- 8.1 %, market share 2008: 12.5 %). Eastern European container traffic via the Baltic Sea (market share 2008: 13.6 %), which had shown double-digit annual growth in recent years, posted a decline of 1.0 % in 2008.

In 2008, the Port of Hamburg was able to achieve further improvements in the structure of its container traffic and the efficiency of its environmentally friendly hinterland systems. The proportion of total container handling accounted for by empty containers was only 19 % (previous year: 20 %), while the balance between import and export containers was very high: for every 100 import containers in 2008, there were 87 export containers (previous year: 86). The Port of Hamburg proved its strength as a railway port by again achieving above-average growth in container traffic by rail in its hinterland. Container traffic by rail in the Port of Hamburg grew by around 5 % to 1.9 million TEU in 2008, thereby improving its market share at the expense of road traffic by truck. The figures available so far indicate that inland waterway traffic recorded an impressive year-on-year increase of over 30 per cent to 113,000 TEU in the period from January to November 2008.

Course of business and economic situation

EARNINGS POSITION

Development of the Group

OVERALL VIEW

From the management's point of view, 2008 was another highly successful year for the development of business. The HHLA Group was able to continue with its course of profitable organic growth, achieving new all-time highs for revenue and results despite the general economic slowdown. In the process, HHLA not only upheld the forecast made in its annual report 2007 and then formulated more precisely for the year as a whole, but also fulfilled it in every respect.

Forecast and actual figures

	Forecast 31.03.2008	Forecast 15.05.2008	Forecast 14.08.2008	Forecast 14.11.2008	Actual 31.12.2008
Revenue	approx. € 1.3 billion	approx. € 1.3 billion	approx. € 1.3 billion	approx. € 1.3 billion	€ 1,326.8 million
EBIT	> € 300 million	> € 300 million	€ 320 – 350 million	€ 320 – 350 million	€ 355.1 million

In the reporting period, handling volume in the Container segment remained above the previous year's high level as the general economic situation became increasingly difficult, totalling 7.3 million TEU (previous year: 7.2 million TEU). This represents a growth rate of 1.2 %.

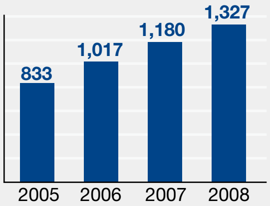
This result was slightly behind the average growth achieved in the North Range, but well ahead of the trend in the Port of Hamburg. A major contributing factor was the consistently dynamic growth achieved by the transport companies in the Intermodal segment, which increased their transport volume by 11.5 % to 1.8 million TEU (previous year: 1.7 million TEU).

The group of consolidated companies changed in the financial year 2008 as a result of the first-time consolidation of the Czech company DYKO, s.r.o., in the Intermodal segment. In addition, HHLA Logistics Altenwerder GmbH & Co. KG from the Logistics segment, which was previously included in the consolidated financial statements on a pro rata basis, has been fully consolidated since 30 June 2008 following the acquisition of all shares. At Group level, however, neither of these changes led to any material effects on revenue or results. Currency effects will be explained in more detail in this report where necessary, but had no material effects at Group level.

REVENUE AND EARNINGS

As in the previous year, the Group achieved double-digit revenue growth. Fuelled by the continuous further development of the integrated service spectrum between overseas

Revenue
IN € MILLION



ports and the European hinterland, revenue increased by 12.4 % over the previous year to € 1,326.8 million (previous year: € 1,180.0 million). The reasons for this positive trend were the increase in higher-grade services accompanied by consistently high handling and transport volumes, rate adjustments, and above-average storage income. Changes in inventories and other own work capitalized resulted primarily from own consulting assignments and internal software development and increased slightly to € 12.2 million (previous year: € 9.6 million). Other operating income reached € 29.5 million, almost hitting last year's level of € 30.8 million.

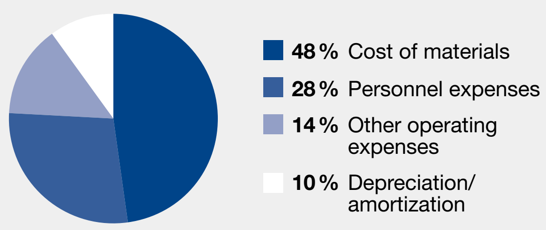
The listed core business operations of HHLA which are brought together in the subgroup Port Logistics, with its Container, Intermodal and Logistics segments as well as the Holding/Other division, accounted for 97.7 % of the revenue generated with external third parties. 2.3 % of revenue was generated in the subgroup Real Estate, which likewise pursued its earnings growth with properties in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH.

EXPENSES

Operating expenses increased by 8.7 % over the previous year, disproportionately low when compared with revenue growth.

The **cost of materials** increased by 6.9 % to € 484.7 million in the financial year 2008 (previous year: € 453.6 million), a result which was influenced very strongly by purchased railway services in the field of intermodal traffic (particularly locomotive and track use). The positive trend in transport volumes and increases in prices both contributed to this pronounced increase. The procurement costs for fuel, energy and replacement parts increased only moderately due to the slackening dynamism in the container handling segment, while the relatively strong fluctuations in commodity prices nearly levelled out on annual basis. The cost of external personnel declined markedly because of lessening need, especially towards the end of the year. All in all, the cost of materials as a percentage of revenue consequently decreased to 36.5 % (previous year: 38.4 %).

Cost structure
2008 (%)

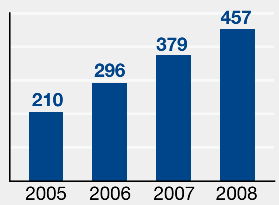


Personnel expenses in the financial year 2008 were 7.4 % above the previous year's level at € 280.7 million (previous year: € 261.5 million). This resulted mainly from the 9.6 % increase in the workforce that was implemented in order to keep pace with the further development of business and as a farsighted measure to counter demographic change. In addition, wage and salary increases at the German port operating companies and extraordinary expenses incurred for an employee profit-sharing programme (€ 0.9 million) had an especially pronounced impact on personnel expenses. Thanks to steady increases in productivity, however, personnel expenses declined as a percentage of revenue to 21.2 % (previous year: 22.2 %).

Other operating expenses increased by 15.6 % to € 146.3 million (previous year: € 126.6 million) in the reporting period. This development resulted primarily from the scheduled increase in compensation fees for ground space and increased maintenance expenses, particularly for the increasingly sophisticated technical equipment and installations. As a long-term development option in Hamburg, HHLA additionally secured the possibility of utilizing an expansion area; this, within the framework of the acquisition and disposal of companies located there, led to a deconsolidation loss amounting to € 13.5 million. As a result, this item increased disproportionately in comparison with revenue.

Depreciation and amortization totalled € 101.8 million (previous year: € 91.0 million) in 2008, an increase of 11.8 %. The main causes of this increased depreciation and amortization expense were investment in the modernization and automation of handling and transport systems and accompanying fixed asset additions.

EBITDA
IN € MILLION

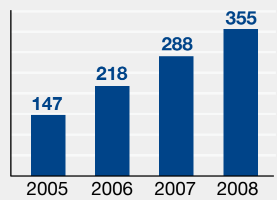


RESULT

Against the backdrop of these developments, the operating result before depreciation and amortization (EBITDA) increased by 20.6 % to € 456.8 million (previous year: € 378.7 million). The EBITDA margin improved to 34.4 % (previous year: 32.1 %).

The operating result (EBIT) increased by 23.4 % to € 355.1 million (previous year: € 287.6 million). The resultant EBIT margin was 26.8 % (previous year: 24.4 %). The contributions to results made by the subgroups Port Logistics and Real Estate were 96.1% and 3.9 % respectively, almost in line with their proportions of revenue.

EBIT
IN € MILLION



While the financial result remained almost unchanged at € - 31.0 million (previous year: € - 30.7 million), the corporate tax reform that took effect in Germany at the beginning of 2008 led to a reduction in the effective tax rate to 32.9 %, and therefore to lower relative tax expenses. Profit after tax and minority interests therefore increased by a disproportionately high 44.1 % to € 160.4 million (previous year: € 111.3 million). In relation to profits after tax, the minority interests decreased slightly in the reporting period, mainly due to the positive results trend shown by those Group companies fully owned by HHLA.

APPROPRIATION OF PROFITS

As in the previous year, HHLA's appropriation of profits is oriented towards both the development of results in the financial year ended and the continuation of a consistent profit distribution policy. The individual financial statements of the HHLA Group's parent company which are relevant for dividend distribution show net profit of € 108.9 million, according to the German Commercial Code (HGB), for the financial year 2008. Of this sum, € 104.4 million is accounted for by the A division (subgroup Port Logistics) and € 4.6 million by the S division (subgroup Real Estate).

Proposal of dividend increase

The Executive Board and Supervisory Board of HHLA will propose at the Annual General Meeting on 4 June 2009 that a dividend of € 1.00 per Class A share and Class S share be distributed. The sum distributed for the Class A shares would therefore increase by 17.7 % compared with the previous year to € 70.0 million, while the sum for the Class S shares would remain unchanged at € 2.7 million.

Segment Container

Segment Container

		2008	2007	Change
Revenue	€ million	792.3	692.6	14.4 %
EBITDA	€ million	376.8	317.1	18.8 %
EBITDA margin	%	47.6	45.8	1.8 PP
EBIT	€ million	303.9	247.8	22.6 %
EBIT margin	%	38.4	35.8	2.6 PP
Container throughput	thousand TEU	7,317	7,229	1.2 %

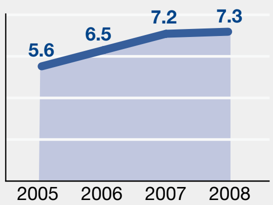
Despite the accelerating deterioration of the general economic environment over the course of the year, the Container segment again achieved double-digit increases in its revenue and results. The segment's revenue from non-affiliated third parties contributed 59.6 % to consolidated revenue. The segment set new records in volume, revenue and results.

Robust business development

A general downturn in the global economic situation was already becoming evident in the first half of 2008. In the course of the year, the structural crisis in container shipping became acute with growing overcapacity and a sharp decline in freight rates. Towards the end of the year, the consequences of the financial crisis for world trade and global traffic flows finally became more and more tangible. These factors are reflected in the Container segment's volume trend. The increase of 1.2 % to 7,317 thousand TEU in 2008 as a whole (previous year: 7,229 thousand TEU) is the result of strong fluctuations during the course of the year. While the handling volume at HHLA's container terminals increased by 7.3 % in the first half of 2008, it remained at its previous year's level between July and September before falling sharply by 9.7 % in the fourth quarter of 2008.

In Hamburg, the handling volume still showed a slight positive trend of 1.1 % in the financial year 2008, increasing to 6,780 thousand TEU (previous year: 6,706 thousand TEU). The HHLA container terminal in Odessa showed a rather more robust increase. There, the handling volume increased by 2.7 % to 537 thousand TEU (previous year: 523 thousand TEU).

Container throughput
IN TEU MILLION



Despite the sluggish trend in volumes, the revenue and results momentum remained buoyant. Sales, for example, posted a double-digit improvement of 14.4 %, increasing to € 792.3 million (previous year: € 692.6 million), while EBITDA even grew by 18.8 % to € 376.8 million (previous year: € 317.1 million). The operating result, or EBIT, increased strongly by 22.6 % to € 303.9 million (previous year: € 247.8 million). As a result of these developments, the EBITDA margin increased to 47.6 % (previous year: 45.8 %), and the EBIT margin to 38.4 % (previous year: 35.8 %)

This high level of results momentum was produced by a whole range of factors. As well as improvements in earnings quality which had already been established contractually, HHLA achieved a significant increase in its average depth of service per container, and therefore revenue per container, by broadening its storage activities and increasing its proportion of railway containers (at the expense of trucks and feeder ships). This trend was accentuated by economies of scale, particularly at the highly automated Container Terminal Altenwerder, and by improved productivity, partly as a result of falling volume pressure, in the second half of 2008.

Many of the modernization and expansion investments made during 2008 also played their part in increasing productivity. One of these, commencing operations at the new container rail terminal at Tollerort, not only improved the conditions for rail handling (marshalling of whole trains, higher transhipment productivity), but also substantially increased the available utility space for containers. Efficiency and capacity were increased by building new parking facilities, reorganizing truck handling and establishing a new storage depot for empty containers. The Container Terminal Burchardkai created the conditions for a further improvement in its performance in 2009 by taking delivery of five new high-tech container gantry cranes, the construction of a new berth for large vessels and erecting the first five storage blocks for the new block storage system. The expansion of the rail terminal at the Container Terminal Altenwerder, involving a seventh track and a second rail staging area, and the commissioning of a fourth railway crane in the first quarter of 2009, will further improve the performance capacity of the CTA hinterland interface. In the reporting year, the HHLA Container Terminal Odessa benefited from investment in an empty container storage depot in its hinterland as a means of reducing pressure on the capacity of the container storage facilities at the terminal, from the continuation of the changeover to wheeled portal cranes, and from the commissioning of a new container gantry crane.

HHLA's investment programme was initially revised and adjusted to the downturn in volume momentum in the second half of 2008. In the process, individual projects were extended over longer periods of time or postponed.

Segment Intermodal

Segment Intermodal

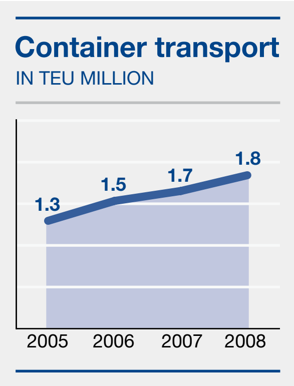
		2008	2007	Change
Revenue	€ million	369.7	331.9	11.4 %
EBITDA	€ million	53.0	47.8	11.0 %
EBITDA margin	%	14.4	14.4	-
EBIT	€ million	39.3	37.3	5.1 %
EBIT margin	%	10.6	11.3	- 0.7 PP
Container transport[1]	thousand TEU	1,841	1,651	11.5 %

[1] Transport volume was fully consolidated.

Despite an increasingly difficult market environment, the Intermodal segment, in which HHLA's hinterland operations are bundled, achieved new records in the financial year 2008 by increasing its revenue, results and traffic volume. The segment's revenue from non-affiliated third parties contributed 27.7 % to consolidated revenue.

Although the transport volume growth rate declined rapidly towards the end of the year, the aggregate volume of 1,841 thousand TEU (previous year: 1,651 thousand TEU) exceeded

Significant increase in container transport



the previous year's figure by 11.5 %. While growth was still 14.7 % above the previous year's level in the first nine months of the reporting period, the year-on-year increase in the fourth quarter was just 2.1 %. In December 2008, the decrease of 1.6 % was the first decline in transport volumes ever recorded in this area.

While revenue and results growth rates in excess of volume growth had been achieved in the preceding years, the corresponding rates in the reporting year were either in line with the growth in the transport volume (revenue, EBITDA) or significantly below it (EBIT). The outcome was that the segment's revenue increased by 11.4 % to €369.7 million (previous year: €331.9 million). EBITDA increased by 11.0 % to €53.0 million (previous year: €47.8 million) and the operating result, or EBIT, rose by 5.1 % to €39.3 million (previous year: €37.3 million). The EBITDA (unchanged at 14.4 %) and EBIT (10.6 % compared with 11.3 % in the previous year) margins also developed accordingly.

The slackening of the disproportionately strong earnings trend during the financial year is attributable to a number of highly diverse influencing factors. In addition to the slowdown in the growth rates for freight volume in the fourth quarter, the considerable intensification of competition in a number of market segments, increases in the cost of purchased services, and exchange rate losses as a consequence of the devaluation of eastern European currencies in relation to the euro played an important part. The lengthy lead times in the purchasing of transport capacities, too, had a dampening effect on the dynamism of business results.

The companies in the segment have expanded the HHLA hinterland network by broadening their service spectrum and further increasing their real net output ratio. The trucking specialist CTD Container Transport Dienst, for example, has opened a third branch in Berlin, after Bremen and its head office in Hamburg, in order to improve its transport links with eastern Germany. The railway company Polzug has modernized and expanded its terminal in Wroclaw through which local consumer electronics and automobile plants are supplied. Besides increasing its rolling stock to its current level of over 1,000 units, the HHLA rail subsidiary Metrans has made further investments which have increased the capacity and efficiency of its extremely successful terminal in Dunajska Streda and created the conditions for more growth. The railway company Transfracht acquired a stake of 25.1 % in the new terminal for intermodal transport which was opened at the end of 2008 at the Bavarian Port of Bamberg, where it now offers regular links to the German seaports.

Segment Logistics

In a market environment where the effects of the financial and economic crisis have been varied, the companies in the Logistics segment were again able to increase the revenue and earnings before amortization and depreciation generated by their operating activities in overall terms. The segment's revenue from non-affiliated third parties contributed 9.1 % of the Group's revenue.

While the bulk handling area (coal and iron ore), which continued to operate at full capacity utilization throughout 2008, experienced a downturn in ore handling at the end of the year as a consequence of the economic crisis, the dynamic growth of motor vehicle logistics, in particular, and the first-time full consolidation of HHLA Logistics Altenwerder GmbH & Co. KG shaped the growth of the operative key figures in the segment.

Segment Logistics

		2008	2007	Change
Revenue	€ million	126.9	118.6	7.1 %
EBITDA	€ million	17.9	17.3	3.6 %
EBITDA margin	%	14.1	14.6	- 0.5 PP
EBIT	€ million	10.4	12.7	- 17.9 %
EBIT margin	%	8.2	10.7	- 2.5 PP

Consequently, an increase of 7.1 % in segment revenue to € 126.9 million (previous year: € 118.6 million) was accompanied by EBITDA growth of 3.6 % to € 17.9 million (previous year: € 17.3 million). Due to an adjustment of the goodwill of HHLA Logistics Altenwerder GmbH and associated amortization expenses of € 2.3 million, the operating result thus decreased by 17.9 % to € 10.4 million. The EBITDA margin consequently stands at 14.1 % (previous year: 14.6 %), and the EBIT margin at 8.2 % (previous year: 10.7 %).

Differenciated development in heterogeneous market environment

Thanks to the near-completion of the modernization at the 75-hectare multifunctional terminal O'Swaldkai in the Port of Hamburg, motor vehicle logistics had considerably greater ground space at their disposal in the reporting period. The aggregate tonnage of 1,261 thousand tonnes in motor vehicle and general cargo handling represented an increase of 51 % over the previous year. Over the course of the year, fruit logistics activities at this facility managed to compensate almost entirely for a loss of custom at the beginning of the financial year, reaching a handling volume of 1,004 thousand tonnes (previous year: 1,028 thousand tonnes).

Warehousing and contract logistics were restructured in the year ended. With retroactive effect as from 1 January 2008, HHLA acquired its co-shareholder Rhenus's shares in HHLA Rhenus Logistics and HHLA Rhenus Logistics Altenwerder. This acquisition lent a clear and ordered structure to the storage, transport and contract logistics activities of HHLA and Rhenus at the Hamburg site. HHLA continues to manage the logistics operations of both companies at the Überseezentrum and Altenwerder sites, which now trade under the names of HHLA Logistics and HHLA Logistics Altenwerder respectively.

With a volume of 14.4 million tonnes, or 10.3 % of the total handling tonnage in the Port of Hamburg, bulk cargo handling fell 5.5 % short of its record figures from the previous year (15.2 million tonnes). The automation of grab cranes and the modernization of multifunctional facilities led to further increases in productivity and capacity. A positive development was again shown by the HPC Group (Hamburg Port Consulting), which operates globally in the port and transport consulting segment.

Segment Real Estate

Although letting turnover on the Hamburg office real estate market fell by 7 % to 546,300 m² (previous year: 585,800 m²) in 2008, it remains high at 27 % above the average level of the past ten years. This means that, according to Jones Lang LaSalle, the effects

Segment Real Estate

		2008	2007	Change
Revenue	€ million	32.6	30.8	5.8 %
EBITDA	€ million	17.6	14.1	25.0 %
EBITDA margin	%	54.0	45.7	8.3 PP
EBIT	€ million	13.7	10.3	32.2 %
EBIT margin	%	41.9	33.6	8.3 PP

Further successful development of assets

of the current economic and financial crisis were still barely perceptible. The proportion of vacant properties remained almost constant compared with the previous year at 7.1 %. As a result of the economic crisis, however, Jones Lang LaSalle's "City Profile Hamburg" is expecting 2009 to bring a pronounced slowdown on the Hamburg real estate market.

In this market environment, the complex of buildings in Hamburg's Speicherstadt historical warehouse district and the HHLA properties at Fischmarkt Hamburg-Altona GmbH on the north bank of the river Elbe were able to continue with their successful course of sustainable development in the financial year 2008. The 5.8 % increase in revenue to € 32.6 million (previous year: € 30.8 million) led to disproportionately large increases in the earnings indicators EBITDA and EBIT. EBITDA increased by 25.0 % to € 17.6 million (previous year: 14.1 %). The operating result, or EBIT, leapt by 32.2 % to € 13.7 million (previous year € 10.3 million). The margins, too, have again improved significantly. The EBITDA margin is now 54.0 % (previous year: 45.7 %), and the EBIT margin is 41.9 % (previous year: 33.6 %). The disproportionately high increases in the earnings indicators are primarily attributable to the increase in net rental income.

The successful marketing of a whole series of newly developed properties has contributed to a further increase in the occupancy rate. These properties include the new fashion and design premises "R3" in the historical Block R, and a market hall complete with gourmet restaurant and units of retail space in Block N. Another positive impact flowed from the fact that demand for high-quality floor space in the small-scale segment of up to 1,000 m² dominated the market. As in the Speicherstadt historical warehouse district, the office and commercial properties on the river Elbe's northern bank were almost fully occupied.

HHLA's successful development of urban quarters won more awards in 2008. Experts from the German automobile association ADAC, for example, put the public parking lot in the Speicherstadt historical warehouse district in first place among 25 Hamburg car parks that it tested and awarded it the "highly recommended" seal of approval. The Hamburg-based "Patriotische Gesellschaft von 1765" presented HHLA with its renowned preservation of historical monuments award, which it bestows only every three years, for the costly and elaborate restoration of the "Speicherblock P" warehouse, which has accommodated the Hamburg Port Authority's head office since 2006.

Financial position

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

Preservation of a solid balance sheet structure

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.

The Group equity ratio as of the reporting date was 42.3 % (previous year: 38.4 %). This means that the Group achieved its goal of raising its equity ratio by 31 December 2008, marking a continuation of the policy of strengthening its equity base that it has pursued rigorously in recent years.

The HHLA Group manages its financing activities centrally. Group clearing pools the Group's financial resources, optimizes net interest income and substantially reduces dependency on external sources of funding.

For its funding, HHLA mainly uses medium and long-term loans and finance leases. As of 31 December 2008, its liabilities from finance leases, at € 20.5 million, had changed little compared with the previous year (€ 21.8 million). Its liabilities to banks, at € 300.2 million, were above their previous year's level (€ 286.3 million). The increase is primarily a result of borrowing by the Metrans Group. Thanks to funding arrangements with matching maturities, this has led to no noteworthy refinancing requirements. Of the cash and cash equivalents amounting to € 226.0 million (previous year: € 212.8 million), the bulk is held by the holding company as the parent company and is invested at German financial institutions as call money and short-term deposits. Of the total cash and cash equivalents, € 5.3 million (previous year: € 6.3 million) was subject to restrictions in the Ukraine relating to the transfer of currency abroad.

For its investment expenditure of € 243.5 million (previous year: € 192.3 million), the Group drew on additional external financing totalling € 32.7 million in the reporting year (previous year: € 82.5 million) plus only a small amount in finance lease liabilities.

With the exception of the operating leases discussed in the Notes (Note 41), there are no significant off-balance-sheet financial instruments. These leases relate primarily to long-term agreements with the Free and Hanseatic City of Hamburg and the Hamburg Port Authority for leasing land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

Thanks to the Group's financial situation, current credit lines play a subordinate role. As of the balance sheet date, the Group had unused credit lines amounting to some € 10.5 million (previous year: € 10.1 million).

