

HHLA

125 Years

1885–2010



HAMBURGER HAFEN UND LOGISTIK AKTIENGESellschaft
ANNUAL REPORT 2009

SEGMENTS AT A GLANCE

HHLA CONTAINER

SUBGROUP PORT LOGISTICS



HHLA INTERMODAL

SUBGROUP PORT LOGISTICS



HHLA LOGISTICS

SUBGROUP PORT LOGISTICS



HHLA REAL ESTATE

SUBGROUP REAL ESTATE



HHLA Container handling activities are combined in the Container segment with its terminals in Hamburg and Odessa. Technical innovations and automated work processes ensure high productivity and short ship lay times. HHLA's three Hamburg Container Terminals, Altenwerder, Burchardkai and Tollerort, sustain the Port of Hamburg's overwhelming importance as a hub between overseas countries and Central and Eastern Europe. Specialized ancillary companies offer a full range of services. In the coming years, a highly flexible programme of modernization and expansion will be boosting the performance and capacity of HHLA facilities to cater for demand.

Key figures		2009
Revenue	€ million	561.6
EBIT	€ million	149.6
EBIT margin	%	26.6
Employees	#	2,961
Container throughput	TEU '000	4,913

HHLA Intermodal companies offer a comprehensive rail and road transport network linking German seaports with their hinterland in Europe. The main transport services are to Central and Eastern Europe. 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 market leader for rail container traffic. CTD Container provides truck deliveries in North Germany and on long-haul services. HHLA will also be systematically further expanding its routes in future.

Key figures		2009
Revenue	€ million	277.3
EBIT	€ million	21.9
EBIT margin	%	8.0
Employees	#	751
Container transport	TEU '000	1,500

¹ from continuing activities

Companies in HHLA Logistics segment combine a very wide range of services typifying Hamburg's versatility as a universal port. Unikai Lagerei & Spedition, for example, is its centre of competence for vehicle logistics. The Fruit & Refrigeration Centre is the German market leader for fruit handling, Ulrich Stein GmbH in fruit forwarding. At Hansaport, HHLA has a stake in Germany's largest coal and ore terminal. HHLA Logistics stands for high-grade contract and storage logistics. HHLA's expertise in the development of port technology and port schemes is successful worldwide. This know-how is marketed by HPC Hamburg Port Consulting, Uniconsult and HPTI.

Key figures		2009
Revenue	€ million	114.9
EBIT	€ million	8.2
EBIT margin	%	7.2
Employees	#	475

Project and property development, quarter management and the active shaping of urban structural change: The Real Estate segment administers and leases office, trading and commercial premises in highly attractive areas of Hamburg as a location. The focus of attention is on the former ensemble of Hamburg's Speicherstadt that HHLA is sensitively developing into a modern quarter, where artists find inspiration and cultural attractions lure visitors. With Fischmarkt Hamburg-Altona on the north bank of the Elbe, HHLA caters for part of the traditional fisheries industry, accommodated alongside bars/restaurants and modern office premises in an integrated area development.

Key figures		2009
Revenue	€ million	32.7
EBIT	€ million	12.3
EBIT margin	%	37.6
Employees	#	40