In HHLA's estimation, the Group's solid balance sheet structure would enable substantial credit facilities to be arranged at any time if its medium-term liquidity planning were to reveal a need.

As HHLA has a wide range of borrowing options at its disposal outside of the capital market, the Group currently sees no need for an external rating. Instead, it provides existing and potential creditors with comprehensive information to ensure that they can arrive at appropriate internal credit ratings.

CASH FLOW STATEMENT

Cash flow statement

IN € MILLION

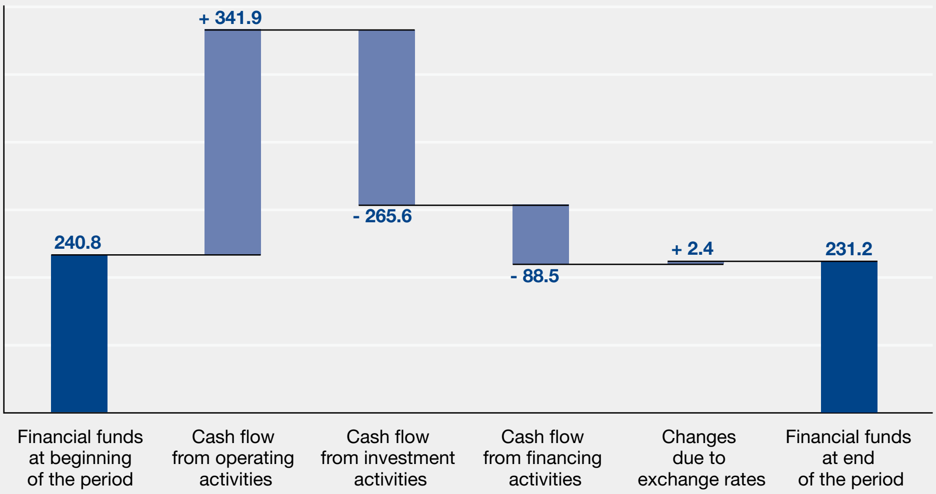
	1-12 | 2008	1-12 | 2007
Financial funds as of 01.01.	240.8	36.5
Cash flow from operating activities	341.9	246.7
Cash flow from investing activities	- 265.6	- 174.7
Free cash flow	76.3	72.0
Cash flow from financing activities	- 88.5	131.9
Change in net financial funds	- 12.1	203.9
Change in financial funds due to exchange differences	2.4	0.4
Financial funds as of 31.12.	231.2	240.8

Strong operating cash flow

The net cash inflow from operating activities increased by 38.6 % to € 341.9 million (previous year: € 246.7 million) in the financial year 2008, largely as a result of the Group's dynamic earnings performance. The net cash outflow from investing activities amounted to € 265.6 million in the reporting period (previous year: € 174.7 million) and was accounted for primarily by ongoing expansion projects and the accompanying increase in the investment volume. This includes expenditure for investments in property, plant and equipment, investment property and intangible assets amounting to € 243.5 million (previous year:

Change in financial funds

2008 IN € MILLION



€ 192.3 million) and other disbursements amounting to € 23.4 million (previous year: € 5.9 million). These sums are offset by receipts from the disposal of intangible assets and property, plant and equipment amounting to € 1.4 million. In the previous year (€ 23.5 million) it additionally included receipts from the disposal of non-current financial assets and from the sale of companies and shares in companies. Excluding payments for company acquisitions and disposals, the net cash outflow from investment activities was € 242.2 million (previous year: € 185.0 million).

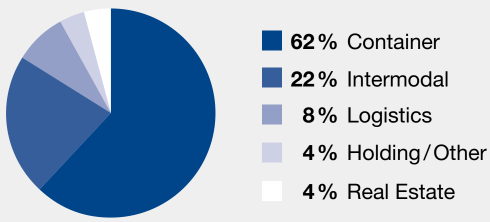
In line with this development, the free cash flow – the total cash flow from operating and investment activities – increased to € 76.3 million from its previous year's level of € 72.0 million. Strongly impacted by dividend payments to shareholders and minority interests that were considerably higher than in the previous year, the net cash outflow from financing activities amounted to € 88.5 million in the reporting period. In the previous year, on the other hand, there was a cash inflow of € 131.9 million, although this resulted primarily from the proceeds from the stock market flotation in November 2007. Financial funds, which consist of cash and cash equivalents (€ 226.0 million) and the credit balance from the cash clearing with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (€ 5.2 million), totalled € 231.2 million as of 31 December 2008 (previous year: € 240.8 million).

INVESTMENTS

The investment volume totalled € 259.4 million[1] in the reporting period, a considerable increase compared with the previous year (€ 194.8 million), although current market developments resulted in its falling behind schedule because some of the investments were shifted to 2009 or subsequent years.

The largest share of the Group's aggregate investment, € 160.5 million (previous year: € 126.5 million), was accounted for by the Container segment. The development of the control systems for the latest generation of block warehouses at the Container Terminal Burchardkai was continued. The procurement of further container gantry cranes likewise added to an increase in the investment volume. The construction of additional ship berths did not lead to the expected asset addition of the relevant quay wall section in 2008. The completion work was delayed until the first quarter of 2009, although this will have no impact on payments within the framework of the underlying financial lease. At the Container Terminal Tollerort, the railway terminal and the new empty container storage facility were put into operation, while the planned expansion of the land area and the delivery of new container gantry cranes were postponed because of the change in the economic climate.

Investments
BY SEGMENTS IN %



[1] Goodwill acquired by the Group in the course of acquisitions of consolidated companies (2008: €15.9 million) is not shown as payments for investments in intangible assets in the cash flow statement.

In the Intermodal segment, the Metrans Group made further investments in rail cranes and an increase in its own rolling stock. The construction work on a new terminal that was intended for 2008 was suspended pending further notice because of the prevailing market trend.

In the Logistics segment, HHLA Frucht- und Kühl-Zentrum GmbH invested in the construction of a new refrigeration hall which should be in full operation in the summer of 2009. Cash flow from operating activities was sufficient to finance all the investments made in the financial year 2008.

Adjustment of investment programme

In view of prevailing market developments, some individual investment projects were postponed to 2009 and subsequent years. The main focus of investment, however, will continue to be on improving the productivity of existing terminal areas by using state-of-the-art handling technology. At the same time, HHLA will press ahead with its expansion of efficient hinterland links and the extension and optimization of its logistics activities in line with market requirements.

ACQUISITIONS AND DISPOSALS OF COMPANIES

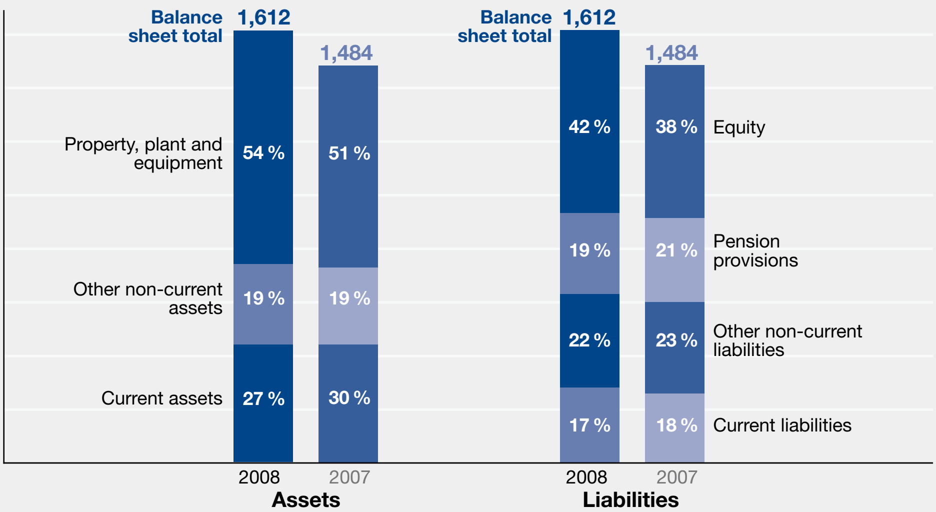
Effective from 1 January 2008, HHLA's shareholdings in HHLA Rhenus Logistics Altenwerder GmbH & Co. KG and HHLA Rhenus Logistics GmbH were increased from 49 % and 51 % respectively to 100 %.

As of 18 March 2008, HHLA's shareholding in Metrans a.s., Prague, Czech Republic, was increased from 51.05 % to 51.50 %.

Metrans a.s., Prague, Czech Republic, acquired a majority of the shares in the company IBZ Pankrac a.s., Nyrany, Czech Republic by means of the contract of sale dated 8 July 2008, and 100 % of the shares in Metrans Plzen, a.s., Nyrany, Czech Republic by means of

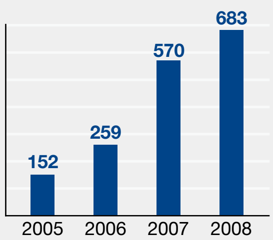
HHLA Balance sheet structure

AS OF 31.12 IN € MILLION

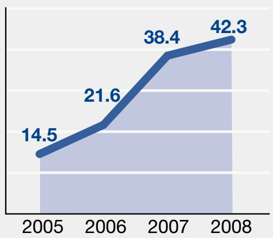


the contract of sale dated 21 November 2008. As their overall significance is low, however, these companies are not currently included in HHLA's group of consolidated companies. When it acquired a controlling interest as of 27 November 2008, HHLA Rosshafen Terminal GmbH, Hamburg, acquired 100 % of the shares in both Bulcotrans Lagerei- und Umschlagsgesellschaft mbH, Hamburg, and Eichholtz & Cons. GmbH, Hamburg, for a purchase price of € 17.9 million. € 4.4 million of the purchase price is accounted for by the present value of the companies' assets and liabilities, while the amount in excess of that was allocated to the storage business CGU (cash-generating unit). There were long-term lease agreements with both companies which restricted any possible use of the two land areas by HHLA Rosshafen Terminal GmbH. After the acquisition had been completed, the lease agreements were supplemented with an option for terminating them at short notice. Due to the changed investment plans, the planned use of the premises subsequently also changed, and as a result the sale of the shares as of 30 December 2008 led to a deconsolidation loss in the amount of the goodwill totalling € 13.5 million.

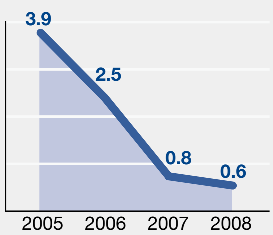
Group equity
IN € MILLION



Equity ratio
IN %



Gearing
RATIO



BALANCE SHEET

As of 31 December 2008, the HHLA Group's consolidated balance sheet total increased by € 128.7 million to € 1,612.5 million compared with the end of 2007.

Non-current assets, at € 1,174.2 million, were higher than the comparable figure from 31 December 2007 (€ 1,042.9 million). This development resulted from ongoing investments in property, plant and equipment and investment property.

Current assets, at € 438.3 million, were slightly below their value as of year-end 2007 (€ 440.9 million). Due to the lower level of revenue momentum towards the end of the year, trade receivables decreased. The dividend payments and the continued investment expenditure had a contrary effect.

Equity increased by € 113.1 million to € 682.6 million (previous year: € 569.5 million) compared to year-end 2007. This increase resulted largely from the consolidated net income for the year of € 217.5 million (previous year: € 152.0 million) that was generated in the reporting period. This was offset in the reporting period by dividend distributions amounting to € 62.1 million (previous year: € 15 million) on the parent company's generated treasury shares and amounting to € 34.4 million (previous year: € 5.5 million) on the minority interests. All in all, the equity ratio improved by 3.9 percentage points to 42.3 % (previous year: 38.4 %).

Stable financial condition

Non-current liabilities declined to € 651.0 million as of the balance sheet date (previous year: € 654.8 million). In view of the generally higher level of interest as of year-end 2008, the discounting factor was increased to 5.60 % (previous year: 5.25 %) to establish the present value of the pension obligations. As a result of the accompanying actuarial effects, the pension provisions fell by € 11.7 million and totalled € 300.7 million as of the balance sheet date (previous year: € 312.4 million). This was offset by increases in financial liabilities and other non-current provisions, whereby other non-current liabilities increased from € 342.4 million to € 350.3 million. The increase in current liabilities to € 278.9 million (previous year: € 259.5 million) resulted primarily from the increase in tax provisions as a consequence of the earnings trend in the reporting period.

The debt coefficient as a ratio of net financial liabilities and pension provisions to Group equity (gearing ratio) declined to 0.6 (previous year: 0.8) as of the balance sheet date 31 December 2008. This resulted from both the significant increase in equity and the adjustment of pension provisions to a higher discount rate.

Additional information in accordance with Section 289 (4) and Section 315 (4) of the German Commercial Code (HGB) and explanatory notes

1. The company's subscribed capital is € 72,679,826.00 divided into 72,679,826 no-par-value shares of which 69,975,326 are Class A shares and 2,704,500 are Class S shares (share classes). The Class S shares constitute only shareholdings in the net profit/loss and net assets of the S division, and the Class A shares constitute only shareholdings 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 (subgroup Real Estate) is known as the S division. All other parts of the company (subgroup Port Logistics) are known as the A division. The dividend entitlement of holders of Class S shares is based on the proportion of the net profit attributable to the S division and the dividend entitlement of holders of Class A shares is based on the remaining proportion of net profit (articles of association, Section 4 [1]). Each share entitles the holder to one vote at the Annual General Meeting (articles of association, Section 20 [1]) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG). If the statutory provisions require a special resolution to be adopted by holders of a given class of shares, only the holders of that 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 supporting syndicate banks 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 syndicate banks. The shares allocated preferentially to employees of HHLA and of companies in which HHLA directly or indirectly holds at least 50 % of the shares may not be sold until four years have expired, measured from the date on which the shares were posted to the respective deposit accounts. There is a corresponding two-year lock-up on the sale of those shares issued to employees as part of the 2008 employee share ownership programme. To the Executive Board's knowledge there are no further restrictions on voting rights or the transfer of shares, including those arising from agreements between shareholders.

3. As stated in the voting rights notification issued as per Section 21 (1) of the German 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 held over 69.71 % of the voting rights in the company at that time, while HHLA-BG held over 18.89 % of the voting rights. The voting rights held by HGV and HHLA-BG respectively are attributed to the Free and Hanseatic City of Hamburg under Section 22 (1) sentence 1 (1) sentence 3 of the German Securities Trading Act (WpHG); the voting rights held by HHLA-BG are attributed to HGV pursuant to Section 22 (1) sentence 1 (1) of the German Securities Trading Act (WpHG). The above-mentioned figures relate to the status prevailing on the respective date as indicated above. There were no other notifications on voting rights involving any direct or indirect interest in the capital which entitle the holder to more than 10 % of the voting rights.

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

5. Employees who hold stakes in the company's equity exercise their shareholders' rights at their own discretion. There is no control of the voting rights of those employees who hold shares.

6. Members of the Executive Board are appointed and dismissed in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Co-Determination Act (MitbestG) and Section 8 of the articles of association. These stipulate that the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. In accordance with Section 31 of the German Co-Determination Act (MitbestG), it reaches its decisions by a two-thirds majority of its members. If this majority is not reached, the Arbitration Committee has one month as from the Supervisory Board's vote 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 of a vote being tied, the Chairman of the Supervisory Board has two votes in a second round of voting in accordance with Section 31 (4) of the German Co-Determination Act (MitbestG).

Amendments to the articles of association can be made by means of a resolution of the Annual General Meeting. Any such amendment becomes effective when it is recorded in the Register of Companies. In line with Sections 179 and 133 of the German Stock Corporation Act (AktG) and Section 22 of the articles of association, a simple majority of the votes cast at the Annual General Meeting is sufficient for amendments to the articles of association. If a capital majority is required in addition to a majority of the votes, a simple majority of the share capital represented when the resolution is passed is adequate. Exceptions to this rule are amendments to the articles of association for which the law requires a larger majority. In accordance with Section 11 (4) of the articles of association, the Supervisory Board is authorized to carry out amendments to the articles of association which relate only to their edition. If the amendment to the articles of association is designed to change the relationship between Class A and Class S shares, the event of a capital increase or steps taken in accordance with the German Reorganization of Companies Act (UmwG), special resolutions by the Class A and Class S shareholders affected are required as per Section 138 of the German Stock Corporation Act (AktG).

7. A) Subject to the approval of the Supervisory Board, the Executive Board is authorized under Section 3 (4) of the articles of association to increase the company's share capital up to 1 September 2012 by up to € 33,742,924.00 by issuing up to 33,742,924 new registered Class A shares for subscription in cash and/or kind in one or more stages (Authorized Capital I). The statutory subscription rights of holders of Class S shares are excluded. The Executive Board was further authorized – with the approval of the Supervisory Board – 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 by subscription in kind for the purpose of acquiring companies, equity stakes in companies, parts of companies, intellectual property rights such as patents, trademarks or licences to use the above, or other product rights,

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 additionally authorized under Section 3 (5) of the articles of association to increase the company's share capital up to 1 September 2012 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares by subscription in cash and/or kind in one or more stages (Authorized Capital II). The statutory subscription rights of holders of Class A shares are excluded. The Executive Board was further authorized to exclude the statutory subscription rights of holders of Class S shares as is necessary to equalize fractional amounts.

C) The company's Annual General Meeting held on 24 September 2007 authorized the Executive Board under Section 71 (1) (8) of the German Stock Corporation Act (AktG), effective as from the end of the day of the Annual General Meeting, to acquire Class A shares in the company amounting to up to 10 % of the current share capital consisting of Class A shares for purposes other than trading in its own shares, by means of the stock exchange or a public offering, in whole or in part and in one or more stages up to 23 March 2009. Together with other Class A shares held by the company or attributable to it under Section 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 accounted for by 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 (excluding incidental purchasing costs) 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) on the Frankfurt Stock Exchange on the last five trading days before purchase. If the purchase is made by means of a public offer to all shareholders, this is permissible if the price offered per Class A share (excluding incidental purchasing costs) 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) on 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 the total acceptance of the offer exceeds this volume, acceptance must be pro rata. Preferential purchases of up to 100 Class A shares in the company per shareholder may be admitted subject to the partial exclusion of any possible rights of other shareholders to offer their Class A shares.

The Annual General Meeting held on 24 September 2007 additionally 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, excluding other shareholders' subscription rights in whole or in part, by means other than the stock exchange or an offer to all shareholders. This applies insofar as (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 which case the number of shares to be sold, together with the new shares issued under Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) since this authorization came into effect, excluding 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) the shares are given as consideration or partial consideration to third parties in the course of mergers with other companies or in order to acquire other companies, equity stakes or parts of companies.

The Annual General Meeting held on 24 September 2007 also authorized the Executive Board, subject to the approval of the Supervisory Board, to redeem Class A shares acquired under the authorization to purchase Class A shares in the company in whole or in part without a further resolution by the Annual General Meeting on any such withdrawal or implementation being required. 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 accordingly alter the number of Class A shares as stated in the articles of association.

D) Under Section 6 of the articles of association and Section 237 (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 consequently impinge 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, for its part, is 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. Stefan Behn, Heinz Brandt, Gerd Drossel, Dr. Sebastian Jürgens and Dr. Roland Lappin contain clauses which provide for a payment to the respective Executive Board members in the event of their employment contracts being terminated prematurely due to a change of control. The agreed amount to be paid is the remaining remuneration for the residual terms of their respective contracts of employment, payable to each in one lump sum. The future entitlement to payment of a bonus is included when this severance payment is being calculated, 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 correspond to the legal position and are standard practice at comparable listed companies. Their intention is not to complicate any attempted takeovers.

Risk and opportunity report

RISK MANAGEMENT

HHLA's risk management system fosters a keen awareness of dealing with corporate risks. It aims to identify risks in good time and take steps to manage or avert them, thereby preventing situations which could jeopardize the continued existence of the HHLA Group. An important part of this is never losing sight of the principles of entrepreneurial thinking and independent, responsible action.

By risks in this sense, HHLA means the possibility of negative divergences from its operational or strategic plans or current forecasts.

To enable risks to be dealt with, the risk management system includes the necessary organizational rules and procedures for identifying risks at an early stage and dealing actively with the risks and potential rewards that are inherent in all commercial activity. For this purpose, HHLA has created a methodical system which covers all of its business operations and is based on risk policies 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 system were determined in close cooperation between the Executive Board, Internal Audit and Group Controlling, and establish clear lines of responsibility for the identification, assessment, control, monitoring and reporting of risks.

Risks are catalogued regularly in the course of the annual planning process. Building on the identification and assessment of risks, the company defines control measures which specifically reduce the likelihood of such risks emerging and the associated levels of loss or damage. The risks are observed continuously and any significant changes are reported and documented on a quarterly basis. Additional ad hoc reports must be issued whenever significant risks emerge, cease to apply, or change. Risk reporting is carried out in accordance with standardized report formats used throughout the Group so that a consistent overall picture of the risks can be developed.

The most important elements of the risk management system and risk reporting are described in a set of Group guidelines.

The Internal Audit department is responsible for risk management system testing. In addition to that, the external auditors assess the early detection system as part of their audit of the annual financial statements.

RISK ITEMS

In view of the global financial crisis and its consequences for the development of the global economy, a worldwide recession can be expected for the financial year 2009. Although numerous governments and central banks have taken extensive steps to stabilize the global economy and the banking sector, there is a general feeling of uncertainty about the extent and duration of the global downturn. Some individual components of the governmental measures in question contain moves towards protectionism that could further weaken the international exchange of goods.

The consequences of the global economic trend are having a direct impact on the commercial shipping sector, and therefore on the HHLA business model. HHLA's major risk factors are influenced by the impact of the crisis.

Strategic risks

The continuing growth in ship sizes influences the competitiveness of HHLA and of Hamburg as a port location. Irrespective of the current difficult market situation in the shipping industry, this means that further expansion of the regional transport infrastructure in Hamburg and its hinterland will remain a matter of necessity.

The dredging of the Elbe's shipping channel to allow for a salt-water draught of 13.50 m throughout and 14.50 m depending on the tides is of crucial significance. The process of granting planning approval for the dredging of the shipping channel was initiated on 12 September 2006. The current status is that initial work on the Elbe's further expansion is likely not to start until the beginning of 2010 at the earliest.

As well as the dredging of the shipping channel, the modernization and expansion of the regional road and rail infrastructure are required if the Port of Hamburg's competitiveness is to be maintained and the processes for the inbound and outbound flows of goods in its hinterland are to be optimized. Projects of this kind with special significance for the port economy are the construction of the transversal port motorway (A 252) and the improvement of the port railway link, which should lead to the eradication of bottlenecks and enhanced throughput. HHLA is confident that the relevant political decision-makers will continue to press for the completion of these infrastructure projects.

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 situation could be intensified still further by the shipping companies' current difficult position with regard to decreasing rates and volumes. HHLA is observing the impact of such a market concentration on consortia, service and volume structures very closely but cannot make any detailed forecasts at present. In principle, further consolidation could lead to a change in volume and price structures between ports.

Within the Hamburg-Antwerp Range, all the terminal operators are planning to increase their handling capacities. With demand declining as a consequence of the economic environment, this can lead to surplus handling capacities at container terminals. Any surplus of this kind can lead to even greater price competition. 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, capacities are purchased from the respective public railway operators. The existing structures in rail networks and operations and the low level of competition that prevails on the tracks mean that the capacities on offer in this area are still unsatisfactory from the point of view of those who require such facilities for their business. This is restricting the market position as far as price negotiations and the scope of purchased services are concerned. To limit the risks, the Intermodal companies maintain regular contact with the public railway operators, some of which are associated with HHLA's own shareholders. The Intermodal companies are taking specific precautionary steps to reinforce customer loyalty and develop unique selling points.