HHLA Multi-year overview

		2005 ¹	2006 ¹	2007	2008	2009
Revenue						
Subgroup Port Logistics ²	€ million	-	-	1,152.4	1,299.2	962.9
Subgroup Real Estate ²	€ million	-	-	30.8	32.6	32.7
Consolidation	€ million	-	-	- 3.2	- 5.0	- 4.9
HHLA Group	€ million	832.9	1,017.4	1,180.0	1,326.8	990.7
EBITDA						
Subgroup Port Logistics ²	€ million	-	-	364.6	439.4	261.1
Subgroup Real Estate ²	€ million	-	-	14.1	17.6	16.4
Consolidation	€ million	-	-	0	- 0.2	0
HHLA Group	€ million	210.2	296.4	378.7	456.8	277.5
EBITDA margin	%	25.2	29.1	32.1	34.4	28.0
EBIT						
Subgroup Port Logistics ²	€ million	-	-	277.0	341.3	147.7
Subgroup Real Estate ²	€ million	-	-	10.3	13.7	12.3
Consolidation	€ million	-	-	0.3	0.1	0.2
HHLA Group	€ million	146.6	218.1	287.6	355.1³	160.2³
EBIT margin	%	17.6	21.4	24.4	26.8	16.2
Profit after tax	€ million	69.4	116.9	152.0	217.5	89.1
Profit after tax and minority interests	€ million	57.2	97.1	111.3	160.4	53.0
Cash flow/investments/ depreciation and amortization						
Cash flow from operating activities	€ million	160.7	199.7	246.7	341.9	193.2
Cash flow from investing activities	€ million	- 101.2	- 248.9	- 174.7	- 265.6	- 157.3
Cash flow from financing activities	€ million	9.8	- 19.7	131.9	- 88.5	- 88.6
Investments	€ million	117.4	205.2	194.8	259.4	159.7
Depreciation and amortization	€ million	63.6	78.3	91.0	101.8	117.3
Assets and liabilities						
Non-current assets	€ million	796.6	977.7	1,042.9	1,174.2	1,224.9
Current assets	€ million	249.2	221.9	440.9	438.3	365.6
Equity	€ million	151.9	258.7	569.5	682.6	637.0
Equity ratio	%	14.5	21.6	38.4	42.3	40.0
Pension provisions	€ million	384.0	377.4	312.4	300.7	325.1
Other non-current assets	€ million	342.3	359.0	342.4	350.3	385.5
Current liabilities	€ million	167.6	204.5	259.5	278.9	242.9
Gearing ratio	%	3.9	2.5	0.8	0.6	0.8
Total assets	€ million	1,045.8	1,199.6	1,483.8	1,612.5	1,590.5
Employees						
Employees at year-end	#	3,869	4,215	4,565	5,001	4,760
Performance data						
Container throughput	million TEU	5.6	6.5	7.2	7.3	4.9
Container transport ⁴	million TEU	1.3	1.5	1.7	1.8	1.5

¹Change to IFRS reporting in 2006 with comparative figures for 2005. ²Reorganization into subgroup Port Logistics and subgroup Real Estate in 2007. ³EBIT from continuing activities € 357.8 million in 2008 and € 177.7 million in 2009. ⁴Transport volume was fully consolidated.

HHLA key figures

		HHLA Group		
		2009	2008	Change
Revenue and earnings				
Revenue	€ million	990.7	1,326.8	- 25.3 %
EBITDA	€ million	277.5	456.8	- 39.2 %
EBITDA margin	%	28.0	34.4	- 6.4 pp
EBIT	€ million	160.2	355.1	- 54.9 %
EBIT margin	%	16.2	26.8	- 10.6 pp
EBIT from continuing activities ¹	€ million	177.7	357.8	- 50.3 %
EBIT margin from continuing activities ¹	%	18.0	27.3	- 9.3 pp
Profit after tax	€ million	89.1	217.5	- 59.0 %
Profit after tax and minority interests	€ million	53.0	160.4	- 66.9 %
Balance sheet and cash flow statement				
Total assets	€ million	1,590.5	1,612.5	- 1.4 %
Equity	€ million	637.0	682.6	- 6.7 %
Equity ratio	%	40.0	42.3	- 2.3 pp
Cash flow from operating activities	€ million	193.2	341.9	- 43.5 %
Investments	€ million	159.7	259.4	- 38.4 %
Employees				
Employees at year-end	#	4,760	5,001	- 4.8 %
Performance data				
Container throughput	thousand TEU	4,913	7,317	- 32.9 %
Container transport ²	thousand TEU	1,500	1,841	- 18.5 %