The Intermodal companies are exposed to noticeably intense competition from competing railway operators as well as from trucks and feeder ships as carriers. The entry of new operators onto the market involves the risk that market share will shift to the detriment of the HHLA railway operators. This risk, too, is being countered by HHLA with targeted customer loyalty measures.

In the Intermodal segment, as in the Container segment, demand for container transport can be expected to decline. This may lead to an underutilization of traction systems and hinterland terminals. Generally, underutilization involves the risk that it might not be possible to compensate fully for negative divergences in earnings because of insufficient flexibility on the cost side. HHLA counters this risk by diversifying its customer base and concluding medium-term contracts of varying duration. The contracts governing the purchasing of traction services contain flexible components which permit a response to market fluctuations and seasonal deviations.

Financial risks

Liquidity risks in financial management are limited by, among other things, HHLA's centralized responsibility for financing the individual companies. Financing of the direct equity holdings where HHLA exercises operational control is safeguarded, controlled and monitored by HHLA by means of a cash pooling arrangement. Liquidity at the other Group equity holdings is ensured by, for example, including them in Group clearing, arranging for their own credit lines or giving them access to those of HHLA.

When investing liquid funds, generally in the form of call money or term deposits, HHLA currently restricts itself to investments at domestic financial institutions which are fully secured by a deposit protection fund or a comparable arrangement. Since HHLA only enters into transactions with institutions boasting a very high credit standing and the financial sector is currently being fortified by governmental measures, the risk of default can be regarded as low.

In order to achieve its goal of reducing the interest rate risk – and to a lesser extent the exchange rate and commodity price risks – the HHLA Group uses derivative financial instruments. Interest rate risks are therefore largely hedged by interest rate derivatives and by fixed interest rate agreements. No speculative hedging transactions are carried out.

The bulk of HHLA's services are rendered within the eurozone, meaning that the majority of its invoices are issued in euros. Only the Logistics and Intermodal segments are active further afield but even there, invoicing is carried out mostly in or based on euros. Any currency or transfer risks that exist therefore result from exchange rate fluctuations affecting the Eastern European currencies, with the hryvnya – the Ukrainian national currency – coming under particular pressure at present. Currency risks take on a concrete form mainly in the Eastern European Group companies when borrowed capital denominated in euros is converted. All of the HHLA companies that operate with foreign currencies reduce the risk of exchange rate fluctuations by monitoring rates regularly and, where necessary, through the transfer of free liquidity in local currency on accounts with hard currency.

As the HHLA Group's customers are international, the Group must adapt its payment transactions to prevailing global practice. For the HHLA Group, this means granting its customers trade credit during the course of its commercial relationships. However, HHLA maintains customer relationships on a credit basis only after credit assessments. To reduce the risk of default, HHLA operates an active receivables management system that enables its receivables to be monitored with precision. The theoretical default risk in the case of derivative financial instruments is that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments. The risk of default can be regarded as minimal, as the HHLA Group conducts derivative financial transactions only with counterparties whose credit ratings are first-class.

Change in the legal framework

The rendering of port services has for many years been a focal point of the legislative procedure at EU level. The objectives of the EU's deliberations so far have been to open the market for port services and to establish a valid EU-wide legal framework for their rendering. For this reason, more EU guidelines and their translation into national law are expected over the next few years.

Staff risks

The HHLA Group is exposed to staff risks resulting from the age distribution, qualifications and fluctuation of its staff. Fraudulent acts committed by its staff are also a constant risk. With a view to minimizing risks, staff selection, recruitment and development are therefore mainly carried out centrally by HHLA in coordination with the individual companies using standardized processes and procedures. The risk of fraudulent acts is countered with staff selection and systematic safeguarding measures, e.g. double-checking by a second member of staff when payment transactions are being conducted.

In the competition to attract qualified staff, HHLA pays particular attention to vocational and ongoing specialist training. On 1 September 2008, the “maritime-competenz-centrum” (ma-co) successfully commenced operations as a new training institution for the fields of logistics and port and maritime commerce in northern Germany. As one of its co-founders, HHLA has integrated its own specialist college into this qualification association that goes beyond regional and corporate boundaries. In recent years, careful selection and training has meant that all trainees could be given employment in the Group, redundancies have been avoided and the fluctuation rate has been kept low.

IT risks

As part of the capacity expansion at the terminals, major investments were made in hardware and software components. Ever-greater process automation, increasing integration of customers and service providers into organizational processes and the consequent growth of data transfer mean that the availability of IT systems is becoming more and more important. Redundant copies of central components such as the reserve data centre, as well as an incident management system, substantially reduce the probability of downtime. An IT security guideline defines the responsible operation of IT and helps to prevent IT security violations.

Other risks

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

Generally speaking, the competent authorities worldwide are looking to tighten the security guidelines in maritime transport 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 the competitive situation. HHLA makes its position clear by means of lobbying and public relations work.

Increases in rents in the years ahead are expected as a result of contractual step-up clauses in leases for quays and other areas.

When container terminal capacities are being expanded, permission may only be granted subject to the fulfilment of supplementary conditions as a result of a plan approval process. These can relate in particular to environmental and emission protection measures. There is also a general risk of further legal obligations if the project turns out to have any unforeseen negative consequences.

As a result of the existing structural situation and the fact that HHLA’s port facilities and buildings operate close to water, a 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 ever becomes reality, comprehensive emergency programmes for public authorities and companies operating in the port are in place to minimize the potential damage. Additionally, anticipated third-party claims for damage to property are insured against.

The HHLA Group is currently active overseas via the container terminal it operates in Odessa (Ukraine), as well as its rail terminals in Poland and other countries in Central and

Eastern Europe. The general environment in some parts of these countries, with little political, economic and legal stability, is different from that in Western Europe. As a result, the HHLA Group is exposed to a number of factors which it cannot influence directly and which could have an impact on its commercial activities in these countries. In particular, it cannot be ruled out that for political or legal reasons, HHLA will be unable to distribute some 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, while those that do exist are largely insured against.

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

The HHLA Group's overall risk position is determined largely by uncertainties arising from the current global economic downturn and by strategic and market risks.

The risks identified do not threaten the existence of the Group. As far as the future is concerned, too, there are at present no discernible risks which could jeopardize the continued existence of the Group or the company.

Thanks to its favourable geographical location, the Port of Hamburg is the definitive international hub for seaborne and overland container transport, situated as it is close to the German North Sea coast with excellent links between the hinterland and the growing economies in Central and Eastern Europe and the Baltic states. If the planned enhancement of the Elbe shipping channel is completed on time, this will enable HHLA to consolidate its competitive position. The Intermodal segment will also benefit from the growth in container handling. The shift in container traffic from road to rail could be accelerated by new environmental policies in the future.

In addition to the above, HHLA continually assesses the extent to which strategically advantageous acquisition or investment possibilities are available.

Provided that there are no protectionist tendencies hampering world trade, the international division of labour in the production of consumer and capital goods will continue to apply in the future, too. The Port of Hamburg's integration into the global exchange of goods gives HHLA the chance to benefit immediately from a recovery in the global economy. Experts believe that the prerequisites for such a development are given, thanks to the economic stimulus programmes enacted around the world and the sharp falls in energy and commodity prices.

Events after the balance sheet date

As a new member of the HHLA Executive Board, Dr. Sebastian Jürgens has been responsible for the Intermodal and Logistics segments since 1 January 2009. Dr. Jürgens succeeds Mr. Gerd Drossel, who retired at the end of 2008.

Mr. Heinz Brandt has likewise been a new member of the HHLA Executive Board since 1 January 2009. As from 1 April 2009, Mr. Brandt will assume responsibility for the fields of human resources, employee welfare, purchasing, legal and insurance. His predecessor on the HHLA Executive Board, Mr. Rolf Fritsch, will retire on 31 March 2009.

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

Business forecast

MACROECONOMIC ENVIRONMENT

Economic downturn of historical dimensions

HHLA believes that a profound and persistent recession can be expected for much of the global economy in 2009. In contrast to earlier business cycles, the economic downturn being suffered by many countries is proceeding largely synchronously, with the result that negative repercussions are strengthening each other reciprocally. It is likely that gross domestic product in the industrialized countries of Western Europe, North America and Japan will fall sharply in 2009 as a whole. In view of the pronounced sluggishness of demand in these regions and the deterioration in financing conditions, HHLA is anticipating a sharp economic downturn even for the export-oriented newly industrialized countries in Asia. Although China and India will be able to maintain their overall growth, it will be at a much slower rate. HHLA believes that the economies of Central and Eastern Europe, on the other hand, are threatened by an overall decline in their economic output due to a substantial exodus of capital, currency devaluations of a sometimes severe nature and falling export revenue caused by lower commodity prices.

More detailed statements on future developments are currently subject to an extraordinary degree of uncertainty, as the duration and dimensions of the global financial and economic crisis are still uncertain and the risks of a further downward trend predominate. Numerous forecasts have recently been revised downwards repeatedly and at unusually short intervals. In many countries, governments have already implemented energetic monetary and fiscal measures, although these have not yet had any sustained positive impact on the economic situation. The preconditions for a general economic revival are a stabilization of the global financial markets and a positive impact from the economic stimulus packages.

SECTOR DEVELOPMENT

Pressure from declining world trade

Against the backdrop of the anticipated economic trend, HHLA expects the volume of global trade to decline in 2009. This means that for the first time since the container was introduced more than 40 years ago, the global container handling volume also appears likely to decrease. This will probably place a severe burden on developments at northern Europe's ports. As the hub for Asia and Central and Eastern Europe, the Port of Hamburg will be affected particularly severely by the sluggish economic phase in these regions. HHLA therefore estimates that the traffic volume on the routes between Asia and Europe, so important for the Port of Hamburg, as well as the inner-European routes to and from the Baltic region, can be expected to decline sharply in 2009. Due to the lack of concrete forecasts by many companies demanding freight transportation, no credible quantitative projection can be made at present.

Downward trends at the seaports have an impact all the way down the transport chain, including intermodal transport services in the hinterland. For this reason, slackening demand can likewise be expected for European overland traffic. The trend towards shifting cross-border goods traffic from road to rail is likely to persist due to the general increase in cost pressure and support from environmental policy-measures, however, and may even intensify.

Big challenges for the operative business

In the logistics sector, too, the market environment is likely to be impaired as a result of the general economic situation, with demand for simple, standardized services likely to shift further towards specialized and integrated service offerings. However, experience shows that market segments such as coal handling for power stations or fruit handling for everyday requirements react less sensitively to economic fluctuations than logistics activities in the fields of consumer goods or other product groups.

GROUP DEVELOPMENT

Expected earnings position

In view of the developments described above, HHLA believes that 2009 will bring a pronounced dampening in demand for its core business of port logistics. HHLA nevertheless regards itself as well equipped to withstand even a difficult phase in the business cycle thanks to its integrated business model, its solid balance sheet structure, its diversified customer base and its scalable expansion programme.

As HHLA's handling and transport volumes were still increasing comparatively robustly in the course of 2008, a clearly double-digit percentage decline, compared with the previous year's high comparative basis, can be expected for the whole year 2009. Given these general conditions, both HHLA's sales revenue and its operating result (EBIT) will fall below the previous year's record level in 2009 as a whole. However, HHLA continues to anticipate a profitable operative development of business for the year, albeit short of the high margins achieved in 2008.

Strict cost management ...

In order to absorb negative effects on its result as far as possible, HHLA makes use of the flexibility in cost and capacity management at its disposal. During the second half of 2008, the increase in risk potential prompted HHLA to start examining and preparing suitable countermeasures which the company is now applying as and when required.

The measures of this kind on the cost side focus first and foremost on the variable structuring of purchased traction services in the rail segment, the reduced deployment of subcontractors, the removal from service of equipment which is not required, and the flexibilization of working hours and use of working time accounts. In addition, a decision was made to broadly limit the hiring of new staff and, if necessary, to take further personnel measures to stabilize earnings. The recent sharp drops in fuel and energy prices should ease the cost burden in the procurement field. The savings are aimed at both the operational and the administrative areas.

... and adjustment of investment programme

Adjustments to the investment programme include, in particular, stretching out over longer periods of time or even abandoning individual construction phases at the container terminals, and postponing the procurement of equipment such as container gantry trains, storage cranes and rail wagons. Due to the customary lead times in plant engineering and construction, most of these measures will not unfold their full impact until a period of several months has passed. In order to safeguard long-term growth prospects, HHLA is additionally pressing ahead with important investments in flood control, meeting the requirements of future ship sizes, and construction projects that have already begun and have an execution phase of several years. For the financial year 2009 HHLA is therefore forecasting aggregate investment of between €280 and 320 million, depending on how the general economic situation develops.

Of the € 1.5 billion investment programme including replacement investments that was originally foreseen for the period from 2008 and 2012, just under one-fifth has now been realized. The appropriation of the remaining sum of approx. € 1.2 billion will now be stretched out beyond 2012 and around half of it can be classified as scalable without impairing longer-term development prospects.

In the Container segment, container handling volumes, and therefore also revenue and results, can be expected to decline. This is indicated by the anticipated trend on the main routes for seaborne container traffic that are especially significant for the Port of Hamburg. HHLA will confront this challenge with continued improvements in productivity and a great deal of flexibility in its capacity management, the aim being further optimization of value added for its customers.

Different impacts on segments

In the Intermodal segment it can be assumed that 2009 will bring lower demand for container transport in seaport–hinterland traffic, putting corresponding pressure on the revenue and results trends. In the process, the decreasing quantities in the container sector will have a direct impact on the Intermodal segment. Positive effects, on the other hand, can be expected from potential shifts of traffic volumes in favour of the economically and ecologically more advantageous rail segment, although this is unlikely to compensate for the general trend.

For the Logistics segment, HHLA is expecting a restrained overall course of business on the basis of differentiated developments in specific market segments. It is likely that fruit handling, port consulting and the bulk handling of coal, in particular, will be able to make a stabilizing contribution to the segment.

In the Real Estate segment, demand for office and commercial space in the exposed locations of the Speicherstadt historical warehouse district and the northern bank of the river Elbe is expected to be more cautious. Thanks to a high occupancy rate and existing lease agreements, however, it can be assumed that the business trend will be positive again in 2009.

The persistently uncertain global economic conditions – which are highly significant for the Group's core business and quickly affect the industry's demand for handling and transport services – are currently making it impossible to issue any quantified revenue and results forecasts for 2009 as a whole. However, HHLA will continue to add more specific details to its outlook above and beyond the statements made in this report as soon as future economic developments can be estimated adequately.

FINANCIAL POSITION

HHLA expects its solid balance sheet structure to remain strong in 2009. It is likely that continued investments will lead to a further increase in the Group's balance sheet total. Accordingly, an increase in non-current assets, primarily in the area of property, plant and equipment, can be expected on the assets side. On the liabilities side, the development of equity will mainly be determined by the achievable net profit as well as the changes in actuarial effects arising from the calculation of the present value of pension obligations based the applicable discounting factor. Thanks to the predominantly long-term nature of the loan agreements, there will be no material refinancing requirements in the financial year 2009.

Further sound financing

The intended means of financing the further development of business are, primarily, the high liquidity reserves available to the Group, the positive cash flows from ongoing business activities and, to a lesser extent, the raising of loans. Insofar as they include cash items, the measures to adjust costs and investments described above also help to safeguard a strong operational cash flow. Additional financing possibilities arise from HHLA's good credit standing. HHLA is therefore confident that the resources available to it will be sufficient.

DIVIDEND

Continuation of dividend distribution policy

HHLA's objective remains the same: to continue pursuing its yield-oriented dividend distribution policy. The future intention too – provided that it allows for an appreciation in corporate value and that there are no fundamental changes in the situation – is to carry on distributing at least 50 % of the distributable net income for the year as dividends.

CHANGE IN BUSINESS ACTIVITY AND ORGANIZATION

As part of a succession plan on grounds of age at Executive Board level, responsibility for the Intermodal and Logistics segments was pooled effective from 1 January 2009. The purpose of this is to achieve an even closer dovetailing of complementary business activities. Apart from that, no changes in the organization of business are currently planned. Strategic development possibilities and the orientation of the individual segments are described in detail in the ”Corporate strategy” chapter.

FURTHER DEVELOPMENT

Positive business outlook in the long term

Against the backdrop of its broad strategic position, the increasing concentration of freight volumes on central international hubs and the continuing integration of emerging economies into the international division of labour, HHLA still anticipates positive long-term business prospects.

Provided that the current economic and financial crisis does not lead to a lengthy recessionary phase for the entire global economy, HHLA expects to be able to keep its business trend positive over the next few years in terms of revenue and results. In doing so, it intends to carry on its investment programme in line with the development of demand.

In order to maintain stable balance sheet relationships, HHLA intends to continue with its conservative financing policy. Accordingly, it is still planning to cover investments and dividend payments as far as possible out of current cash flow and liquidity reserves. Additionally, HHLA attaches a great deal of importance to the preservation of its good corporate credit standing. It also remains true to its objective of upholding a consistent dividend policy.

Statement of the Executive Board

Under the circumstances known to the Executive Board at the time the transactions listed in the Related Parties Report in accordance with Section 312 of the German Stock Corporation Act (AktG) were carried out or actions were committed or omitted, the company received adequate consideration for the transaction and was not disadvantaged by committing or instigating the said actions.

In accordance with Section 4 of the articles of association, the Executive Board, with analogous application of the provisions of Section 312 of the German Stock Corporation Act (AktG), must prepare a report on the relationships between the A division and the S division. Under the circumstances that were known to the Executive Board at the time when the legal transactions specified in the report on the relationships between the A division and the S division, both divisions received an appropriate consideration. Expenses and income that cannot be attributed directly to a division were divided up among the divisions in accordance with the articles of association. No steps were taken or omitted at the behest or in the interests of the other division in each case.

Hamburg, 6 March 2009

Hamburger Hafen und Logistik AG
The Executive Board

Klaus-Dieter Peters	Dr. Stefan Behn	Heinz Brandt
Rolf Fritsch	Dr. Sebastian Jürgens	Dr. Roland Lappin

Some of the disclosures in the Group management report – including statements on revenue and earnings developments and on possible changes in the sector of 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

IN € THOUSAND

	Notes	2008	2007
Revenue	4.	1,326,826	1,179,958
Changes in inventories	5.	7	- 2,110
Own work capitalized	6.	12,231	11,725
Other operating income	7.	29,540	30,750
Cost of materials	8.	- 484,746	- 453,596
Personnel expenses	9.	- 280,745	- 261,479
Other operating expenses	12.	- 146,297	- 126,565
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**456,816**	**378,683**
Depreciation and amortization	11.	- 101,764	- 91,034
Earnings before interest and taxes (EBIT)		**355,052**	**287,649**
Earnings from associates accounted for using the equity method	13.	108	0
Interest income	14.	16,692	8,762
Interest expenses	14.	- 47,899	- 39,659
Other financial result	14.	193	153
Earnings before tax (EBT)		**324,146**	**256,905**
Income tax	16.	- 106,645	- 104,941
Profit after tax		**217,501**	**151,964**
- of which share of profit after tax attributable to minority interests	17.	57,150	40,701
- of which share of profit after tax attributable to shareholders of the parent company		160,351	111,263
Earnings per share, basic (in €)	18.		
Group		2.21	1.57
Port Logistics		2.21	1.60
Real Estate		2.15	1.04
Earnings per share, diluted (in €)	18.		
Group		2.21	1.57
Port Logistics		2.21	1.60
Real Estate		2.15	1.04

Income statement HHLA subgroups 2008

IN € THOUSAND; PORT LOGISTICS SUBGROUP AND REAL ESTATE SUBGROUP; ANNEX TO THE NOTES

	2008 Group	2008 Port Logistics	2008 Real Estate	2008 Consolidation
Revenue	1,326,826	1,299,191	32,579	- 4,944
Changes in inventories	7	10	- 3	0
Own work capitalized	12,231	11,941	0	290
Other operating income	29,540	28,351	1,720	- 531
Costs of materials	- 484,746	- 479,527	- 5,377	158
Personnel expenses	- 280,745	- 278,791	- 1,955	0
Other operating expenses	- 146,297	- 141,791	- 9,376	4,870
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**456,816**	**439,384**	**17,588**	**- 157**
Depreciation and amortization	- 101,764	- 98,118	- 3,927	281
Earnings before interest and taxes (EBIT)	**355,052**	**341,266**	**13,661**	**124**
Earnings from associates accounted for using the equity method	108	108	0	0
Interest income	16,692	16,562	130	0
Interest expenses	- 47,899	- 42,481	- 5,575	157
Other financial result	193	193	0	0
Earnings before tax (EBT)	**324,146**	**315,648**	**8,216**	**281**
Income tax	- 106,645	- 103,962	- 2,638	- 44
Profit after tax	**217,501**	**211,686**	**5,578**	**237**
- of which share of profit after tax attributable to minority interests	57,150	57,150	0	0
- of which share of profit after tax attributable to shareholders of the parent company	160,351	154,536	5,578	237
Earnings per share, basic (in €)	2.21	2.21	2.15	
Earnings per share, diluted (in €)	2.21	2.21	2.15	

Income statement HHLA subgroups 2007

IN € THOUSAND; PORT LOGISTICS SUBGROUP AND REAL ESTATE SUBGROUP; ANNEX TO THE NOTES

	2007 Group	2007 Port Logistics	2007 Real Estate	2007 Consolidation
Revenue	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
Costs of materials	- 453,596	- 448,805	- 4,873	82
Personnel expenses	- 261,479	- 259,617	- 1,862	0
Other operating expenses	- 126,565	- 120,126	- 11,168	4,729
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**378,683**	**364,613**	**14,070**	**0**
Depreciation and amortization	- 91,034	- 87,576	- 3,733	274
Earnings before interest and taxes (EBIT)	**287,649**	**277,037**	**10,337**	**274**
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
Earnings before tax (EBT)	**256,905**	**251,313**	**5,317**	**274**
Income tax	- 104,941	- 102,169	- 1,181	- 1,590
Profit after tax	**151,964**	**149,144**	**4,136**	**- 1,316**
- of which share of profit after tax attributable to minority interests	40,701	40,701	0	0
- of which share of profit after tax attributable to shareholders of the parent company	111,263	108,443	4,136	- 1,316
Earnings per share, basic (in €)	1.57	1.60	1.04	
Earnings per share, diluted (in €)	1.57	1.60	1.04	

Balance sheet HHLA Group
IN € THOUSAND

ASSETS	Notes	31.12.2008	31.12.2007
Non-current assets			
Intangible assets	20.	78,356	68,900
Property, plant and equipment	21.	872,985	755,429
Investment properties	22.	193,715	181,585
Associates accounted for using the equity method	23.	1,424	0
Financial assets	24.	7,125	7,534
Deferred taxes	16.	20,553	29,463
		1,174,158	**1,042,911**
Current assets			
Inventories	25.	19,919	17,804
Trade receivables	28.	138,572	145,070
Receivables from related parties	29.	7,279	34,587
Other financial receivables	27.	16,234	15,100
Other assets	30.	15,578	8,349
Income tax receivables	31.	11,254	3,671
Cash and cash equivalents	32.	225,961	212,824
Non-current assets held for sale	26.	3,500	3,500
		438,297	**440,905**
		1,612,455	**1,483,816**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		72,680	72,625
Subgroup Port Logistics		69,975	69,920
Subgroup Real Estate		2,705	2,705
Capital reserve		139,728	138,385
Subgroup Port Logistics		139,222	137,879
Subgroup Real Estate		506	506
Retained earnings		311,693	213,480
Subgroup Port Logistics		303,825	208,721
Subgroup Real Estate		7,868	4,759
Other comprehensive income		50,013	58,290
Subgroup Port Logistics		48,604	57,094
Subgroup Real Estate		1,409	1,196
Minority interests in equity		108,466	86,720
Subgroup Port Logistics		108,466	86,720
Subgroup Real Estate		0	0
	33.	**682,580**	**569,500**
Non-current liabilities			
Pension provisions	35.	300,664	312,355
Other non-current provisions	36.	50,096	46,154
Financial liabilities	37.	288,548	279,510
Deferred taxes	16.	11,686	16,748
		650,994	**654,767**
Current liabilities			
Current provisions	36.	18,502	12,960
Trade liabilities	38.	65,056	73,704
Liabilities to related parties	42.	68,709	67,455
Other financial liabilities	37.	63,144	59,287
Other liabilities	39.	41,960	36,283
Income tax liabilities	40.	21,510	9,860
		278,881	**259,549**
		1,612,455	**1,483,816**