		Subgroup Port Logistics ^{3, 4}			Subgroup Real Estate ^{3, 5}		
		2009	2008	Change	2009	2008	Change
Revenue	€ million	962.9	1,299.2	- 25.9 %	32.7	32.6	0.4 %
EBITDA	€ million	261.1	439.4	- 40.6 %	16.4	17.6	- 6.5 %
EBITDA margin	%	27.1	33.8	- 6.7 pp	50.2	54.0	- 3.8 pp
EBIT	€ million	147.7	341.3	- 56.7 %	12.3	13.7	- 9.9 %
EBIT margin	%	15.3	26.3	- 11.0 pp	37.6	41.9	- 4.3 pp
EBIT from continuing activities ¹	€ million	165.1	344.0	- 52.0 %			
EBIT margin from continuing activities ¹	%	17.2	26.8	- 9.6 pp			
Profit after tax	€ million	82.8	211.7	- 60.9 %	6.1	5.6	9.2 %
Profit after tax and minority interests	€ million	46.7	154.5	- 68.8 %	6.1	5.6	9.2 %
Earnings per share ⁶	€/share	0.67	2.21	- 69.7 %	2.34	2.15	8.8 %
Dividend ⁷	€/share	0.40	1.00	- 60.0 %	1.00	1.00	–

¹ EBIT without one-off restructuring expense and the operating result of the affiliated companies combisped and CTL, which have been classified as discontinued respectively disposed of and deconsolidated. ² The transport volume was fully consolidated. ³ Before consolidation between subgroups. ⁴ Listed A shares. ⁵ Non-listed S shares. ⁶ Basic and diluted. ⁷ 2009: Dividend proposal.

FOCUS ON THE FUTURE

125 YEARS OF INNOVATIONS FOR PORT LOGISTICS

Hamburger Hafen und Logistik AG played a decisive role in shaping Hamburg's rise to become one of the world economy's most important hubs. With its innovative terminals, an ecologically exemplary transport network and comprehensive logistics services, today it stands for the groundbreaking networking of global goods flows between Europe and overseas.

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FOCUS ON THE FUTURE

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The HHLA Executive Board in front of an early painting of Speicherstadt, the historical warehouse district (from l. to r.): Heinz Brandt, Dr. Stefan Behn, Klaus-Dieter Peters, Dr. Roland Lappin, Dr. Sebastian Jürgens

FOREWORD

In the most serious economic crisis of the period since World War II, Hamburger Hafen und Logistik AG has achieved a positive result in all four segments, and in doing so, fully met the forecast for the year 2009 raised in the autumn. Thanks to the comprehensive programme of measures in the “Securing the future” project, launched in a timely manner at the beginning of the crisis, the company succeeded in keeping the downturn in revenues within bounds, in achieving a still respectable Group result and in maintaining our solid balance sheet structure.

That is all the more remarkable in that the economic crisis has hit global logistics and transport chains disproportionately. If, for many years, the rule-of-thumb applied

that growth in the volume of cargoes transported overseas was at roughly two and a half times the rate of the increase in worldwide economic output, during the crisis this formula has now proved to be valid in the reverse direction as well. That applies especially to the growth markets that have been determining factors for HHLA in recent years, such as container traffic with Asia as well as with the emerging national economies of Central and Eastern Europe, which have collapsed dramatically in the course of the crisis. The sharp fall in cargo volumes handled and transported may have come to a standstill in summer 2009, but no sustained recovery can be reported yet. The situation has been aggravated by the most serious crisis in the history of container shipping,

which has additionally heightened the pressure of competition on container terminals and port logistics companies. This extremely tough market environment presented HHLA with a double challenge: firstly, to overcome steep downturns in volumes, and secondly, at the same time, to keep in view the opportunities for medium- and long-term growth. In the past year, HHLA successfully did so.

The basis for this was the good state of the Company commercially at the beginning of the crisis, something it had worked towards in recent years, and to which the IPO in November 2007 contributed. The measures taken at the end of 2008 as part of the "Securing the future" project accordingly made a rapid and sustained impact. Variable material costs were considerably reduced, therefore, and the volume of work adapted to the development of volumes by means of a scheme for a flexible and needs-related deployment of staff.

In addition, we used any opportunities offered by the modular modernization and expansion programme at HHLA facilities to adjust the tempo of investments to actual demand. Measures to expand capacity were postponed, but investments to boost efficiency continued.

To meet requirements for maritime logistics, which became more demanding even during the crisis, in 2009 HHLA further expanded its intermodal network for hinterland transport, and also invested in a new mega-containership berth at Container Terminal Burchardkai that is entering service in the first half of 2010. In addition, a number of separate projects to boost efficiency are being implemented. Not the least of these is the opening of a largely automated temperature-controlled fruit storage shed at O'Swaldkai multi-functional terminal, substantially improving quality and capacity for the fruit trade.