Balance sheet HHLA subgroups 2008

IN € THOUSAND; PORT LOGISTICS SUBGROUP AND REAL ESTATE SUBGROUP; ANNEX TO THE NOTES

ASSETS	31.12.2008 Group	31.12.2008 Port Logistics	31.12.2008 Real Estate	31.12.2008 Consolidation
Non-current assets				
Intangible assets	78,356	78,313	44	0
Property, plant and equipment	872,985	851,298	3,449	18,238
Investment properties	193,715	77,465	149,166	- 32,916
Associates accounted for using the equity method	1,424	1,424	0	0
Financial assets	7,125	5,997	1,128	0
Deferred taxes	20,553	24,840	257	- 4,544
	1,174,158	**1,039,337**	**154,044**	**- 19,222**
Current assets				
Inventories	19,919	19,860	59	0
Trade receivables	138,572	137,604	968	0
Receivables from related parties	7,279	14,367	1,233	- 8,321
Other financial receivables	16,234	16,173	61	0
Other assets	15,578	15,538	40	0
Income tax receivables	11,254	11,254	0	0
Cash and cash equivalents	225,961	225,648	313	0
Non-current assets held for sale	3,500	3,500	0	0
	438,297	**443,944**	**2,674**	**- 8,321**
	1,612,455	**1,483,281**	**156,718**	**- 27,543**
EQUITY AND LIABILITIES				
Equity				
Subscribed capital	72,680	69,975	2,705	0
Capital reserve	139,728	139,222	506	0
Retained earnings	311,693	303,825	20,223	- 12,355
Other comprehensive income	50,013	48,604	1,409	0
Minority interests in equity	108,466	108,466	0	0
	682,580	**670,092**	**24,843**	**- 12,355**
Non-current liabilities				
Pension provisions	300,664	295,351	5,313	0
Other non-current provisions	50,096	48,419	1,677	0
Financial liabilities	288,548	258,793	29,755	0
Deferred taxes	11,686	11,212	7,342	- 6,867
	650,994	**613,775**	**44,087**	**- 6,867**
Current liabilities				
Current provisions	18,502	16,448	2,054	0
Trade liabilities	65,056	61,988	3,068	0
Liabilities to related parties	68,709	3,553	73,477	- 8,321
Other financial liabilities	63,144	58,823	4,321	0
Other liabilities	41,960	41,243	717	0
Income tax liabilities	21,510	17,359	4,151	0
	278,881	**199,414**	**87,788**	**- 8,321**
	1,612,455	**1,483,281**	**156,718**	**- 27,543**

Balance sheet HHLA subgroups 2007

IN € THOUSAND; PORT LOGISTICS SUBGROUP AND REAL ESTATE SUBGROUP; ANNEX TO THE NOTES

ASSETS	31.12.2007 Group	31.12.2007 Port Logistics	31.12.2007 Real Estate	31.12.2007 Consolidation
Non-current assets				
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
	1,042,911	**917,105**	**147,187**	**- 21,381**
Current assets				
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
	440,905	**444,774**	**2,004**	**- 5,873**
	1,483,816	**1,361,879**	**149,191**	**- 27,254**
EQUITY AND LIABILITIES				
Equity				
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
	569,500	**560,334**	**21,757**	**- 12,591**
Non-current liabilities				
Pension provisions	312,355	306,527	5,828	0
Other non-current 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
	654,767	**611,758**	**51,799**	**- 8,790**
Current liabilities				
Current provisions	12,960	11,791	1,169	0
Trade liabilities	73,704	72,351	1,353	0
Liabilities to 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
	259,549	**189,787**	**75,635**	**- 5,873**
	1,483,816	**1,361,879**	**149,191**	**- 27,254**

Cash flow statement HHLA Group

IN € THOUSAND

	1 - 12 | 2008	1 - 12 | 2007
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	355,052	287,649
Depreciation, amortization, impairment and reversals on non-financial non-current assets	99,489	90,429
Decrease in provisions	- 9,131	- 11,595
Gains/losses arising from the disposal of non-current assets	13,595	518
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	1,207	- 15,730
Change in trade payables and other liabilities not attributable to investing or financing activities	- 3,754	12,897
Interest received	16,993	8,762
Interest paid	- 28,748	- 20,288
Income tax paid	- 102,080	- 102,589
Exchange rate and other effects	- 716	- 3,357
Cash flow from operating activities	**341,907**	**246,696**
2. Cash flow from investing activities		
Proceeds from disposal of intangible assets and property, plant and equipment	1,387	7,697
Payments for investments in property, plant and equipment and investment properties	- 229,384	- 179,967
Payments for investments in intangible assets	- 14,139	- 12,309
Proceeds from disposal of non-current financial assets	0	1,109
Payments for investments in non-current financial assets	- 67	- 1,491
Payments for acquiring interests in consolidated companies and other business units	- 23,357	- 4,435
Proceeds from the disposal of interests in consolidated companies and other business units	0	14,718
Cash flow from investing activities	**- 265,560**	**- 174,678**
3. Cash flow from financing activities		
Proceeds from contributions to equity	1,398	123,725
Dividends paid to shareholders of the parent company	- 62,138	- 15,000
Dividends paid to minority shareholders	- 34,428	- 5,524
Redemption of lease liabilities	- 1,269	- 2,811
Proceeds from the issuance of bank loans	32,710	82,526
Payments for the redemption of bank loans	- 24,742	- 51,042
Cash flow from financing activities	**- 88,469**	**131,874**
4. Financial funds at the end of the period		
Change in financial funds (subtotals 1–3)	- 12,122	203,892
Change in financial funds due to exchange rates	2,441	432
Financial funds at the beginning of the period	240,842	36,518
Financial funds at the end of the period	**231,161**	**240,842**

Cash flow statements HHLA subgroups 2008

IN € THOUSAND; PORT LOGISTICS SUBGROUP AND REAL ESTATE SUBGROUP; ANNEX TO THE NOTES

	1 - 12 | 2008 Group	1 - 12 | 2008 Port Logistics	1 - 12 | 2008 Real Estate	1 - 12 | 2008 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	355,052	341,267	13,661	124
Depreciation, amortization, impairment and reversals on non-financial non-current assets	99,489	95,843	3,927	- 281
Change in provisions	- 9,131	- 10,179	1,048	
Gains/losses arising from the disposal of non-current assets	13,595	13,595	0	
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	1,207	5,278	- 1,271	- 2,800
Change in trade payables and other liabilities not attributable to investing or financing activities	- 3,754	- 7,172	3,418	
Interest received	16,993	16,863	130	
Interest paid	- 28,748	- 23,634	- 5,271	157
Income tax paid	- 102,080	- 100,910	- 1,170	
Exchange rate and other effects	- 716	- 716	0	
Cash flow from operating activities	**341,907**	**330,235**	**14,472**	**- 2,800**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets and property, plant and equipment	1,387	1,387	0	
Payments for investments in property, plant and equipment and investment properties	- 229,384	- 218,016	- 11,368	
Payments for investments in intangible assets	- 14,139	- 14,139	0	
Payments for investments in non-current financial assets	- 67	- 67	0	
Payments for acquiring interests in consolidated companies and other business units	- 23,357	- 23,357	0	
Cash flow from investing activities	**- 265,560**	**- 254,192**	**- 11,368**	**0**
3. Cash flow from financing activities				
Proceeds from contributions to equity	1,398	1,398	0	
Dividends paid to shareholders of the parent company	- 62,138	- 59,434	- 2,704	
Dividends paid to minority shareholders	- 34,428	- 34,428	0	
Redemption of lease liabilities	- 1,269	-1,269	0	
Proceeds from the issuance of bank loans	32,710	32,710	0	
Payments for the redemption of bank loans	- 24,742	- 21,789	- 2,953	
Cash flow from financing activities	**- 88,469**	**- 82,812**	**- 5,657**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1 – 3)	- 12,122	- 6,769	- 2,553	- 2,800
Change in financial funds due to exchange rates	2,441	2,441	0	
Financial funds at the beginning of the period	240,842	240,776	66	
Financial funds at the end of the period	**231,161**	**236,448**	**- 2,487**	**- 2,800**

Cash flow statements HHLA subgroups 2007

IN € THOUSAND; PORT LOGISTICS SUBGROUP AND REAL ESTATE SUBGROUP; ANNEX TO THE NOTES

	1 - 12 | 2007 Group	1 - 12 | 2007 Port Logistics	1 - 12 | 2007 Real Estate	1 - 12 | 2007 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (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 arising from the disposal of non-current asset	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 trade payables 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 tax paid	- 102,589	- 102,590	1	
Other effects	- 3,357	- 3,357	0	
Cash flow from operating activities	**246,696**	**237,200**	**9,496**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets and property, plant and equipment	7,697	7,697	0	
Payments for investments in property, plant and equipment and investment properties	- 179,967	- 174,633	- 5,334	
Payments for investments in intangible assets	- 12,309	- 12,309	0	
Proceeds from disposal of non-current financial assets	1,109	1,109	0	
Payments for investments in non-current financial assets	- 1,491	- 1,491	0	
Payments for acquiring interests in consolidated companies and other business units	- 4,435	- 4,435	0	
Payments for financing the Real Estate subgroup	0	- 61,349	0	- 61,349
Proceeds from the disposal of interests in consolidated companies and other business units	14,718	14,718	0	
Cash flow from investing activities	**- 174,678**	**- 107,995**	**- 5,334**	**- 61,349**
3. Cash flow from financing activities				
Proceeds from 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 the issuance of bank loans	82,526	17,526	68,651	- 3,651
Payments for the redemption of bank loans	- 51,042	- 43,866	- 72,176	65,000
Cash flow from financing activities	**131,874**	**74,628**	**- 4,103**	**61,349**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1 – 3)	203,892	203,833	59	
Change in financial funds due to exchange rates	432	432	0	
Financial funds at the beginning of the period	36,518	36,511	7	
Financial funds at the end of the period	**240,842**	**240,776**	**66**	**0**

CONSOLIDATED FINANCIAL STATEMENTS

Statement of changes in equity HHLA Group

IN € THOUSAND; ANNEX TO THE NOTES

	Parent company											Minority interests	Consolidated equity
							Other comprehensive income						
	Subscribed capital		Capital reserve		Retained consolidated earnings	Reserve for translation differences	Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Other	Total	Total	Total
	A division	S division	A division	S division									
Balance as of 31.12.2006	**53,300**	**0**	**35,730**	**0**	**117,217**	**1,183**	**1,163**	**376**	**- 566**	**232**	**208,635**	**50,069**	**258,704**
Organization into A and S division as of 01.01.2007	- 2,050	2,050	- 1,161	1,161							0	0	0
Dividends paid					- 15,000						- 15,000	- 5,524	- 20,524
Income and expense recognized directly in equity less deferred taxes						-1,068	117	67,145	- 21,804	3	44,393	1,450	45,843
Contributions to equity	18,670	655	104,810	- 655						- 75	123,405	172	123,577
Costs of capital procurement not affecting net income			- 1,500								- 1,500	0	- 1,500
Profit after tax					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	**69,920**	**2,705**	**137,879**	**506**	**213,480**	**115**	**1,280**	**67,521**	**- 22,370**	**11,744**	**482,780**	**86,720**	**569,500**
Dividends paid					- 62,138						- 62,138	- 34,428	- 96,566
Income and expense recognized directly in equity less deferred taxes						-15,663	-1,641	12,265	- 3,105	6	- 8,138	-151	- 8,289
Contributions to equity	55		1,343								1,398	0	1,398
Profit after tax					160,351						160,351	57,150	217,501
Acquisition/disposal of minority interests in consolidated entities										- 164	- 164	- 827	- 991
Other changes										25	25	2	27
Balance as of 31.12.2008	**69,975**	**2,705**	**139,222**	**506**	**311,693**	**- 15,548**	**- 361**	**79,786**	**- 25,475**	**11,611**	**574,114**	**108,466**	**682,580**

CONSOLIDATED FINANCIAL STATEMENTS

Statement of changes in equity HHLA Port Logistics subgroup (A division) 2008

IN € THOUSAND; ANNEX TO THE NOTES

	Parent company									Minority interests	Subgroup equity
					Other comprehensive income						
	Subscribed capital	Capital reserve	Retained consoli-dated earnings	Reserve for translation differences	Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Other	Total	Total	Total
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**
Dividends paid			- 59,432						- 59,432	- 34,428	- 93,860
Income and expense recognized directly in equity less deferred taxes				- 15,663	- 1,641	11,790	- 2,843	6	- 8,351	- 151	- 8,502
Contributions to equity	55	1,343							1,398	0	1,398
Profit after tax, subgroup			154,536						154,536	57,150	211,686
Acquisition/disposal of minority interests in consolidated entities								- 164	- 164	- 827	- 991
Other changes								25	25	2	27
Balance as of 31.12.2008	**69,975**	**139,222**	**303,825**	**- 15,548**	**- 361**	**77,706**	**- 24,804**	**11,611**	**561,626**	**108,466**	**670,092**

Statement of changes in equity HHLA Real Estate subgroup (S division) 2008

IN € THOUSAND; ANNEX TO THE NOTES

				Other comprehensive income		Subgroup equity
	Subscribed capital	Capital reserve	Retained earnings	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Total
Balance as of 31.12.2007	**2,705**	**506**	**17,350**	**1,605**	**- 409**	**21,757**
Dividends paid			- 2,705			- 2,705
Income and expense recognized directly in equity less deferred taxes				475	- 262	213
Profit after tax, subgroup			5,578			5,578
Balance as of 31.12.2008	**2,705**	**506**	**20,223**	**2,080**	**- 671**	**24,843**
Plus income statement consolidation effect			237			237
Less balance sheet consolidation effect			- 12,591			- 12,591
Total effects of consolidation			**- 12,354**			**- 12,354**
Balance as of 31.12.2008	**2,705**	**506**	**7,869**	**2,080**	**- 671**	**12,489**

Statement of changes in equity subgroup Port Logistics (A division) 2007

IN € THOUSAND; ANNEX TO THE NOTES

	Parent company									Minority interests	Subgroup equity
				Other comprehensive income							
	Subscribed capital	Capital reserve	Retained consoli-dated earnings	Reserve for translation differences	Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Other	Total	Total	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
Profit after tax, subgroup			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 HHLA Real Estate subgroup (S division) 2007

IN € THOUSAND; ANNEX TO THE NOTES

				Other comprehensive income		Subgroup equity
	Subscribed capital	Capital reserve	Retained consolidated earnings	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Total
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 recognized directly in equity less deferred taxes				1,276	- 276	1,000
Contributions to equity	655	- 655				0
Profit after tax, subgroup			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 effects of consolidation			**- 12,591**			**- 12,591**
Balance as of 31.12.2007	**2,705**	**506**	**4,759**	**1,605**	**- 409**	**9,166**

CONSOLIDATED FINANCIAL STATEMENTS

Segment report HHLA Group

IN € THOUSAND; BUSINESS SEGMENTS – PRIMARY REPORTING FORMAT; ANNEX TO THE NOTES

	Subgroup Port Logistics				Subgroup Real Estate	Total	Consolidation and reconciliation with the Group	Group
1-12 | 2008	**Container**	**Intermodal**	**Logistics**	**Holding/Other**	**Real Estate**			
Segment revenue								
Segment revenue from non-affiliated third parties	790,285	367,845	121,200	17,443	30,053	1,326,826	0	1,326,826
Inter-segment revenue	1,983	1,824	5,714	119,395	2,526	131,442	- 131,442	0
Total segment revenue	792,268	369,669	126,914	136,838	32,579	1,458,268		
Earnings								
EBIT	303,887	39,256	10,423	- 14,630	13,661	352,597	2,455	355,052
EBITDA	376,775	53,048	17,922	- 7,898	17,588	457,435	- 619	456,816
EBITDA margin	47.6 %	14.4 %	14.1 %	- 5.8 %	54.0 %			
Assets and liabilities								
Segment assets	814,177	251,856	94,630	249,896	156,148	1,566,707	45,748	1,612,455
Segment liabilities	243,375	3,254	37,640	340,513	83,729	708,511	221,364	929,875
Other segment information								
Investments								
Property, plant and equipment and investment property	134,601	55,790	19,055	8,582	11,356	229,384	0	229,384
Intangible assets	25,875	579	2,381	798	12	29,645	365	30,010
Depreciation of property, plant and equipment and investment property	68,718	12,483	4,919	6,075	3,911	96,106	- 1,097	95,009
Amortization of intangible assets	4,170	1,309	2,580	657	16	8,732	- 1,977	6,755
of which impairment	0	1,011	2,312	0	0	3,323	0	3,323
Non-cash expenses	32,070	3,100	3,592	18,898	5,420	63,080	- 1,271	61,809
1-12 | 2007								
Segment revenue								
Segment revenue from non-affiliated third parties	691,044	329,613	115,068	15,956	28,277	1,179,958	0	1,179,958
Inter-segment revenue	1,537	2,310	3,487	115,133	2,502	124,969	- 124,969	0
Total segment revenue	692,581	331,923	118,555	131,089	30,779	1,304,927		
Earnings								
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
Amortization of intangible assets	4,056	2,801	299	619	13	7,788	- 2,450	5,338
of which impairment	0	1,906	0	0	0	1,906	0	1,906
Non-cash expenses	25,980	1,447	2,718	42,903	2,173	75,221	- 17,734	57,487

Segment report HHLA Group

IN € THOUSAND; GEOGRAPHICAL SEGMENTS – SECONDARY REPORTING FORMAT; ANNEX TO THE NOTES

1-12 | 2008	Germany	EU	Outside the EU	Total	Consolidation	Group
Segment revenue	1,075,150	179,133	72,543	1,326,826	0	1,326,826
Segment assets	1,150,275	188,173	38,255	1,376,703	235,752	1,612,455
Investments	197,858	55,986	25,703	279,547	0	279,547
1-12 | 2007						
Segment revenue	980,756	153,214	45,988	1,179,958	0	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

For details of how the individual HHLA segments developed, please see the management report section of this annual report.

Statement of recognized income and expense HHLA Group

IN € THOUSAND

	1 - 12 | 2008 Group	1 - 12 | 2008 Port Logistics	1 - 12 | 2008 Real Estate	1 - 12 | 2008 Consoli-dation	1 - 12 | 2007 Group	1 - 12 | 2007 Port Logistics	1 - 12 | 2007 Real Estate	1 - 12 | 2007 Consoli-dation
Profit after tax	**217,501**	**211,686**	**5,578**	**237**	**151,964**	**149,144**	**4,136**	**- 1,316**
Actuarial gains/losses	12,273	11,798	475		67,217	65,941	1,276	
Cash flow hedges	- 1,845	- 1,845	0		92	92	0	
Translation differ-ences	- 15,659	- 15,659	0		336	336	0	
Deferred taxes on changes recognized directly in equity	- 3,064	- 2,802	- 262		- 21,804	- 21,528	- 276	
Other	6	6	0		2	2	0	
Income and ex-pense recognized directly in equity	**- 8,289**	**- 8,502**	**213**	**0**	**45,843**	**44,843**	**1,000**	**0**
Total income and expense recognized	**209,212**	**203,184**	**5,791**	**237**	**197,807**	**193,987**	**5,136**	**- 1,316**
of which attributable to shareholders of the parent company	152,212	146,184	6,028		155,656	151,836	3,820	
of which attributable to other shareholders	57,000	57,000	0		42,151	42,151	0	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basic information on the Group

The Group's parent company is Hamburger Hafen und Logistik Aktiengesellschaft, Bei St. Annen 1, Hamburg (in the following also referred to 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.

Since the resolution of the Annual General Meeting on 28 June 2007, the HHLA Group has consisted of the subgroup Port Logistics (A division) and the subgroup Real Estate (S division) with effect from 1 January 2007. That part of the Group which deals with the property in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH is allocated to the subgroup Real Estate (S division). All other parts of the company are allocated together to the subgroup Port Logistics (A division). Individual financial statements are prepared for each division to determine the shareholders' dividend entitlements; these, in line with the company's articles of association, form part of the Notes to the financial statements of the parent company.

When the shareholders' dividend entitlements are being determined, the expenses and income of HHLA which cannot be attributed directly to one subgroup are divided between the two subgroups according to their shares of revenues. All transfer pricing for services between the two subgroups takes place on an arm's length basis. Interest must be paid at market rates on liquid funds exchanged between the two subgroups. A notional taxable profit or loss is calculated for each subgroup to allocate the taxes paid. The resulting notional tax payment represents the amount of tax which would have been paid had each of the subgroups been separately liable for tax.

To illustrate the assets and earnings position of the subgroups, the Annexe to these Notes contains the balance sheet, income statement, cash flow statement and schedule of changes in equity for each subgroup.

HHLA's consolidated financial statements for the financial year 2008 were again prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The provisions of Directive (EC) No. 1606/2002 from the European Parliament and the European Council dating from 19 July 2002 on the application of international accounting standards, together with Section 315a (1) of the German Commercial Code (HGB) and additional commercial law 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.

With regard to the effects of applying IFRS for the first time as of the transitional date 1 January 2005, please refer to our annual report 2006.

The financial year as reported by HHLA and its consolidated subsidiaries is the calendar year. The balance sheet date used by the parent company is the reporting date for the consolidated financial statements. The type-of-expenditure format 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 (€ thousand). Due to the use of rounding procedures it is possible that some figures do not add up to the stated sums.

The consolidated financial statements are prepared using the historical cost principle. This does not apply to derivative financial instruments and available-for-sale financial assets carried at fair value. These HHLA consolidated financial statements for the financial year ending 31 December 2008 were approved by the Executive Board on 6 March 2009 for presentation to the Supervisory

Board. It is the Supervisory Board's responsibility to examine the consolidated financial statements and to state whether or not it approves them. The consolidated financial statements are due to be published on 31 March 2009.

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 – Altenwerder, Burchardkai and Tollerort – handle approximately two-thirds of all containers that pass through the Port of Hamburg. This HHLA segment also offers a comprehensive range of services covering all aspects of containers and ship handling.

Intermodal

HHLA's Intermodal companies provide a comprehensive transport network encompassing rail, road and sea which links the German seaports with their hinterland in Europe. The companies TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt, the METRANS Group, Czech Republic and the Polzug Group, Hamburg and Warsaw (Poland) are all market leaders in hinterland container transport in their respective regions. CTD Container-Transport-Dienst GmbH provides container transport on the roads immediately surrounding the greater Hamburg region, in northern Germany and to long-distance destinations, while the HHLA subsidiary combisped Hanseatische Spedition GmbH, Lübeck, connects the Baltic region with the Port of Hamburg via the land route Hamburg–Lübeck and the Container Terminal Lübeck (CTL).

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 properties in the Speicherstadt historical warehouse district and the fish market area on the northern banks of the river Elbe. The Group is driving the process of change in Hamburg's Speicherstadt historical warehouse district from traditional warehousing to a modern mix of uses including offices and cultural organizations.

2. Consolidation, accounting and valuation principles

2.1 CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of HHLA and its subsidiaries as of 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 in the HHLA Group.

Capital is consolidated at the time of acquisition by setting off the acquisition costs of the investment against the pro rata fair values of the assets acquired and the liabilities and contingent liabilities assumed at the time of the acquisition. Previously unreported intangible assets, which can be included in the accounts under IFRS 3 in conjunction with IFRS 38, and contingent liabilities are recognized at fair value. In the course of subsequent consolidations, the previously unrealized hidden reserves 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 capitalized as goodwill and subjected to an annual impairment test. Following a critical assessment, any negative difference from setting off the acquisition costs against the pro rata fair value of assets, liabilities and contingent liabilities at the time of acquisition is posted to profit and loss.

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

The acquisition of additional minority interests in consolidated companies is treated as an equity transaction in line with the entity concept and therefore set off directly against equity. Gains or losses from the disposal of minority interests in consolidated companies are likewise 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 intercompany profits (elimination of intercompany profits); these assets are therefore recognized at their historical cost to the Group. Intra-Group income is set off against the equivalent expenses (consolidation of income and expenses). 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. Control as defined by IAS 27 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 when 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:

HHLA AG and fully consolidated companies	Domestic	Foreign	Total
1 January 2008	31	4	35
Acquired	3	1	4
Disposals	2	0	2
31 December 2008	32	5	37
Companies consolidated pro rata			
1 January 2008	7	1	8
Acquired	0	0	0
Disposals/reclassifications	2	0	2
31 December 2008	5	1	6
Companies reported using the equity method			
1 January 2008	0	0	0
Reclassifications	1	0	1
Disposals	0	0	0
31 December 2008	1	0	1
Total	**38**	**6**	**44**

There were changes in the group of consolidated companies at HHLA in the reporting year. Please refer to Notes 3 and 23 for information on the acquisition and disposal of shares in companies in 2008.

In the reporting year DYKO, spol. s r.o., Kolin, Czech Republic, was fully consolidated for the first time.

A complete list of the Group's equity investments in accordance with Section 313 (4) of the German Commercial Code (HGB) can be found in Note 42.

2.3 INTERESTS IN ASSOCIATED COMPANIES

Companies designated as associated companies are those where the shareholder has a material influence. At the same time, it is neither a subsidiary nor an interest in a joint venture (see note 2.4). A material influence is assumed when it is possible to be involved in the associated company's financial and commercial decisions without exercising a controlling influence. This is basically the case when 20 % to 50 % of the voting rights are held, either directly or indirectly. Shares in associated companies are reported in these financial statements using the equity method. With the equity method, the shares in associated companies are first stated at acquisition cost. The shares' carrying amount then increases or decreases in line with the shareholder's interest in the associated company's results. The shareholder's interest in the associated company's results is reported in its earnings figures. Instead of being subjected to scheduled amortization, any goodwill recorded within the carrying amount of the investment when it is reported in the balance sheet for the first time undergoes an impairment test for the entire carrying amount of the investment if there are any indications of possible impairment.

As from the acquisition date, HHLA's interest in the associated company's results is recorded in the consolidated income statement, while its interest in changes in equity is recorded directly in the consolidated equity. These cumulative changes affect the carrying amount of the interest in the associated company. As soon as HHLA's share in the company's losses exceeds the carrying amount of the investment, however, HHLA records no further shares in the losses unless HHLA has entered into obligations to that effect or has made payments for the associated company.

Significant results from transactions between HHLA and the associated company are eliminated in proportion to the interest in the associated company.

2.4 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 and valuation principles and for the same reporting year as the consolidated financial statements.

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

The joint venture is included in the Group's consolidated financial statements using the proportionate consolidation method until such time as 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 of 31 December 2008 and 31 December 2007 is as follows:

IN € THOUSAND	31.12.2008	31.12.2007
Current assets	23,995	27,077
Non-current assets	16,820	27,856
	40,815	**54,933**
Current liabilities	23,016	24,359
Non-current liabilities	5,772	14,783
	28,788	**39,142**
Income	179,282	170,793
Expenses	175,255	165,479

2.5 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 affect 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. As of the balance sheet date the assets and liabilities of these subsidiaries are converted to the HHLA Group's reporting currency (euros) at the rate on 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. Equity components are converted at their respective historical rates. Any 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 recognized in the income statement on foreign currency items resulted in a profit of €2,830 thousand in the reporting year (2007: €1,586 thousand).

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

	1 euro =	Spot rate on		Average annual rate	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
Czech Republic	CZK	26.630	26.560	25.133	27.715
Poland	PLN	4.175	3.586	3.539	3.781
Slovakia	SKK	30.126	33.580	31.322	33.830
Ukraine	UAH	10.732	7.431	7.841	6.926

2.6 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

Preparing the consolidated financial statements in accordance with IFRS requires management to make estimates and assess individual facts and 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 2.7) and the parameters for measuring pension provisions (see Note 35), for estimating the probability and amount of certain provisions being used in the future (see Note 36), and of the realizability of deferred tax assets (see Note 16), and for measuring the fair value of investment property disclosed in the Notes (see Note 22).

The Group tests goodwill for impairment at least once a year. This requires an estimate of the value in use of the cash-generating units 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.

2.7 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 specific accounting and valuation principles were applied.

Intangible assets

Intangible assets are capitalized if the assets are identifiable, a future inflow of benefits can be expected and the acquisition and production costs can be ascertained reliably. Intangible assets acquired in return for payment 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 as of each balance sheet date for signs of impairment.

Intangible assets with an indefinite useful life are subjected 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 derivative goodwill.

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

The capitalized amount of development costs is subject to an impairment test at least once per year 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:

	2008	2007
Software	3–5 years	3–5 years

Property, plant and equipment are recognized at historical cost less depreciation and accumulated impairment losses. These costs also include those incurred in replacing major parts of such assets at the time of their being incurred if 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 overheads 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 as of the time when it arises and an equivalent provision is recognized at the same time. The expense is recognized by depreciating the capitalized asset and by accruing interest on the provision which is included in interest expenses over the asset's useful life.

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

	2008	2007
Buildings	10–70 years	10–70 years
Plant and machinery	5–25 years	5–25 years
Other equipment, factory and office 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 of property, plant and equipment as replacement costs 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.

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 supplying goods or services, for administrative purposes or for sale as part of normal business operations.

IAS 40 stipulates that investment property is held at acquisition or production cost less straight-line depreciation and accumulated impairment losses. These acquisition and production costs include replacement expeditures for parts of such assets at the time they are incurred if the criteria for recognition are met. Subsequent expenses are capitalized if they result in an increase in investment property's value in use. 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

As of each balance sheet date the Group determines whether there are any 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 selling costs and its value in use. The recoverable amount must be determined for each asset individually unless the asset does not generate cash inflows 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 must 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 fair value less selling costs 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 2008 the interest rate for discounting was between 7.3 % and 10.3 % p.a. (2007: 8.1 % to 9.8 % p.a.). The cash flow forecasts in the Group's updated plans for the next five years were extrapolated to determine future cash flows by including expected declines in margins. When forecasting cash flows the Group takes future market and sector expectations as well as past experience into account in its planning.

On each reporting date an assessment is made as to whether an impairment loss recognized in prior periods no longer exists or has decreased. 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 must be recognized immediately in profit and loss for the period. Following a reversal, the amount of depreciation must 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 as defined by 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 insofar as this is permitted and appropriate.

Financial assets are recognized as of their settlement date, i.e. upon 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 rate method. Gains and losses are recognized in the result for the period when the loans and receivables are derecognized or impaired and within the scope of repayment.

TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are recognized at amortized cost less allowances for doubtful 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. Examples of objective evidence are manifest shortages of liquid funds or the institution of insolvency proceedings against a customer. When assessing such situations, HHLA draws on its own data about the specific customer, external information and figures derived from experience.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash in hand, cheques, bank balances on deposit and short-term bank deposits which have 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 are recognized in the accumulated other equity. The gains or losses accumulated in equity are recognized in profit and loss as of the date when the financial instruments are derecognized or their impairment is determined.

The fair values of financial instruments traded on organized markets are determined by reference to the prices quoted on the stock exchange on the balance sheet date. The fair values of financial instruments for which there is no active market are estimated using valuation methods. If the fair values cannot be determined reliably because they are not traded on an active market, they are valued at cost. This applies in particular to non-consolidated interests 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 proportions 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 using the percentage of completion method if the result of the service transaction can be estimated reliably. Net realizable value corresponds to the estimated sales proceeds in the course of normal operations, less costs until 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 on initial recognition). The amount of the loss must be recognized immediately in profit and loss. If the amount of the write-down decreases in one of the following reporting periods and this decrease can be ascribed objectively to circumstances occurring after the impairment was recognized, then the earlier impairment is reversed. A subsequent write-up is recognized in profit and loss if the carrying amount of the asset at the time of the write-up does not exceed the amortized cost.

ASSETS RECOGNIZED AT COST

If there is an objective indication of impairment to a non-listed equity instrument that is not recognized at fair value because its fair value cannot be determined reliably, the amount of the write-down is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, discounted at the current market rate of return for 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 acquisition cost (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-ups on equity instruments classified as available for sale are recognized directly in equity. Write-ups on debt instruments 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 received less transaction costs related to borrowing, including discounts and premiums.

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

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

Provisions

A provision is formed if the Group has a present (legal or factual) obligation arising from past events, the settlement of which is likely to result in an outflow of resources embodying economic benefits, and if the amount required to settle the obligation can be estimated reliably. The provision is formed for the amount expected to be 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 recognized as a separate asset only if it is virtually certain. The expenses arising from making the provision are disclosed in the income statement after the reimbursement has been deducted. If the interest effect is substantial, non-current provisions are discounted before tax at an interest rate which reflects the specific risks associated with the liability. In the event of discounting, the increase in the amount of the provision over time is recognized under interest expenses.

Pensions and other retirement benefits

Pensions and similar commitments include the Group's benefit obligations under defined benefit obligations. Provisions for pension obligations are calculated in accordance with IAS 19 using the projected unit credit method. This requires the commissioning of annual actuarial opinions that include assumptions about demographic changes, salary and pension increases, and interest, inflation and fluctuation rates. Actuarial gains and losses are recognized in equity without effect on profit and loss, after accounting for deferred taxes. Service expense affecting net income is recognized in personnel expenses and the interest proportion of the addition to provisions is recognized in the financial result.

Leases in which the Group is lessee

The question of whether an agreement is or contains a lease depends on the commercial content of the agreement and requires an assessment as to whether fulfilling the agreement depends on the use of a certain asset or assets and whether the agreement grants a right to use that asset.

FINANCE LEASES

Finance leases – in which virtually all of the risks and potential rewards associated with ownership of an asset are transferred to the Group – are capitalized at the start of the lease at the lower of the leased asset's fair value or the present value of the minimum lease payments. A lease liability is recognized for the same amount. Lease payments are divided into financing expenses 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 lease term is not sufficiently certain, capitalized leased assets are fully depreciated over the shorter of the lease term and the asset's useful life. Otherwise, the period of depreciation is the leased asset's useful life.

OPERATING LEASES

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

Leases 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 rental contracts are classified as operating leases, as the main risks and potential rewards of the properties remain with the Group. The properties are therefore held as investment properties at amortized cost.

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

Recognition of income and expenses

Income is recognized when it is probable that the economic benefit will flow to the Group and the amount of income can be determined reliably. 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 potential rewards incidental to ownership of the goods and merchandise sold have been transferred to the buyer.

PROVISION OF SERVICES

Income from services is recognized in proportion to the progress of the project in question. The extent to which the service has been provided is determined by the number of hours worked as of 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 estimated reliably, income is recognized only to the extent that the expenses incurred are eligible for reimbursement.

INTEREST

Income and expenses are recognized when the interest has arisen.

DIVIDENDS

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

Operating expenses are recognized when the service is rendered 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 on a straight-line basis by reducing the depreciation for the asset over its useful life.

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 must be made to the tax authorities. The tax rates and tax legislation in force as of 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 of 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 proportionate to the probability 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 assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable profits will be available to use against the deferred tax asset. Unrecognized deferred tax assets are reviewed on each balance sheet date and recognized proportionate to the likelihood that future taxable profits will make it possible to use deferred tax assets.

Deferred tax assets 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 applied 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, likewise not affecting net income.

Deferred tax assets and liabilities are netted only 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 on 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, interest rate caps 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 will assess 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 were actually 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.

2.8 EFFECTS OF NEW ACCOUNTING STANDARDS

The following accounting standards and interpretations became applicable in the financial year 2008. 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.

The interpretation IFRIC 11 deals with the application of IFRS 2 – *Share-based Payment* – in respect of particular share-based payment agreements, for example when the company's treasury shares or the parent company's equity instruments are involved. This interpretation must be applied for financial years that begin on or after 1 March 2007 and has no impact on HHLA for the financial year under review.

The interpretation IFRIC 14 – *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* - that was announced in July 2007 is an aid for interpreting a number of previously undefined rules in IAS 19 – *Employee Benefits*. Generally speaking, IFRIC 14 contains solutions for determining the upper limit of a pension fund's surplus that can be recorded as an asset. The interpretation also describes how a legal or contractual minimum funding requirement can have an impact on the assets or liabilities of a pension plan. According to this, the employer is not to report any further liability unless the amounts to be paid under the minimum funding requirements cannot be refunded to the company. The interpretation IFRIC 14 applies to all financial years that begin on or after 1 January 2008. The application of this interpretation has no impact on HHLA's consolidated financial statements.

The changes in the standards IAS 39/IFRS 7 – *Reclassification of Financial Instruments* are applicable for the first time as of the balance sheet date. The possibility of reclassifying non-derivative financial instruments from the category "financial assets at fair value through profit or loss" has no relevance for the consolidated financial statements.

Newly published accounting standards that have not yet been implemented

In November 2006, the IASB published IFRS 8 *Operating Segments* as a replacement for IAS 14 *Segment Reporting*. IFRS 8 requires companies to provide financial and descriptive information regarding their segments for which reporting is mandatory. IFRS 8 must be applied for financial years that begin on or after 1 January 2009. The company did not apply this standard early. The first-time application of the standard will only lead to changes in the information requirements.

In March 2007, the IASB published the revision of IAS 23 *Borrowing Costs*. Rather than containing an option to capitalize borrowing costs, the revised version prescribes their capitalization. Capitalization must be carried out when the borrowing costs are directly attributable to the acquisition or production of a qualified asset. The application of the revised version of IAS 23 is mandatory for the first time in financial years that begin after 1 January 2009. The revised standard's first-time application is prospective. The company is currently examining the impact of its first-time application.

In September 2007, the IASB published IAS 1 *Presentation of Financial Statements (revised)*. IAS 1 replaces IAS 1 *Presentation of Financial Statements (revised in 2003)* in its amended version from 2005. The aim of the revision is to improve the possibilities of analysing and comparing annual financial statements for their users. IAS 1 governs the principles for presenting and structuring financial statements. The new standard must be applied for those financial years which begin on or after 1 January 2009, although early application is permitted.

In January 2008, the IASB adopted IFRS 2 *Share-based Payment, Vesting Conditions and Cancellations.* The amendment determines clearly that vesting conditions are only service conditions and performance conditions. Other elements of share-based payment are not vesting conditions. In addition, the amendment states unambiguously that cancellations by parties other than the company must be depicted in the balance sheet in the same way as cancellations by the company. The IFRS 2 amendment must be applied for financial years that begin on or after 1 January 2009. The first-time application of the standard is unlikely to have any material effects.

In June 2007, the IFRIC adopted IFRIC 13 *Customer Loyalty Programmes*. The interpretation deals with the balance sheet reporting of customer loyalty programmes. It must be applied for the first time for financial years that begin after 1 January 2009 and will have no material impact on the consolidated financial statements.

The following announcements on accounting methods have been published by the IASB but, as of the reporting date, have not yet been adopted by the EU. For this reason, the company does not yet apply them.

In January 2008, the IASB published the revised standards IFRS 3 *Business Combinations* (IFRS 3 [2008]) and IAS 27 *Consolidated and Separate Financial Statements under IFRS* (IAS 27 [2008]). In IFRS 3 (2008) the application of the purchase method in the reporting of mergers is given a new regulatory framework. Significant amendments concern the valuation of minority interests, the recording of gradual company acquisitions and the treatment of conditional purchase price components and incidental acquisition costs. The new regulation stipulates that minority interests can be measured either at their fair value (full goodwill method) or at the fair value of the pro rata identifiable net assets. In the case of gradual company acquisitions, the new regulation provides for a revaluation through profit and loss at the current value of the shares held as of the time when control was transferred. Any adjustment of conditional purchase price components which are reported as liabilities at the time of acquisition must be recorded through profit and loss in the future. Incidental acquisition costs are recorded as expenses as of the time when they arise. Significant alterations to IAS 27 (2008) affect the balance sheet reporting of transactions in which a company retains control as well as transactions where control is ceded. Transactions that do not lead to a loss of control must be reported under equity with no effect on income. Any remaining shares must be measured at fair value as of the time when control is lost. The revised standards are mandatory for financial years which begin on or after 1 July 2009.

In addition to the above, the following interpretations, which have not yet been adopted by the EU and were therefore not applied by the company in the financial year, were published.

- IFRIC 12 *Service Concession Arrangements* (November 2006)
- IFRIC 15 *Agreement for the Construction of Real Estate* (July 2008)
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (July 2008)
- IFRIC 17 *Distributions of Non-Cash Assets to Owners* (November 2008)

The first-time application of these interpretations is unlikely to lead to any material changes for the company.

3. Company acquisitions

PURCHASE AND SALE OF SHARES IN SUBSIDIARIES

With legal effect from 1 January 2008, HHLA's shareholding in HHLA Rhenus Logistics Altenwerder GmbH & Co. KG, Hamburg, was increased from 49 % to 100 % and its shareholding in HHLA Rhenus Logistics GmbH, Hamburg, from 51 % to 100 %.

The increase in the shareholding resulted in a difference which was set off against equity with no effect on earnings using the entity concept. The purchase price for HHLA Rhenus Logistics GmbH, which was already fully consolidated, was € 40 thousand.

The goodwill generated by the gradual share purchases in HHLA Rhenus Logistics Altenwerder GmbH & Co. KG amounts to € 2,312 thousand. The purchase price for this company was allocated to the acquired assets, liabilities and contingent liabilities as of the acquisition date 30 June 2008 as follows:

IN € THOUSAND	Reported fair values
Property, plant and equipment and other assets	9,038
Liabilities	8,316
Net assets	722
Purchase price	3,034
Goodwill	2,312

The carrying amounts of the assets and liabilities acquired corresponded to their fair values at the time of acquisition.

If the cash and cash equivalents acquired are included, the acquisition led to a net cash outflow of € 3,034 thousand which is included in the cash flow statement.

As per the acquisition date on 30 June 2008, HHLA acquired control of HHLA Rhenus Logistics Altenwerder GmbH. If the acquisition had already taken place as per 1 January 2008, the Group's revenue would have increased by € 1,229 thousand and the Group's result for the period would have been € 445 thousand lower.

Entries in the Commercial Register on 16 October 2008 and 22 October 2008 respectively led to the company name of HHLA Rhenus Logistics GmbH being changed to HHLA Logistics GmbH and that of HHLA Rhenus Logistics Altenwerder GmbH & Co. KG being changed to HHLA Logistics Altenwerder GmbH & Co. KG.

Effective from 18 March 2008, HHLA's shareholding in METRANS a.s., Prague, Czech Republic, was increased from 51.05 % to 51.50 %. The purchase price of € 790 thousand for these shares was set off against the equity with no effect on income in accordance with the entity concept after a reduction in the minority interests.

Upon attaining control over the company as of 27 November 2008, HHLA Rosshafen Terminal GmbH, Hamburg, acquired 100 % of the shares in both BULCOTRANS Lagerei- und Umschlagsgesellschaft mbH, Hamburg (abbreviated as BULCOTRANS), and Eichholtz & Cons. GmbH, Hamburg (abbreviated as Eichholtz) for an aggregate sum of € 17.9 million. Of the purchase price, € 4.4 million is accounted for by the current values of the assets and liabilities of the companies in question, while the remaining sum is attributed to the warehousing CGU (cash-generating unit). There were long-term lease agreements with these two companies which restricted any possible use of the premises concerned. After the acquisition, the lease agreements were altered by adding an option for termination at short notice. As the investment plans had been changed in the meantime, the planned use of the premises was also changed, with the result that the sale of the shares as of 30 December 2008 led to a deconsolidation loss equivalent to the goodwill of € 13.5 million.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The income statement has been prepared using the type-of-expenditure format.

4. Revenue

The following tables show Group revenue by segment.

IN € THOUSAND	2008	2007
Container	790,285	691,044
Intermodal	367,845	329,613
Logistics	121,200	115,068
Holding/Other	17,443	15,956
Real Estate	30,053	28,277
	1,326,826	**1,179,958**

Revenue by region:

IN € THOUSAND	2008	2007
Germany	1,075,150	980,756
EU	179,133	153,214
Outside the EU	72,543	45,988
	1,326,826	**1,179,958**

5. Changes in inventories

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

IN € THOUSAND	2008	2007
Container	- 808	- 68
Intermodal	667	0
Logistics	113	- 1,630
Real Estate	- 3	0
Holding/Other	38	- 412
	7	**- 2,110**

6. Own work capitalized

Own work capitalized results mainly from technical work capitalized in the course of construction work. Of the total, € 11,009 thousand (2007: € 11,138 thousand) relates to HHLA's Container segment, € 450 thousand to Logistics and € 772 thousand (2007: € 587 thousand) relates to Holding/Other.

7. Other operating income

IN € THOUSAND	2008	2007
Income from exchange rate differences	9,939	4,289
Compensation	2,966	3,514
Income from write-backs	2,275	0
Proceeds on disposal of property, plant and equipment	1,580	1,793
Income from reversal of provisions	1,375	4,340
Reimbursements	1,341	1,172
Expenses passed on to third parties	3	3,073
Other operating income	10,061	12,569
	29,540	**30,750**

8. Cost of materials

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

IN € THOUSAND	2008	2007
Raw materials, consumables and supplies	82,551	75,663
External staff	41,891	41,951
Purchased services	360,304	335,982
	484,746	**453,596**

9. Personnel expenses

Personnel expenses in the financial year were as follows:

IN € THOUSAND	2008	2007
Wages and salaries	232,668	213,781
Social security contributions and benefits	43,780	40,650
Current service expense	3,785	6,607
Other retirement benefit expenses	512	441
	280,745	**261,479**

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:

	2008	2007
Fully consolidated companies		
Employees receiving wages	2,261	2,173
Salaried staff	2,217	1,987
Trainees	138	111
	4,616	**4,271**
Proportionately consolidated companies		
Employees receiving wages	66	70
Salaried staff	173	163
Trainees	1	2
	240	**235**
	4,856	**4,506**

10. Employee stock purchase plan

As part of the stock 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 %. 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 two years. At the balance sheet date, € 1,398 thousand relating to these loans was recorded under current financial receivables. The net interest income includes discount expense of € 40 thousand.

On 4 December 2008, as part of an employee stock purchase plan, the HHLA Group issued no-par bearer Class A shares preferentially to employees at a price of € 25.50. The shares allocated originate from Authorized Capital I and led to a capital increase (see Note 33). Each employee who was entitled to participate in the programme could acquire shares at a book value of between € 127.50 and a maximum of € 892.50. The maximum share was € 318.75 per employee. At the same time, up to five free shares were allocated to the entitled staff members depending on their length of service. This applied to all employees of the Group who were in an ongoing employment or training relationship on the date specified above. Of the maximum 100,396 shares available, 54,826 were acquired by employees. The transactions were settled directly by the employees in the amount of the respective equity stake and by HHLA paying the difference. The resultant personnel expenses amounted to € 920 thousand.

IN € THOUSAND	2008	2007
Intangible assets	6,755	5,338
Property, plant and equipment	84,102	73,046
Investment property	10,907	12,650
	101,764	**91,034**

11. Depreciation and amortization

Depreciation and amortization in the financial year was as follows: A classification of the depreciation and amortization by asset category is shown in the consolidated fixed asset movement schedule. Unscheduled depreciation or amortization was carried out in the reporting year (see Notes 20 and 21).

12. Other operating expenses

The following table shows other operating expenses:

IN € THOUSAND	2008	2007
Leasing	38,612	35,849
Consultancy, services, insurance and auditing expenses	31,794	32,279
External maintenance services	30,630	32,156
Losses from deconsolidation	13,500	0
Expenses from exchange rate differences	5,832	2,703
Venture expenses	1,747	1,829
Other taxes	1,169	1,425
Losses on the disposal of property, plant and equipment	1,117	2,311
Other	21,896	18,013
	146,297	**126,565**

See Note 41 for further details of leasing expenses.

13. Earnings from associates accounted for using the equity method

The pro rata earnings from companies consolidated at equity amounting to € 108 thousand are attributable to CuxPort GmbH, Cuxhaven, which was consolidated for the first time using the equity method in 2008. CuxPort GmbH was included on the basis of the interim financial statements as of 30 September 2008. The company's annual financial statements to 31 December 2008 were not available when the consolidated financial statements were being prepared (see also Note 23).

14. Financial result

The financial result in the reporting period was as follows:

IN € THOUSAND	2008	2007
Income from other equity investments	250	153
Expenses from losses assumed	57	0
Other financial result	**193**	**153**
Interest income from bank balances	7,662	1,994
Interest income from non-consolidated affiliated companies	3,162	2,775
Income from interest rate hedges	1,848	2,736
Interest income from non-affiliated companies	1,081	1,257
Income from exchange rate effects	2,939	0
Other interest and similar income	**16,692**	**8,762**
Interest portion of pension provisions	16,392	16,195
Interest expenses on bank borrowing	14,425	15,299
Interest expenses from non-consolidated affiliated companies	3,146	326
Interest expenses from non-affiliated companies	2,997	1,614
Expenses from interest rate hedges	2,938	1,996
Interest portion of other provisions	2,702	3,176
Interest included in lease payments	1,083	1,053
Expenses from exchange rate differences	4,216	0
Interest and similar expenses	**47,899**	**39,659**
Net interest	**- 31,207**	**- 30,897**
Financial result	**- 31,014**	**- 30,744**

The information about the exchange rate differences in the reporting year refers to the METRANS Group and HPC Ukraina. Essentially, these are exchange rate effects arising from bank deposits and loans that were taken up. In the previous year, the METRANS Group reported income from exchange rate effects amounting to € 1,317 thousand, while the exchange rate effects recorded through profit and loss at HPC Ukraina in the previous year must be classified as insignificant. For the sake of improved clarity, the exchange rate effects resulting from bank deposits and loans previously reported under operating earnings have been reported under the financial result since 2008. The previous year's figures are, as before, recorded under the previous year's EBIT. In the previous year, the income and expenses from interest rate hedges were shown netted against each other.

15. Research and development costs

In the 2008 financial year research and development costs of € 958 thousand (2007: € 2,960 thousand) were recognized as an expense. These primarily related to software development.

16. Income tax

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. Companies domiciled in Germany pay corporation tax of 15.0 % and a solidarity surcharge of 5.5 % of the corporation tax expense. These companies and German-based subsidiaries in the form of limited partnerships are also liable for trade tax, which is imposed at different local rates.

Trade tax no longer reduces the amount of a company's profits on which corporation tax is payable.

The main components of income tax expense for the financial years 2008 and 2007 are as follows:

IN € THOUSAND	2008	2007
Consolidated income statement		
Deferred taxes on temporary differences	836	6,413
Deferred taxes on losses carried forward	- 177	7,099
	659	**13,512**
Current income tax expense	105,986	91,429
Income tax expense recognized in the income statement	**106,645**	**104,941**

Deferred tax assets and liabilities result from temporary differences and tax loss carryforwards as follows:

The offsetting and reconciliation between the income tax expenses and hypothetical tax expenses based on the IFRS result and the Group's applicable tax rate for the financial years 2008 and 2007 are as follows:

IN € THOUSAND	2008	2007
Profit before tax	**324,146**	**256,905**
Income tax expense at hypothetical income tax rate of 32.28 % (2007: 40.38 %)	104,634	103,738
Adjustment in current income taxes for prior years	4,159	327
Effect of tax rate changes	166	10,240
Tax-free income	- 300	- 99
Non-deductible expenses	5,239	1,151
Trade tax additions and reductions	1,544	567
Differences in tax rates	- 7,428	- 9,390
Other tax effects	- 1,369	- 1,593
	106,645	**104,941**

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. A tax rate of 32.28 % was used for the calculations in both 2007 and 2008. This is made up of corporation tax at 15.0 %, solidarity surcharge of 5.5 % and the trade tax payable in Hamburg of 16.45 %. Limited partnerships are also liable for trade tax. Due to special rules, property management companies do not pay trade tax. Trade

	Deferred tax		Deferred tax liabilities	
IN € THOUSAND	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Intangible assets	1,944	1,951	1,530	1,460
Property, plant and equipment and finance leases	6,243	7,324	12,625	15,347
Investment property	0	0	15,069	11,671
Financial assets	746	107	2	4
Inventories	114	221	31	0
Receivables and other assets	1,223	1,847	1,948	1,559
Pension and other provisions	28,754	33,994	1,611	3,248
Liabilities	1,076	641	13	1,619
Derivative financial instruments	0	53	66	0
Tax losses carried forward	1,498	1,485	0	0
Interest carried forward	164	0	0	0
	41,762	47,623	32,895	34,908
Netted amounts	- 21,209	- 18,160	- 21,209	- 18,160
Balance sheet items	**20,553**	**29,463**	**11,686**	**16,748**

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 carryforwards 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 %.

The current income taxes for previous years consist mainly of tax back payments resulting from the tax audit.

The impact on non-deductible expenses is accounted for primarily by the effect under tax law of the non-reporting of the deconsolidation loss from the sale of the shares in BULCOTRANS and Eichholtz.

The effects of tax rates for domestic and foreign taxes that diverge from the Group parent company's tax rate are reported in the offsetting and reconciliation under differences in tax rates.

Deferred tax assets are recognized on tax loss carryforwards and temporary differences if it is sufficiently certain that they can be realized in the near future. The Group has corporation tax loss carryforwards of € 7,760 thousand (2007: € 6,411 thousand) and trade tax loss carryforwards of €1,641 thousand (2007: € 2,790 thousand) which it can use without restriction to set off against future taxable profits in the companies in which the losses were incurred. The same applies analogously to the interest carried forward amounting to € 1,036 thousand (2007: € 0 thousand). No deferred tax assets were recognized for corporation tax loss carryforwards of € 532 thousand (2007: € 1,286 thousand) and trade tax loss carryforwards of € 375 thousand (2007: € 193 thousand). Under current legislation the tax losses and interest can be carried forward in Germany without restriction.

Deferred tax assets of € 159 thousand (2007: € 1 thousand) and deferred tax liabilities of € 25,691 thousand (2007: € 22,469 thousand) recognized directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions and cash flow hedges.

17. 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 a maximum of 50 % of net profits.

18. Earnings per share

Basic 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:

	2008	**2007**
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	160,351	111,263
Number of common shares in circulation (weighted average)	72,629,045	70,687,500
Basic earnings per share in €	**2.21**	**1.57**

To make the earnings per share for 2007 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 basic earnings per share for 2008 were calculated for the subgroups as follows:

	Port Logistics	**Real Estate**
Share of consolidated net profit 2008 attributable to shareholders of the parent company in € thousand	154,536	5,815
Number of common shares in circulation (weighted average)	69,924,545	2,704,500
Basic earnings per share in €	**2.21**	**2.15**

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

19. Dividends distributed and proposed

A resolution was passed at the Annual General Meeting held on 12 June 2008 to distribute a dividend of €62,138 thousand to holders of common shares for the financial year 2007. At the time of the distribution, the number of shares entitled to dividends amounted to 72,625,000, of which 69,920,500 are to be attributed to the subgroup Port Logistics (A division) and 2,704,500 to the subgroup Real Estate (S division). The resultant dividends are €0.85 per Class A share and €1.00 per Class S share. The remaining undistributed profit was carried forward to new account.

Comparability with the financial year 2007 is only limited, as the classification of the share portfolio as described above did not become effective until HHLA was floated on the stock exchange on 2 November 2007. Consequently, the number of shares entitling their holders to dividends before the flotation in 2007 was 53,300,000. For the change in the number of shares, see Note 33.

In connection with the above, individual divisional financial statements have been prepared since the financial year 2007; these, under the articles of association, form part of the notes to the parent company's financial statements.

In 2009, dividends of €69,975 thousand are due to be paid to shareholders in the subgroup Port Logistics and a payout of €2,705 thousand is to be made to the subgroup Real Estate's shareholders. This is equivalent to dividends per share of €1.00 for the subgroup Port Logistics and €1.00 for the subgroup Real Estate.

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. Intangible assets

The following tables show the changes in intangible assets in 2008 and 2007:

Intangible assets 2008

IN € THOUSAND

	Goodwill	Software	Internally developed software	Other intangible assets	Payments on account	2008 Total
Cost						
1 January 2008	45,080	34,356	12,082	1,399	5,956	98,873
Additions	15,984	766	9,296	0	3,963	30,009
Disposals	- 13,500	- 797	0	0	0	- 14,297
Changes in group of consolidated companies	0	- 145	0	0	0	- 145
Exchange rate effects	0	- 545	0	0	0	- 545
31 December 2008	**47,564**	**33,635**	**21,378**	**1,399**	**9,919**	**113,895**
Accumulated amortization and impairment losses						
1 January 2008	0	28,574	0	1,399	0	29,973
Amortization additions	3,323	3,357	75	0	0	6,755
Amortization disposals	0	- 774	0	0	0	- 774
Change in group of consolidated companies	0	- 145	0	0	0	- 145
Exchange rate effects	0	- 270	0	0	0	- 270
31 December 2008	**3,323**	**30,742**	**75**	**1,399**	**0**	**35,539**
Net carrying amount	**44,241**	**2,893**	**21,303**	**0**	**9,919**	**78,356**

Intangible assets 2007

IN € THOUSAND

	Goodwill	Software	Internally developed software	Other intangible assets	Payments on account	2007 Total
Cost						
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
31 December 2007	**45,080**	**34,356**	**12,082**	**1,399**	**5,956**	**98,873**
Accumulated amortization and impairment losses						
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
31 December 2007	**0**	**28,574**	**0**	**1,399**	**0**	**29,973**
Net carrying amount	**45,080**	**5,782**	**12,082**	**0**	**5,956**	**68,900**

Of the internally developed software shown, € 908 thousand was completed as of the balance sheet date.

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 31.12.2008 came to € 30,929 thousand. This goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites let by the company.

In the Intermodal segment, the annual impairment test for the cash-generating unit consisting of combisped Hanseatische Spedition, Lübeck, and CTL Container Terminal Lübeck GmbH, Lübeck, led to impairment requirements amounting to € 1,011 thousand. The goodwill attributed to this cash-generating unit was written down in this amount and the impairment was included in amortization and depreciation through profit and loss in the year under review.

In the Logistics segment, a goodwill impairment test was conducted on the cash-generating unit consisting of HHLA Logistics GmbH, Hamburg and HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg, which identified impairment requirements of € 2,312 thousand. This expense was recorded as unscheduled depreciation on the goodwill.

The process used to determine the cash-generating unit's value in use is described in 2.8 "Accounting and valuation principles".

For the additions and disposals of goodwill, please refer to the explanatory remarks in Note 3.

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

IN € THOUSAND	31.12.2008	31.12.2007
Container (Rosshafen)	30,929	30,929
Intermodal	6,821	7,660
Container (HHCT)	6,489	6,489
Other	2	2
	44,241	**45,080**

21. Property, plant and equipment

The following tables show the changes in property, plant and equipment in 2008 and 2007.

Property, plant and equipment 2008

IN € THOUSAND

	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Plant under construction	2008 Total
Cost					
1 January 2008	461,632	561,647	273,114	93,082	1,389,475
Additions	36,833	30,498	53,273	99,755	220,359
Disposals	- 2,591	- 884	- 6,806	- 27	- 10,308
Reclassification	13,105	15,861	4,269	- 42,962	- 9,727
Changes in group of consolidated companies	7,052	- 1,347	115	- 517	5,303
Exchange rate effects	- 1,237	- 7,338	- 2,003	- 2,559	- 13,137
31 December 2008	**514,794**	**598,437**	**321,962**	**146,772**	**1,581,965**
Accumulated depreciation and impairment losses					
1 January 2008	220,789	276,960	136,297	0	634,046
Depreciation additions	19,897	36,024	28,157	24	84,102
Depreciation disposals	- 1,472	- 792	- 6,585	0	- 8,849
Reclassifications	2,018	0	- 9	0	2,009
Write-backs	0	0	0	0	0
Changes in group of consolidated companies	73	- 571	- 76	0	- 574
Exchange rate effects	- 152	- 1,088	- 510	- 4	- 1,754
31 December 2008	**241,153**	**310,533**	**157,274**	**20**	**708,980**
Net carrying amount	**273,641**	**287,904**	**164,688**	**146,752**	**872,985**
of which finance leases	67	3,548	20,774	0	24,389

Property, plant and equipment 2007

IN € THOUSAND

	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Plant under construction	2007 Total
Cost					
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
Change in group of consolidated companies	2,572	0	0	0	2,572
Exchange rate effects	828	- 291	1,607	425	2,569
31 December 2007	**461,632**	**561,647**	**273,114**	**93,082**	**1,389,475**
Accumulated depreciation and impairment losses					
1 January 2007	218,695	247,282	119,693	0	585,670
Depreciation additions	16,629	32,177	24,240	0	73,046
Depreciation losses	- 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
31 December 2007	**220,789**	**276,960**	**136,297**	**0**	**634,046**
Net carrying amount	**240,843**	**284,687**	**136,817**	**93,082**	**755,429**
of which finance leases	92	4,063	21,041	0	25,196

Unscheduled depreciation of €540 thousand was carried out on land and buildings due to revised expectations of future use.

Buildings, surfacing and movable fixed assets with a carrying amount of €41,872 thousand (2007: €37,137 thousand) were assigned by way of collateral in connection with loans taken up by the Group. Furthermore, the property, plant and equipment is encumbered with land charges amounting to €23,648 thousand (2007: €10,737 thousand).

With regard to the existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties by the Free and Hanseatic City of Hamburg, we refer to the explanatory remarks on the lease agreements in Note 41.

22. Investment properties

The following table shows the changes in investment properties:

IN € THOUSAND	2008	2007
Cost		
1 January	238,922	197,164
Additions	9,026	9,266
Disposals	0	- 868
Reclassifications	9,727	33,360
Change in group of consolidated companies	0	0
31 December	**257,675**	**238,922**
Accumulated depreciation and impairment losses		
1 January	57,337	34,096
Depreciation additions	10,907	12,650
Depreciation disposals	0	- 527
Write-backs	- 2,275	0
Reclassifications	- 2,009	11,118
Change in group of consolidated companies	0	0
31 December	**63,960**	**57,337**
Net carrying amount		
1 January	181,585	163,068
31 December	**193,715**	**181,585**

The reclassifications as investment properties concern reclassifications of construction work in progress and the conversion of buildings.

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

Rental income from investment properties at the end of the financial year was € 41,333 thousand (2007: € 37,365 thousand). The direct operating expenses for the investment properties amounted to € 13,694 thousand (2007: € 14,339 thousand) in the reporting year.

Changed assumptions regarding lease payment flows led to a write-up requirement of € 2,275 thousand in 2008.

The fair value of the investment properties totalled € 399,452 thousand as in the previous year. Valuations by external assessors dating from 2007 exist for properties with a fair value of € 288,100 thousand. 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 % (2007: 6.0 %). The appropriate interest rate is determined with reference to relevant real estate discount rates for determining the fair value of properties.

Please refer to the comments on lease agreements in Note 41 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 € 90,518 thousand (2007: € 79,111 thousand) relate to buildings in the Speicherstadt historical warehouse district. As these are listed buildings, extensive refurbishment work must comply with the relevant statutory restrictions.

23. Associates accounted for using the equity method

CuxPort GmbH, Cuxhaven, previously consolidated proportionately, is shown under shares in associated companies. The company will be consolidated using the equity method as from the financial year 2008. CuxPort GmbH was included on the basis of the figures in the interim financial statements to 30 September 2008. The company's financial statements to 31 December 2008 were not available when the consolidated financial statements were being prepared. The total assets of CuxPort GmbH amounted to € 13,178 thousand as of the date of inclusion, while total liabilities and provisions came to € 8,092 thousand. In the period from 1 January to 30 September 2008, revenue amounting to € 8,511 thousand was generated, while after-tax profits came to € 300 thousand.

IN € THOUSAND	31.12.2008	31.12.2007
Shares in associated companies	1,424	0

24. Financial assets

The following tables show changes in financial assets in 2008 and 2007:

IN € THOUSAND	31.12.2008	31.12.2007
Securities	4,213	2,554
Shares in affiliated companies	1,458	1,730
Other equity investments	296	274
Loans to employees	0	1,499
Other financial assets	1,158	1,477
	7,125	**7,534**

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. Other financial assets essentially comprise receivables from a graduated rent amounting to € 764 thousand and receivables from the Hamburg Port Authority AöR, Hamburg, amounting to € 361 thousand.

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

The securities primarily relate to insolvency insurance for phased early retirement entitlements. In line with this, the securities are pledged or assigned as hedges. In the reporting year, depreciation of € 110 thousand was reversed following a € 21 thousand impairment in the previous year. No further impairments were necessary.

The securities additionally include a payment of € 866 thousand by HHLA into the deposit facilities of the life working time accounts. This payment does not constitute plan assets because the employees have no entitlements derived from the payments. Consequently, they are shown under securities rather than being set off at present value.

25. Inventories

Inventories are made up as follows:

IN € THOUSAND	31.12.2008	31.12.2007
Raw materials, consumables and supplies	16,766	14,655
Work in progress	2,863	2,869
Finished products and merchandise	290	255
Payments on account	0	25
	19,919	**17,804**

Impairment losses on inventories recognized as an expense amount to € 1,053 thousand (2007: € 428 thousand). This expense is included in the cost of materials.

26. Non-current assets held for sale

The non-current assets held for sale are land and buildings owned by the HHLA segment Intermodal which are expected to be sold within the coming financial year.

27. Other financial receivables

Other current financial receivables include receivables from the sale of shares in BULCOTRANS Lagerei- und Umschlagsgesellschaft mbH, Hamburg, amounting to € 4,400 thousand and shares in Eichholtz & Cons. GmbH, Hamburg, as well as miscellaneous receivables due from other shareholders, amounting to € 4,152 thousand (2007: € 4,441 thousand).

IN € THOUSAND	31.12.2008	31.12.2007
Current receivables from employees	1,665	2,222
Current reimbursement claims against insurers	182	11
Positive fair values of interest rate caps	9	267
Positive fair values of interest rate swaps	8	1,179
Other current financial receivables	14,370	11,421
	16,234	**15,100**

28. Trade receivables

Trade receivables of € 138,572 thousand (2007: € 145,070 thousand) 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 € 1,566 thousand (2007: € 1,472 thousand). In 2008 impairment allowances of € 616 thousand (2007: € 695 thousand) were recognized as an expense. Payments of € 200 thousand (2007: € 168 thousand) were received on written-down trade receivables. Written-down trade receivables of € 322 thousand (2007: € 646 thousand) were taken out of the books. Receivables totalling € 28,325 thousand (2007: € 3,428 thousand) were assigned as collateral for financial liabilities. Collateral for receivables is only held to a minor extent (e.g. rental guarantees).

29. Receivables from related parties

The following table shows the receivables from related parties:

IN € THOUSAND	31.12.2008	31.12.2007
Receivables from the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	5,228	28,484
Receivables from the Free and Hanseatic City of Hamburg (FHH)	1,092	759
Receivables from related parties and joint ventures	959	5,344
	7,279	**34,587**

Of the receivables from HGV, € 5,200 thousand (2007: € 28,300 thousand) relate to receivables in the course of Group clearing, which pay standard market interest.

30. Other assets

The other assets shown are not subject to any significant restrictions on title or use.

IN € THOUSAND	31.12.2008	31.12.2007
Current tax credits	9,950	4,169
Payments made on account	363	199
Other	5,265	3,981
	15,578	**8,349**

31. Income tax receivables

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

IN € THOUSAND	31.12.2008	31.12.2007
Income tax receivables	**11,254**	**3,671**

32. Cash and cash equivalents

IN € THOUSAND	31.12.2008	31.12.2007
Short-term deposits	145,248	190,838
Bank balances and cash in hand	80,713	21,986
	225,961	**212,824**

Cash and cash equivalents are made up of cash in hand and various bank balances in different currencies. Cash of € 5,282 thousand (2007: € 6,315 thousand) is subject to foreign exchange outflow restrictions.

As of 31 December 2008 the Group had unused lines of credit amounting to € 10,535 thousand (2007: € 10,106 thousand) 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 0.1 % and 5.2 % (2007: 0.5 % and 5.0 %). The fair value of cash and cash equivalents is largely equivalent to their carrying value.

As a result of uncertain developments in the Ukrainian financial sector, some of HPC Ukraina's bank deposits were written off. The amortization expenses hereby incurred came to € 484 thousand as of the balance sheet date.

33. Equity

SUBSCRIBED CAPITAL

HHLA's articles of association 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 subgroup Port Logistics and 2,050,000 shares the subgroup Real Estate.

On 31 August 2007 the General Meeting passed a resolution to increase nominal capital from € 53,300 thousand by € 17,000 thousand 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 Local Court. Subscribed capital therefore increased to € 70,300 thousand, divided into 70,300,000 shares with no par value, of which 67,595,500 shares represent the subgroup Port Logistics (Class A shares) and 2,704,500 shares the subgroup 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 nominal capital as part of the stock flotation by € 2,325 thousand to a total of € 72,625 thousand by issuing 2,325,000 registered Class A shares each representing € 1.00 of nominal capital for contributions 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.

In the reporting period, HHLA, in accordance with its previous Executive Board resolution and with the approval of the Supervisory Board, carried out a capital increase from authorized capital I. Specifically, the capital was increased against cash contributions while excluding the subscription rights of Class A shareholders. In the process, 54,826 new no-par bearer shares, each with a share of € 1.00 in the nominal capital, were issued to employees of the company and of the companies affiliated to it. The capital increase and its implementation were entered in the commercial register on 1 December 2008.

As of the balance sheet date HHLA's nominal capital therefore consists of two different classes of share; Class A shares and Class S shares. Following the 2008 capital increase, subscribed capital is now €72,680 thousand, divided into 69,975,326 Class A shares and 2,704,500 Class S shares; each share represents €1.00 of nominal capital.

The nominal 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 articles of association. 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 revenue. 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 expenses 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 corresponds to a free float of approx. 30 % of HHLA's nominal capital.

As of the balance sheet date, the Free and Hanseatic City of Hamburg, through the company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg, holds 69.65 % of the shares, including the 18.87 % of voting rights attributable directly to HHLA-Beteiligungsgesellschaft mbH, Hamburg. This change compared with the previous year was a consequence of the employee stock purchase plan from November 2008 (see Note 10).

As per the voting rights notification of 18 September 2008, Lone Pine Capital LLC, Greenwich/Connecticut, USA, exceeded the threshold of 3 % of the voting rights on 11 September 2008 and held 3.02 % of those rights on this date. These are attributable to it under Section 22 (1) sentence 1 no. 6 of the German Securities Trading Act (WpHG).

AUTHORIZED CAPITAL I

According to the resolution passed at the General Meeting on 24 September 2007 and Section 3 (4) of the articles of association, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the company's nominal capital by 1 September 2012 by issuing up to 33,797,750 new 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 remaining authorized capital I was reduced to €33,742,924 as a result of the employee stock purchase plan implemented in 2008.

The Executive Board is further authorized to rule out the statutory subscription rights of holders of Class A shares, a) if the capital increase is for subscription in cash and does not exceed 10 % of that proportion of the nominal 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 nominal capital is to be deducted which is represented by new or bought-back Class A shares issued or sold in accordance with Section 186 (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 nominal capital covered by option or conversion rights/obligations from bonds issued in a manner analogous to Section 186 (3) sentence 4 AktG since authorized capital I came into effect; b) if it increases nominal 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 articles of association accordingly, in particular with regard to the amount of nominal 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 (5) of the articles of association, the Executive Board is also authorized subject to the approval of the Supervisory Board to increase the company's nominal 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 nominal capital) for contribution 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 articles of association accordingly, in particular with regard to the amount of nominal 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 € 30,000 thousand 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 € 5,552 thousand paid by a new minority shareholder at HHLA Frucht- und Kühl-Zentrum GmbH.

In 2007 nominal capital was increased from € 53,300 thousand by € 17,000 thousand 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 € 120,900 thousand 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 € 1,500 thousand. 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, the capital reserve increased by € 255 thousand due to the addition of a minority shareholder in UNIKAI Lagerei- und Speditionsgesellschaft mbH.

As a result of the employee stock purchase plan that was implemented in 2008, the capital reserve increased by € 1,343 thousand.

At the reporting date, the HHLA Group therefore had capital reserves of € 139,728 thousand (2007: € 138,385 thousand).

RETAINED EARNINGS

Retained earnings include net profits from prior years for companies included in the consolidated financial statements, as far as these 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 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 reserve for translation differences enables the recognition of differences arising on the translation of financial statements for 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 in 2008, there are currently no share-based remuneration schemes or concrete resolutions for further 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.

34. Developments in Group equity

A statement showing developments in Group equity is included as an annex to these Notes.

35. Pension provisions

PENSION OBLIGATIONS

Defined benefit obligations

The Group has set up defined benefit obligations 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 obligations 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 obligations are not funded benefit commitments.

In addition, HHLA pays pension fund contributions as well as pension premiums under statutory provisions (state plans). No obligation is reported in the balance sheet in connection with this, as HHLA's only obligation under these defined contribution pension plans lies in the payment of premiums.

The following tables show the expense components recognized in the consolidated income statement for the defined benefit obligations and the amounts carried in the consolidated balance sheet for the individual pension plans.

Amounts carried in the consolidated balance sheet for benefit commitments:

IN € THOUSAND	31.12.2008	31.12.2007
Present value of pension obligations	299,862	311,873
Obligations from working lifetime accounts	802	482
	300,664	**312,355**

The present value of pension obligations is made up as follows:

IN € THOUSAND	31.12.2008	31.12.2007
Present value of pension obligations as of 01.01.	**311,873**	**377,077**
Current service expense (recognized in income statement)	3,414	5,550
Interest expenses (recognized in income statement)	16,366	16,145
Actuarial gains	- 12,273	- 67,227
Pension payments	- 19,518	- 19,672
Present value of pension obligations as of 31.12.	**299,862**	**311,873**

The following amounts were recognized in the income statement: 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:

IN € THOUSAND	2008	2007
Balance sheet amounts as of 01.01.	**311,873**	**377,077**
Expense recognized in the income statement	19,780	21,695
Pension payments	- 19,518	- 19,672
Actuarial gains	- 12,273	- 67,227
Balance sheet amounts as of 31.12.	**299,862**	**311,873**

Gains and losses set off against equity changed as follows:

IN € THOUSAND	2008	2007
Actuarial gains/losses as of 01.01.	**- 67,592**	**- 365**
Change in financial year	- 12,273	- 67,227
Actuarial gains/losses as of 31.12.	**- 79,865**	**- 67,592**

The following actuarial assumptions are used to determine pension provisions:

IN %	2008	2007	2006
Discount rate on 31.12.	5.60	5.25	4.25
Forecast increase in pay	3.00	3.00	3.00
Forecast increase in pensions (without BRTV)	2.30	2.00	2.00
Forecast increase in pensions (monthly pensions under BRTV)	0.80	0.80	1.00
Fluctuation rate	1.30	1.30	1.30

The biometric data is drawn from the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck.

The discount rate (5.60 %) results from the current yield for industry obligations in December 2008 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 31.12.2008 would be €320 million (2007: €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 2008 are made up as follows:

IN € THOUSAND	31.12.2008	31.12.2007	31.12.2006
Present value of obligations	2,635	1,894	850
Present value of plan assets (fund shares)	- 1,833	- 1,412	- 561
	802	**482**	**289**

The present value of the obligations developed as follows:

IN € THOUSAND	2008	2007
Present value of the obligations as of 01.01.	**1,894**	**850**
Current service expense	721	1,057
Interest expenses (recognized in income statement)	26	50
Actuarial gains (-)/losses (+)	0	- 40
Capital payments	- 2	- 23
Adjustment previous year	- 4	0
Present value of the obligations as of 31.12.	**2,635**	**1,894**

The present value of the plan assets developed as follows:

IN € THOUSAND	2008	2007
Present value of the plan assets as of 01.01.	**1,412**	**561**
Expected income from the plan assets	26	60
Inpayments	350	864
Actuarial gains (+)/losses (-)	0	- 50
Capital payments	- 2	- 23
Adjustment previous year	47	0
Present value of the plan assets as of 31.12.	**1,833**	**1,412**

The plan assets consist solely of shares in money market and investment funds. The expected return on the plan assets is 5.6 %. Losses of € 194 thousand were recorded on the plan assets in the year under review.

The following figures were recorded in the income statement:

IN € THOUSAND	2008
Current service expense including salary conversion	721
thereof gathered at costs as uncovered part	371
thereof gathered at plan assets as covered part	350
Interest expenses	26
Expected income from the plan assets	- 26
	721

The amount from current service costs that is taken into account in the income statement is restricted to the uncovered part amounting to €371 thousand.

The gains and losses offset in equity changed as follows:

IN € THOUSAND	2008	2007
Actuarial gains/losses as of 01.01.	**10**	**0**
Changes in the financial year	0	10
Actuarial gains/losses as of 31.12.	**10**	**10**

DEFINED-CONTRIBUTION PENSION PLANS
The costs incurred in connection with pension funds which are to be regarded as defined-contribution pension plans amounted to €629 thousand in 2008.

In 2008, HHLA paid €20,633 thousand (2007: €20,261 thousand) into the state pension system as its employer's contribution.

36. Other non-current and current provisions

The following tables show changes in other non-current and current provisions during 2008 and 2007:

IN € THOUSAND	01.01.2008	Additions	Accrued interest	Used	Reversed	31.12.2008
Demolition obligations	27,140	2,925	899	34	158	30,772
Phased early retirement	13,624	3,193	1,695	4,721	36	13,755
Bonuses	3,758	5,243	0	3,471	287	5,243
Anniversaries	2,055	44	108	127	1	2,079
Other	12,537	10,999	0	5,894	893	16,749
	59,114	**22,404**	**2,702**	**14,247**	**1,375**	**68,598**

IN € THOUSAND	01.01.2007	Additions	Accrued interest	Used	Reversed	31.12.2007
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
	53,534	**21,728**	**3,176**	**14,984**	**4,340**	**59,114**

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. (2007: 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 the obligations towards staff who have already signed a phased early retirement agreement, and the number of staff who are likely to sign such an 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 5.6 % (2007: 4.75 % p.a.). An outflow of €3,636 thousand (2007: €3,025 thousand) is expected within one year.

PROVISIONS FOR BONUSES
An outflow of €5,243 thousand (2007: €3,758 thousand) is expected for bonuses within one year.

PROVISIONS FOR ANNIVERSARIES

The provisions for anniversaries relate to Group employees' contractual entitlement to anniversary gratuities. The amount recognized is determined by an actuarial opinion. A discount rate of 5.6 % (2007: 5.25 % p.a.) was used for the calculation.

OTHER PROVISIONS

The other provisions mainly include provisions for anticipated but as yet unannounced increases in rents of €4,154 thousand (2007: €3,593 thousand), legal fees and litigation expenses of €1,467 thousand (2007: €1,529 thousand), for insurance excesses of €1,759 thousand (2007: €1,033 thousand), for guarantees of €1,065 thousand (2007: €728 thousand), for benefits to retired and former employees of €378 thousand (2007: €376 thousand), and other long-term provisions totalling €6,966 thousand (2007: €2,831 thousand). Overall, an outflow of €9,622 thousand is expected within one year.

37. Current and non-current financial liabilities

The following table gives the details of current and non-current financial liabilities:

The liabilities from bank loans include interest of €4,058 thousand (2007: €4,087 thousand) accrued up to the balance sheet date and bank overdraft facilities totalling €0.4 thousand (2007: €282 thousand).

The liabilities towards employees 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:

IN € THOUSAND	31.12.2008			
	Up to 1 year	1 to 5 year	Over 5 years	Total
Liabilities from bank loans	33,274	127,547	139,402	300,223
Liabilities towards employees	10,582	0	0	10,582
Other loans	0	1,451	0	1,451
Finance lease liabilities	4,286	13,434	2,790	20,510
Negative fair values of exchange and interest rate hedges	860	1,302	0	2,162
Other financial liabilities	14,142	1,759	863	16,764
	63,144	**145,493**	**143,055**	**351,692**

IN € THOUSAND	31.12.2007			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities from bank loans	31,871	75,479	178,983	286,333
Liabilities towards employees	10,823	0	0	10,823
Other loans	0	1,806	0	1,806
Finance lease liabilities	3,441	13,312	5,026	21,779
Negative fair values of exchange and interest rate hedges	137	0	0	137
Other financial liabilities	13,015	2,497	2,407	17,919
	59,287	**93,094**	**186,416**	**338,797**

Currency	Interest condition	Remaining fixed interest period	Interest rate	Nominal value	Carrying amount as of 31.12.2008 in € thousand
€ thousand	fixed	2017	5.67 %	3,579	1,611
€ thousand	fixed	2016	5.61 %	30,000	24,000
€ thousand	fixed	2015	4.23 %	25,000	25,000
€ thousand	fixed	2012	5.15–5.55 %	83,624	61,412
€ thousand	fixed	2011	4.60–5.31 %	54,881	35,317
€ thousand	fixed	2010	5.66 %	16,873	14,848
CZK thousand	fixed	2010	4.00 %	35,000	256
€ thousand	fixed	2009	3.10–4.52 %	22,184	13,091
€ thousand	floating	2009	floating + margin	135,090	120,569
CZK thousand	floating	2009	floating + margin	32,000	61
					296,165

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:

IN € THOUSAND	31.12.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed interest-bearing loans	175,534	179,422	193,878	193,858

Interest rates of 3.8 % to 4.8 % p.a. (2007: 5.0 % to 5.6 % 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 41 on finance leases.

Buildings, surfacing and movable items of non-current assets carried at €20,126 thousand (€12,830 thousand) 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 €23,648 thousand (2007: €10,737 thousand) 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.

As of the balance sheet date, the terms of loan agreements (financial covenants) in the Intermodal segment in respect of the equity ratio had not been complied with. The loans in question were worth €20,930 thousand as of 31 December 2008. The lender could have demanded the early repayment of the loan obligation on grounds of this infringement. The lender has declared that he will make no use of this right. It was additionally agreed with the lender that the financial covenants are to be adjusted. This means that demanding the early repayment of the loan obligation will no longer be possible.

38. Trade liabilities

Trade liabilities from the financial year are only owed to third parties. As in the previous year the total amount is due within one year.

39. Other liabilities

Other liabilities are made up as follows:

IN € THOUSAND	31.12.2008	31.12.2007
Public subsidies	13,598	4,096
Tax liabilities	8,605	10,649
Employer's accident liability insurance	3,722	3,651
Custom duties	3,230	4,136
Payments received on account	2,545	4,968
Port funds	1,978	1,973
Social security liabilities	90	0
Other debts	8,192	6,810
	41,960	**36,283**

All liabilities have a remaining term of up to one year.

The public subsidies include €13,598 thousand (2007: €3,435 thousand) in preliminary funding in connection with the promotion of intermodal transport. This will be deducted from the acquisition cost 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 €16,754 thousand 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 in the previous year related primarily to investment subsidies received by a proportionately consolidated company to improve the economic infrastructure in the region and to promote intermodal transport. The deferral was to be reversed through profit and loss over the useful life of the subsidized assets.

Otherwise public subsidies for assets are deducted from the acquisition cost 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 €10,163 thousand (2007: €4,353 thousand) in the reporting year.

40. 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.

IN € THOUSAND	2008	2007
Income tax liabilities	21,510	9,860

41. 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 Speicherstadt historical warehouse district 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 Speicherstadt 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:

IN € THOUSAND	31.12.2008	31.12.2007
Within one year	40,115	30,511
Between one and five years	118,101	96,914
Over five years	783,159	592,006
	941,375	**719,431**

In the financial year, expenses of €38,612 thousand (2007: €35,849 thousand) were incurred for leases, of which €742 thousand (2007: €330 thousand) relates 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 uncancellable 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:

IN € THOUSAND	31.12.2008	31.12.2007
Within one year	31,338	44,027
Between one and five years	54,572	78,197
Over five years	33,352	77,753
	119,262	**199,977**

In the financial year income of €48,607 thousand (2007: €44,055 thousand) 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 future minimum lease payments from finance leases and hire-purchase agreements and their present value:

IN € THOUSAND	31.12.2008	31.12.2007
Within one year	5,068	4,617
Between one and five years	15,825	15,516
Over five years	2,829	5,295
Total minimum lease payments	**23,722**	**25,428**
Within one year	4,286	3,441
Between one and five years	13,434	13,312
Over five years	2,790	5,026
Present value of minimum lease payments	**20,510**	**21,779**
Interest expenses from discounting	**3,212**	**3,649**

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 2008. 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 €327 thousand (2007: €1,217 thousand) from guarantees and of €1,600 thousand (2007: €300 thousand) from comfort letters.

Of these, proportionately consolidated joint ventures account for €327 thousand (2007: €1,217 thousand).

OTHER FINANCIAL OBLIGATIONS

At the balance sheet date the Group had obligations of €130,224 thousand (2007: €83,425 thousand) from purchase commitments, €941,375 thousand (2007: €730,065 thousand) from miscellaneous other obligations and obligations from bills of exchange amounting to €12,973 thousand (2007: €16,685 thousand).

Of these, proportionately consolidated joint ventures account for €40,056 thousand (2007: €47,731 thousand).

Please refer to Note 41 (Section 1) for details of the obligations from operating leases included here and listed separately.

42. 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 (HGV), 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 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 year:

IN € THOUSAND	31.12.2008	31.12.2007
Companies with control over the Group		
Income from related parties	8,354	10,271
Expenses with related parties	2,703	23,260
Receivables from related parties	6,320	32,899
Liabilities to related parties	65,303	65,171
Non-consolidated subsidiaries		
Income from related parties	18	59
Expenses with related parties	0	809
Receivables from related parties	0	0
Liabilities to related parties	103	527
Joint ventures		
Income from related parties	4,947	4,571
Expenses with related parties	6,417	2,967
Receivables from related parties	713	951
Liabilities to related parties	693	794
Associates accounted for using the equity method		
Income from related parties	119	0
Expenses with related parties	0	0
Receivables from related parties	0	0
Liabilities to related parties	0	0
Other transactions with related parties		
Income from related parties	1,523	479
Expenses with related parties	26,511	1,504
Receivables from related parties	246	737
Liabilities to related parties	2,610	963
Total		
Income from related parties	14,961	15,380
Expenses with related parties	35,631	28,540
Receivables from related parties	7,279	34,587
Liabilities to related parties	68,709	67,455

Receivables from companies with control over the Group are principally receivables of € 5,200 thousand owed by HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV) from cash clearing. HHLA's receivables accrued interest at a rate of between 2.08 % and 4.38 % in the reporting year (2007: 3.48 % and 4.50 % p.a.). Liabilities towards related parties include a loan of € 65,000 thousand to the subgroup 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 Speicherstadt historical warehouse district. Income from related parties is composed of rental and service income and interest income.

Furthermore, HGV 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, Frankfurt am Main, and the European Investment Bank, Luxembourg. The nominal amount of the bank loans is some € 168.0 million (2007: € 168.0 million) of which approximately € 146.6 million plus interest was still outstanding on 31 December 2008 (31 December 2007: € 154.8 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 subgroup 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 (2) (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 and the loan liability to HGV – 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

Company name and headquarters				Share of capital direct	Share of capital indirect	Equity	Annual profit year	Annual profit € thousand
				%	%	€ thousand	year	€ thousand
PORT LOGISTICS								
Segment Container								
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)	100.0		111,410	2008	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg	1)	2)	3)		100.0	1,909	2008	0
LZU Leercontainer Zentrum Unikai GmbH, Hamburg	1)				65.0	3,439	2008	3,139
HHLA Container Terminal Tollerort GmbH, Hamburg	1)	2)	3)		100.0	32,669	2008	0
HHLA Rosshafen Terminal GmbH, Hamburg	1)				100.0	16,417	2008	1,459
CTT Besitzgesellschaft mbH, Hamburg	1)				100.0	- 40	2008	- 90
UNIKAI Hafenbetrieb GmbH, Hamburg	1)	2)	3)		100.0	3,500	2008	0
HHLA Container-Terminal Altenwerder GmbH, Hamburg	1)				74.9	151,394	2008	77,370
SCA Service Center Altenwerder GmbH, Hamburg	1)	2)	3)		74.9	600	2008	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg	4)				37.5	52	2008	2
HHLA CTA Besitzgesellschaft mbH, Hamburg	1)				74.9	5,652	2008	409
CuxPort GmbH, Cuxhaven	6)				25.1	5,318	2008	531
HHLA Container Terminal Burchardkai GmbH, Hamburg	1)	2)	3)	100.0		74,938	2008	0
Service Center Burchardkai GmbH, Hamburg	1)	2)	3)		100.0	26	2008	0
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven	5)			50.0		- 21	2008	7
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven	5)			50.0		30	2008	1
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg	5)			23.0	17.4	1,735	2008	695
SC HPC Ukraina, Odessa/Ukraine	1)				100.0	39,050	2008	32,067
Segment Intermodal								
HHLA Intermodal Verwaltung Gesellschaft mit beschränkter Haftung, Hamburg	1)	5)		100.0		22	2008	1
HHLA Intermodal GmbH, Hamburg	1)	2)	3)	100.0		29,039	2008	0
CTD Container-Transport-Dienst GmbH, Hamburg	1)	2)	3)		100.0	256	2008	0
combisped Hanseatische Spedition GmbH, Lübeck	1)	2)	3)		100.0	12,600	2008	0
CTL Container Terminal Lübeck GmbH, Lübeck	1)	2)	3)		100.0	4,755	2008	0
HHLA Intermodal Polska sp. zo. o., Warsaw/Poland	1)		5)		100.0	13	2008	0
METRANS a.s., Prague/Czech Republic	1)				51.5	73,107	2008	20,572
METRANS (Danubia) a.s., Danube/Slovakia	1)				51.5	12,424	2008	3,928
METRANS (Deutschland) GmbH, Hamburg	1)		5)		51.5	106	2008	0
METRANS (Danubia) Kft., Gyor/Hungary	1)		5)		51.5	296	2008	4
METRANS Adria D.O.O., Koper/Slovenia	1)		5)		51.5	81	2008	35
METRANS Plzen a.s., Pankrac, Nyrany/Czech Republic	1)		5)		51.5	76	2008	2
UMSP Property a.s. Prague/Czech Republic	1)				51.5	73	2008	- 2
IBZ Pankrac a.s., Nyrany/Czech Republic	1)		5)		48.1	204	2008	- 353
DYKO, spol. s r.o., Kolin/Czech Republic	1)		7)		51.5	1,965	2008	681
TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt/Main	4)				50.0	3,900	2008	105
TFG Verwaltungs GmbH, Frankfurt/Main	5)				50.0	127	2008	4
POLZUG Intermodal GmbH, Hamburg	4)				33.3	6,021	2008	359
POLZUG Intermodal Polska sp. zo.o., Warsaw/Poland	4)				33.3	5,875	2008	703
Silk Road Express Georgia LLC, Poti/Georgia	5)				24.9	62	2007	17

Breakdown of HHLA's equity investments into segments

Company name and headquarters				Share of capital direct	Share of capital indirect	Equity	Annual profit year	Annual profit
				%	%	€ thousand	year	€ thousand
Segment Logistics								
HPC Hamburg Port Consulting GmbH, Hamburg	1)	2)	3)	100.0		1,023	2008	0
HPTI Hamburg Port Training Institute GmbH, Hamburg	1)	2)	3)		100.0	102	2008	0
Uniconsult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)		100.0	100	2008	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg	1)			51.0		5,248	2008	3,045
ARS-UNIKAI GmbH, Hamburg	4)				25.5	241	2008	30
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg	1)			51.0		13,747	2008	1,614
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg	1)			51.0		562	2008	408
HHLA Logistics GmbH, Hamburg (formerly: HHLA Rhenus Logistics GmbH, Hamburg)	1)			100.0		- 1,237	2008	- 1,327
HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg (formerly: HHLA Rhenus Logistics Altenwerder GmbH & Co. KG, Hamburg)	1)			100.0		886	2008	- 455
HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg (formerly: HHLA Rhenus Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg)	1)	5)		100.0		49	2008	- 1
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg	3)		4)	49.0		-	2008	-
Holding/Other								
GHL Erste Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg	1)	2)	3)	100.0		2,556	2008	0
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg	1)	2)	3)	100.0		26	2008	0
HHLA-Personal-Service-Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)	100.0		45	2008	0
HCCR Erste Beteiligungsgesellschaft mbH, Hamburg (formerly: Egon Wenk Umschlag-und Logisticgesellschaft mbH, Hamburg)	1)		5)		100.0	34	2008	1
Segment Real estate								
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)	100.0		3,491	2008	0
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block D mbH, Hamburg	1)	2)	3)	100.0		8,184	2008	0
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Bei St. Annen mbH, Hamburg	1)			100.0		7,868	2008	897
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block T mbH, Hamburg	1)	2)	3)	100.0		1,327	2008	0

1) Controlled company. **2)** Profit and loss transfer agreements existed with these companies in 2008. **3)** The disclosure relief as per Section 264 (3) of the German Commercial Code (HGB) will be utilized for these companies. **4)** Proportionately consolidated companies. **5)** Due to their overall immaterial significane, 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. **6)** Associates accounted for using the equity method. **7)** Consolidation for the first time in 2008; goodwill arising from it with an amount of €172 thousand.

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 (2) of HHLA's articles of association, the Supervisory Board is responsible for signing and terminating service contracts with members of the Executive Board. The Supervisory Board also establishes and regularly reviews the remuneration system for the Executive Board – including the core contractual components – based on recommendations by the 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 non-performance-related 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 pension provisions and any extraordinary income from the disposal of companies and land.

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 spouses 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 2008 (2007):

IN € THOUSAND

Performance-unrelated remuneration		Performance-related remuneration	
Basic salary	Other benefits		Total
1,450	64	2,067	3,581
(1,225)	(77)	(1,607)	(2,909)

Please see the Group Management Report for details of the remuneration paid to individual Board members.

The performance-related components in the previous financial year included 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 stock purchase plans in 2007 and 2008.

Benefits totalling € 520 thousand (2007: € 510) were paid to former members of the Executive Board and their surviving dependents. Provisions of € 6,063 thousand (2007: € 4,879 thousand) have been made for pension commitments to active Executive Board members and provisions of € 6,438 thousand (2007: € 6,912 thousand) 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 articles of association, 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 was revised with effect as of 2 November 2007.

The members of the Supervisory Board receive fixed remuneration of € 10,000 per financial year. The Chairman receives three times this amount and the Vice Chairman receives one and a half times 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 €2,500 per committee per year while the Chairman of the committee receives €5,000. However, the total may not exceed €10,000. Furthermore, Supervisory Board members receive a meeting attendance fee of €250 per meeting of the Supervisory Board or one of its committees.

Remuneration to the Supervisory Board totalled €290 thousand in 2008 (2007: €46 thousand).

43. 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 expenses 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. 88 % (2007: 86 %) of the Group's borrowing was at fixed interest rates, including an amount of €86,203 thousand (2007: €49,461 thousand) covered by interest rate swaps. Interest rate caps were also in place for a further €3,000 thousand (2007: €28,000 thousand).

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 expenses 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 2008, interest expenses arising from floating-rate loans would have been €603 p.a. higher, interest income from overnight deposits and time deposit investments would have been €1,150 thousand p.a. higher, and income from interest rate hedges would have been €431 thousand p.a. higher. The fair value of the interest rate hedges would rise by €1,112 thousand. Of this, €433 thousand would be recorded directly in equity and €679 thousand would be reported in the income statement, whose result would increase by a total of €1,657 thousand before tax.

Exchange rate risk

Due to its investments in countries outside the eurozone, changes in exchange rates can affect the consolidated balance sheet.

Foreign currency risks on individual transactions, such as the sale of a shareholding for example, are hedged by currency futures or currency options 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 €800 thousand (2007: €400 thousand) and a market value of €-71 thousand (2007: €16 thousand).

Revenue in the HHLA Group is predominantly invoiced in euros or in the national currencies of the European Group companies.

Investments in these countries are largely transacted in euros. There is currently no significant foreign currency risk from the functional currency.

HPC Ukraina's revenue is denominated in Ukrainian hryvnia (UAH) and US dollars.

Commodity price risk

The Group is primarily exposed to a commodity price risk when purchasing fuel. Depending on the market situation the Group can arrange price hedges for part of its fuel requirements. This was not the case at the balance sheet date or on 31 December 2007.

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 are 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:

IN € THOUSAND	2008	2007
Receivables not due for payment and not written down	104,549	105,671
Overdue receivables not written down		
- up to 30 days	27,281	29,226
- 31 to 90 days	5,320	7,883
- 91 days to 1 year	1,319	2,194
- over 1 year	103	96
Total	34,023	39,399
	138,572	**145,070**

Please refer to the comments on impairment allowances for trade receivables in Note 28.

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 availment from the contingencies listed in Note 41.

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 employees, the finance lease liabilities and other financial liabilities, please refer to the table of residual maturities for financial liabilities in Note 37.

The following outflows of liquidity are expected for future interest payments:

IN € THOUSAND	31.12.2008		
	Up to 1 year	1 to 5 years	Over 5 years
Outflow of liquidity for future interest payments on fixed-interest loans	8,522	26,747	24,865
Outflow of liquidity for future interest payments on floating-rate loans	4,563	13,893	2,966
	13,085	**40,640**	**27,831**

IN € THOUSAND	31.12.2007		
	Up to 1 year	1 to 5 years	Over 5 years
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
	13,587	**43,286**	**34,474**

The interest rate swaps with negative fair values as at 31.12.2008 are expected to result in interest outflows totalling € 813 thousand within one year and interest outflows of € 1,588 thousand within a period of one to five years. Interest outflows of € 516 thousand are expected within a period exceeding 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 37, there are no significant differences between the carrying amounts and fair values of financial instruments.

The following table shows the carrying amounts for the financial assets and liabilities according to the categories defined by IAS 39 for the financial years 2008 and 2007:

Categories of financial assets 31.12.2008

IN € THOUSAND

	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			Amortized cost	
Financial assets	1,158			4,213	1,754	7,125
Trade receivables	138,572					138,572
Receivables from related parties	7,279					7,279
Other financial receivables	16,217	17	0			16,234
Cash and cash equivalents	225,961					225,961
	389,187	**17**	**0**	**4,213**	**1,754**	

Categories of financial liabilities 31.12.2008

IN € THOUSAND

	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	Amortized cost	
Financial liabilities	1,693	469	329,020	20,510	351,692
Accounts payable			65,056		65,056
Liabilities towards related parties			68,709		68,709
	1,693	**469**	**462,785**	**20,510**	

Categories of financial assets 31.12.2007

IN € THOUSAND

	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			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**	

Categories of financial liabilities 31.12.2007

IN € THOUSAND

	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	Amortized cost	
Financial liabilities	137	0	316,881	21,779	338,797
Accounts payable			73,704		73,704
Liabilities towards related parties			67,455		67,455
	137	**0**	**458,040**	**21,779**	

In the reporting year, gains/losses of €1,902 thousand (2007: €280 thousand) 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 €1,845 thousand (2007: €92 thousand) 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 appreciation in value of €110 thousand (2007: a loss of €21 thousand) was recognized in the income statement on available-for-sale financial assets. Market listings are used as fair values on the balance sheet date.

Please refer to the table on the financial result in Note 14 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:

	Fixed interest rate	Floating rate	Amount covered	Market values 31.12. 2008		Market values 31.12. 2007	
				positive	negative	positive	negative
			€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Interest rate swaps	2.96 % to 5.83 %	1M to 6M EURIBOR	86,203	8	- 2,091	1,179	- 137
Interest rate caps	4.25 %	6M EURIBOR	3,000	9	0	267	0
			89,203	**17**	**- 2,091**	**1,446**	**- 137**

The remaining maturity of the interest rate derivatives is between one month and eight years.

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 €33,610 thousand (2007: €38,689 thousand) with a market value of €-469 thousand (2007: €1,012 thousand) 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 eight 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 2008 losses of €1,845 thousand (2007: gains of €92 thousand) 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 December 2008, the value of the interest rate hedges recorded under other financial receivables would have increased by €139 thousand and the value of the interest rate hedges listed under other financial liabilities would have decreased by €973 thousand. As a result of this change in value, €433 thousand would be recorded directly in equity and €679 thousand in the income statement (before taxes).

44. 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:

IN € THOUSAND	31.12.2008	31.12.2007
Short-term deposits	145,248	190,838
Cash in hand and bank balances	80,713	21,986
Receivables from HGV	5,200	28,300
Bank overdraft facilities	0	- 282
	231,161	**240,842**

Receivables from HGV are overnight deposits available on demand.

45. Segment reporting

The segment reporting was carried out in accordance with IAS 14. In the process, the primary reporting format is structured in accordance with the HHLA Group's business segments, which are organized and managed autonomously in line with the types of services being offered. The geographical regions in which the HHLA Group operates are used for the secondary reporting format.

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 Holding/Other division 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 subgroup Port Logistics in order to provide a complete and clear picture.

The segment assets contain the operationally necessary assets of the individual segments. 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.

The segment liabilities contain the operational debts and provisions of the individual segments. Liabilities from income taxes and deferred taxes, as well as financial liabilities, are not reported under segment liabilities. These are contained in the reconciliation to Group debt.

For geographical segment reporting, the revenue and the information on segment assets are segmented in accordance with the Group companies' respective locations.

Information on the HHLA segments subject to reporting requirements is presented as an annex to the Notes. With regard to the composition of the segments, we refer to Note 1.

46. Members of the Board

The members of the Board and their mandates are shown on p. 60 f.

47. German Corporate Governance Code

HHLA has based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code as published on 6 June 2008 and will continue to observe the Code in future. Information on corporate governance at HHLA and a detailed report on the amount and structure of the remuneration paid to the Supervisory Board and Executive Board can be found in the Group management report and Note 42 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2008 and on 17 December 2008 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).

48. Auditing fees

The following fees have been recognized as expenses for services provided by the auditors of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft:

IN € THOUSAND	2008	2007
Audit of financial statements	663	927
Other services provided for HHLA parent company or subsidiaries	380	0
Other certification and valuation services	365	1,262
Tax advisory services	52	5
	1,460	**2,194**

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. In 2007, fees for other certification and valuation services related predominantly to services in connection with HHLA's flotation and to the qualified review of interim financial statements. In 2008, these fees primarily arose from the qualified review of the interim financial statements. The other services were predominantly connected with advisory services in the course of planned corporate transactions.

49. Events after the balance sheet date

In July 2008, the Supervisory Board of HHLA appointed Dr. Sebastian Jürgens as a new member of the HHLA Executive Board effective as of 1 January 2009. As the replacement for Mr. Gerd Drossel, who retired at the end of 2008, Dr. Jürgens is assuming responsibility for the Intermodal and Logistics segments.

In December 2008, the Supervisory Board of HHLA appointed Mr. Heinz Brandt as a new member of the HHLA Executive Board effective as of 1 January 2009. As from 1 April 2009, he will take over responsibility for the human resources, employee welfare and purchasing areas from the current Executive Board member Mr. Rolf Fritsch, who will be stepping down from his post as of 31 March 2009.

With a notarial certification from 6 February 2009, Unikai Hafenbetrieb GmbH, Hamburg, established HCC Hanseatic Cruise Centers GmbH, Hamburg, and acquired 51 % of the company's shares. The nominal capital amounts to € 500,000. Unikai made its contribution to the nominal capital in the form of a payment in kind amounting to € 230,000 and a cash contribution of € 25,000. The purpose of the new company is the operation of cruise ship terminals.

There were no other significant events after the balance sheet date.

Hamburg, 6 March 2009

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

Klaus-Dieter Peters   Dr. Stefan Behn   Heinz Brandt   Rolf Fritsch   Dr. Roland Lappin   Dr. Sebastian Jürgens

ANNUAL FINANCIAL STATEMENT

Income statement

IN €; FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2008

	2008	2008	2007	2007
1. Revenue		143,807,246.82		138,568,472.35
2. Increase in work in progress		1,287,854.72		364,232.22
3. Own work capitalized		481,499.93		543,054.91
4. Other operating income		4,050,811.79		24,458,135.00
5. Cost of materials and services				
a) Expenses for raw materials, consumables, supplies and purchased merchandise	4,951,342.29		5,034,243.76	
b) Expenses for purchased services	1,611,105.34	6,562,447.63	1,370,499.91	6,404,743.67
6. Personnel expenses				
a) Wages and salaries	95,158,785.37		99,214,330.39	
b) Social security contributions and expenses for pension and similar benefits of which for pensions € 9,597,836.29 (previous year: € 107,790,553.81)	25,614,946.61	120,773,731.98	124,047,313.73	223,261,644.12
7. Depreciation and amortization on intangible fixed assets and property, plant and equipment		5,913,849.75		9,906,649.33
8. Other operating expenses		34,898,007.50		38,646,468.50
9. Income from profit transfer agreements		163,205,889.34		135,517,787.11
10. Income from equity participations of which from affiliated companies € 2,397,554.29 (previous year: € 852,117.90)		5,558,063.29		4,728,068.49
11. Other interest and similar income of which from affiliated companies € 10,508,586.82 (previous year: € 8,985,072.04)		18,041,732.37		9,829,742.43
12. Amortization and impairment losses in financial statements		92,750.00		400,000.00
13. Expenses from assumed losses		7,848,169.83		1,047,082.55
14. Interest and similar expenses of which to affiliated companies € 6,813,595.62 (previous year: € 3,209,305.15)		7,513,029.42		3,338,835.71
15. Result from ordinary income		**152,831,112.15**		**31,004,068.63**
16. Income taxes		43,581,086.36		42,786,413.93
17. Other taxes		343,257.51		354,239.83
18. Net profit/loss for the year		**108,906,768.28**		**- 12,136,585.13**
19. Profit carried forward from the previous year		22,527,716.64		96,801,226.77
20. Distributable profit		**131,434,484.92**		**84,664,641.64**

The annual financial statement and report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the financial year 2008 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 AG Wirtschaftsprüfungsgesellschaft.
The statement of income for the period 1 January to 31 December 2008 and the balance sheet as of 31 December 2008 are presented on this and the following pages.

Balance sheet as of 31 December 2008

IN €

	31.12.2008	31.12.2008	31.12.2007	31.12.2007
ASSETS				
A. Non-current assets				
I. Intangible assets				
1. Software	1,129,671.14		1,095,630.62	
2. Payments made on account	89,429.06	1,219,100.20	0.00	1,095,630.62
II. Property, plant and equipment				
1. Land, equivalent land rights and buildings, including buildings on leased land	74,249,850.53		57,114,834.18	
2. Technical equipment and machinery	2,367,273.76		1,029,199.55	
3. Other plant, operating and office equipment	4,589,196.41		3,300,453.76	
4. Payments made on account and plant under construction	1,215,207.23	82,421,527.93	9,025,889.30	70,470,376.79
III. Financial assets				
1. Interests in affiliated companies	230,024,575.57		204,539,145.17	
2. Equity investments	2,618,861.54		5,097,041.94	
3. Non-current securities	962,771.63	233,606,208.74	408,898.07	210,045,085.18
		317,246,836.87		**281,611,092.59**
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	105,983.13		129,522.76	
2. Work in progress	5,822,553.81	5,928,536.94	4,534,699.09	4,664,221.85
II. Receivables and other assets				
1. Trade receivables	1,172,787.50		1,326,587.62	
2. Receivables from the Free and Hanseatic City of Hamburg of which with a residual term of more than one year € 361,20.90 (previous year: € 0.00)	368,622.21		711,261.68	
3. Receivables from HHLA Beteiligungsgesellschaft mbH	0.00		3,655,680.00	
4. Receivables from affiliated companies	339,005,422.60		263,122,621.82	
5. Receivables from investee companies	720,194.03		378,881.12	
6. Other assets of which with a residual term of more than one year € 0.00 (previous year: € 903,922.63)	19,543,282.78	360,810,309.12	11,835,746.45	281,030,778.69
III. Cash and cash equivalents		210,679,916.89		199,279,590.01
		577,418,762.95		**484,974,590.55**
C. Accruals and deferrals		**396,199.62**		**365,197.42**
		895,061,799.44		**766,950,880.56**

Balance sheet as of 31 December 2008

IN €

	31.12.2008	31.12.2008	31.12.2007	31.12.2007
EQUITY AND LIABILITIES				
A. Equity				
I. Subscribed capital				
1. Port Logistics	69,975,326.00		69,920,500.00	
2. Real Estate	2,704,500.00	72,679,826.00	2,704,500.00	72,625,000.00
II. Capital reserve				
1. Port Logistics	134,915,393.63		133,572,156.63	
2. Real Estate	506,206.26	135,421,599.89	506,206.26	134,078,362.89
III. Revenue reserves				
1. Statutory reserve				
a) Port Logistics	5,125,000.00		5,125,000.00	
b) Real Estate	205,000.00	5,330,000.00	205,000.00	5,330,000.00
2. Other earnings reserves				
a) Port Logistics	15,676,571.45		15,676,571.45	
b) Real Estate	627,062.86	16,303,634.31	627,062.86	16,303,634.31
		21,633,634.31		21,633,634.31
IV. Profit carried forward				
1. Port Logistics	19,519,460.81		93,078,679.59	
2. Real Estate	3,008,255.83	22,527,716.64	3,722,547.18	96,801,226.77
V. Net profit/loss for the year				
1. Port Logistics	104,356,435.20		- 14,126,793.78	
2. Real Estate	4,550,333.08	108,906,768.28	1,990,208.65	- 12,136,585.13
		361,169,545.12		**313,001,638.84**
B. Provisions				
1. Provisions for pensions and similar obligations		301,878,782.00		311,241,251.00
2. Tax provisions		10,613,459.67		4,571,344.25
3. Other provisions		34,936,496.97		32,978,606.13
		347,428,738.64		**348,791,201.38**
C. Liabilities				
1. Bank debt		0.00		282,224.24
2. Payments on account		6,080,292.51		4,776,312.79
3. Accounts payable		2,471,635.55		3,769,416.30
4. Liabilities towards the Free and Hanseatic City of Hamburg		9,918.80		8,298.16
5. Liabilities towards HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH		60,048,963.89		36,841,341.36
6. Liabilities towards affiliated companies		108,756,948.32		49,364,457.67
7. Liabilities towards investee companiest		763,997.12		533,035.17
8. Other liabilities of which from taxes € 3,121,627.32 (previous year: € 3,729,759.71) of which for social security € 1,447,885.24 (previous year: € 1,494,036.73)		7,429,651.19		8,534,585.81
		185,561,407.38		**104,109,671.50**
D. Accruals and deferrals		**902,108.30**		**1,048,368.84**
		895,061,799.44		**766,950,880.56**

AUDITORS' REPORT

We have audited the consolidated financial statements – consisting of the balance sheet, income statement, statement of recognized income and expense, cash flow statement and notes of the Group – 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 2008. 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, 6 March 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ditting	Retzlaff
Auditor	Auditor

ASSURANCE OF 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, 6 March 2009

Hamburger Hafen und Logistik AG
The Executive Board

Klaus-Dieter Peters   Dr. Stefan Behn   Heinz Brandt

Rolf Fritsch   Dr. Sebastian Jürgens   Dr. Roland Lappin

SPECIALIST TERMINOLOGY

Automated Guided Vehicle (AGV): Fully automated unmanned transport vehicles used to move containers between quayside container gantry cranes on 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 in future also at Container Terminal Burchardkai – for compact stacking of boxes >> RMG.

Container gantry crane: Crane unit used for loading and discharging containerships. A distinction is made between panamax-, post-panamax- and super-post-panamax container gantry cranes for handling ships of the corresponding sizes. New tandem (Twin-Forty) gantry cranes are each fitted with two spreaders so that they can even move two 40-foot containers simultaneously.

Contract logistics: Business model based on long-term cooperation and division of labour between a manufacturer of goods and a provider of logistics services, and regulated by a service contract. Providers of contract logistics services provide logistics and logistics-related services along the transport chain.

Feeder, feedership: Regional containerships that distribute smaller quantities of containers onwards to ports not served directly by large containerships. The Baltic region, for example, is served from Hamburg by feeders.

Hinterland: Describes a port's catchment area.

Intermodal 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 geographically narrower sense, the term often used is Hamburg-Antwerp Range.

Rail gantry crane: see RMG

Reach stacker: Transport vehicle using a diagonal telescopic arm that can simultaneously accept two standard containers and lift these across other containers.

RMG – Rail-Mounted Gantry Crane: Crane units spanning their working area like a gantry, often operating on rails, hence the abbreviation RMG. If used in >>block storage, they are also called >> storage gantry crane, and in rail cargo handling, >> rail gantry crane.

RoRo: The abbreviation stands for "roll on, roll off" and is used to describe a loading/unloading process for cargoes (e.g., cars) that can be rolled, or driven, onto a ship.

Standard Container: see TEU

Straddle carrier (also van-carrier): A vehicle used for moving containers around terminals. The straddle carrier driver is seated at the controls above the container, lifting and stacking it on one of up to four layers.

Storage gantry crane: see RMG

Terminal: In maritime logistics this means a transhipment point for cargo, usually a container terminal.

TEU (Twenty-foot equivalent unit): 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 normally 20 feet / 6.06 m long and 8 feet / 2.44 m and 8 feet 6 inches / 2.59 high. Also frequently in use are 40-foot containers, twice as large, that are counted as two TEU statistically.

FINANCIAL TERMS

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 employees, shareholders, partners or the state.

Average operating assets: Average net non-current assets (intangible assets, property, plant and equipment, investment properties, associates accounted for using the equity method and financial assets) + average net current assets (inventories + trade receivables less accounts payable).

Cost of capital: Expenses that must be incurred to utilize financial resources as equity or borrowed capital.

DBO (defined benefit obligation): Performance-oriented pension obligations arising from the accrued and estimated pension 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 amortization.

EBT: Earnings before tax.

Economies of scale: Law of economics according to which increases in production are accompanied by reductions in unit costs.

Equity ratio: Equity / total assets

Financial result: Interest income – interest expenses +/– result from participations – write-downs and losses on the disposal of financial investments and of current securities – expense from loss adoption.

Gearing ratio: Commercial debts / equity.

IAS: International Accounting Standards.

IFRS: International Financial Reporting Standards.

Impairment test: Impairment test as defined under IFRS.

Investments: Payments for investments in tangible assets and investment property and for investments in intangible assets.

Operating cash flow: (as defined in literature on IFRS indicators); EBIT – taxes + amortization and depreciation – write-backs +/– change of non-current provisions (excl. interest portion) +/– gains/losses on the disposal of property, plant and equipment + change of working capital.

ROCE (return on capital employed): EBIT / average operating assets.

Revenue: Sales derived from selling, letting or leasing and from services provided by the Group, less sales deductions and turnover tax.

FINANCIAL CALENDER

31 March 2009
ANNUAL PRESS CONFERENCE
ANALYSTS' CONFERENCE

15 May 2009
INTERIM REPORT JANUARY – MARCH 2009

4 June 2009
ANNUAL GENERAL MEETING

13 August 2009
INTERIM REPORT JANUARY – JUNE 2009

12 November 2009
INTERIM REPORT JANUARY – SEPTEMBER 2009

IMPRINT

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The Hamburger Hafen und Logistik Aktiengesellschaft annual report 2008 is a translation of the original German Hamburger Hafen und Logistik Aktiengesellschaft Geschäftsbericht 2008. Please note that only the German version is legally binding.

HHLA Four-year-review

		2008	2007	2006[1]	2005[1]
Revenue					
Subgroup Port Logistics	€ million	1,299.2	1,152.4	-	-
Subgroup Real Estate	€ million	32.6	30.8	-	-
Consolidation	€ million	- 5.0	- 3.2	-	-
Total	**€ million**	**1,326.8**	**1,180.0**	**1,017.4**	**832.9**
EBITDA					
Subgroup Port Logistics	€ million	439.4	364.6	-	-
Subgroup Real Estate	€ million	17.6	14.1	-	-
Consolidation	€ million	- 0.2	0	-	-
Total	**€ million**	**456.8**	**378.7**	**296.4**	**210.2**
EBITDA margin	%	34.4	32.1	29.1	25.2
EBIT					
Subgroup Port Logistics	€ million	341.3	277.0	-	-
Subgroup Real Estate	€ million	13.7	10.3	-	-
Consolidation	€ million	0.1	0.3	-	-
Total	**€ million**	**355.1**	**287.6**	**218.1**	**146.6**
EBIT margin	%	26.8	24.4	21.4	17.6
Profit after tax	€ million	217.5	152.0	116.9	69.4
Profit after tax and minority interests	€ million	160.4	111.3	97.1	57.2
Cash flow/investments/amortization and depreciation					
Cash flow from operating activities	€ million	341.9	246.7	199.7	160.7
Cash flow from investing activities	€ million	- 265.6	- 174.7	- 248.9	- 101.2
Cash flow from financing activities	€ million	- 88.5	131.9	- 19.7	9.8
Investments	€ million	259.4	194.8	205.2	117.4
Amortization and depreciation	€ million	101.8	91.0	78.3	63.6
Assets and liabilities					
Non-current assets	€ million	1,174.2	1,042.9	977.7	796.6
Current assets	€ million	438.3	440.9	221.9	249.2
Equity	€ million	682.6	569.5	258.7	151.9
Equity ratio	%	42.3	38.4	21.6	14.5
Pension provisions	€ million	300.7	312.4	377.4	384.0
Other non-current assets	€ million	350.3	342.4	359.0	342.3
Current liabilities	€ million	278.9	259.5	204.5	167.6
Gearing ratio	%	0.6	0.8	2.5	3.9
Total assets	**€ million**	**1,612.5**	**1,483.8**	**1,199.6**	**1,045.8**
Employees					
Employees at year-end	#	5,001	4,565	4,215	3,869
Performance data					
Container throughput	million TEU	7.3	7.2	6.5	5.6
Container transport[2]	million TEU	1.8	1.7	1.5	1.3

[1] Reorganization into subgroup Port Logistics and subgroup Real Estate effected in 2007. [2] Transport volume was fully consolidated.

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