A major training initiative combined with short-time working, a core element of the "Securing the future" project, has proved a success: Over 400 HHLA staff have already taken the chance to substantially boost their professional qualifications. Here again, this is proof of the great commitment and high flexibility of all staff, which has made an outstanding contribution to mastering the extraordinary challenges of the year 2009.

Nor in all probability will the challenges be any less in the year 2010. The signs of a revival in the economy are

meanwhile multiplying and there are some prospects of an at least gradual recovery of the cargo handling and transport markets important for HHLA. Yet the extent of the collapse is leading to a further increase in competitive pressure, meaning that it will, in any case, be some years before the volumes of the record year 2008 are reached again.

At the same time, however, with the world economy ever more tightly intermeshed and bringing the related disproportionate growth, the long-term trend to globalization remains uninterrupted. In the current year, therefore, HHLA will be investing further in boosting the efficiency and performance of its facilities, terminals and its intermodal network.

In 2010 HHLA celebrates its 125th anniversary. The Company has experienced many highs and lows in that period, actively witnessing Hamburg's rise to become a world port, and is today one of Europe's leading port logistics companies.

In what will certainly be a very difficult year in 2010, we shall systematically pursue the course set by us for the long term. In the process, we shall counter the current situation on the market with flexible measures appropriate to the situation, while keeping in view our long-term prospects for growth. Moreover, we shall grasp all opportunities for consolidating and further extending our competitive position.

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

HHLA IN THE COURSE OF TIME

1866

Founding of the “Staatliche Kaiverwaltung” (State Quays Administration) that is incorporated in HFLG in 1935. This builds Hamburg’s first modern port facility on Sandtorkai that serves worldwide as a model for similar facilities and permits its subsequent rise to become a world port.

1885

“Hamburger Freihafen-Lagerhaus-Gesellschaft” (HFLG) is founded on 7 March to build and operate Hamburg’s Speicherstadt that, at the times was the world’s largest and most technically advanced logistics centre.



1888

Punctually completed in time for Hamburg’s accession to the German Customs Union, the first construction stage of the Speicherstadt (some 60 percent of the total area).



1914

By the outbreak of World War I, Hamburg has risen to become the world’s third-largest port after London and New York.

1931

The State Quays Administration installs a mobile conveyor system for bananas with full weather protection. In 1934, the first special shed for bananas is built. Hamburg is the No. 1 fruit port in Europe. The State Quays Administration makes a substantial contribution with its innovations.



1935

On 1 April, the loss-making State Quays Administration is vested in the commercially more successful HFLG. In 1939, combining handling and storage under one roof, the new company is renamed “Hamburger Hafen und Lagerhaus-Aktiengesellschaft” (HHLA).

1945

The extent of war damage is tremendous, with 90 percent of quay-side sheds destroyed and two-thirds of all warehouses unfit for use. No more than 1.8 million tons can be handled, no more or less than back in 1865.



1952

HHLA, for the first time, puts a forklift into service that replaces heavy manual work with barrows and hastens standardization of goods traffic. Reconstruction of the port is almost complete.

**1968**

The container comes to Hamburg. At Burchardkai the first full containership, the "American Lancer" is handled by special container gantry cranes.

**1970**

The new port regulations free HHLA from all sovereign duties and put the Company on a commercial footing. All companies in the port business community now have to finance their superstructure – e.g. cranes and buildings – from their own funds. A wave of new investments commences.

1976

HHLA founds HPC Hamburg Port Consulting to spread its expertise and experience to other ports.

1992

HHLA's rail affiliate Polzug sets the first commercial container block train to Eastern Europe rolling. The container transport network between the port and its hinterland is expanded, with HHLA acquiring stakes in additional intermodal companies like Metrans and TFG Transfracht.

2002

Ceremonial opening of Container Terminal Altenwerder. Today, this remains the facility with the highest degree of automation anywhere in the world.

**2003**

HHLA has restructured itself and is now headed by a strategic management holding company. The Group focuses its activities on the four segments Container, Intermodal, Logistics and Real Estate.

2004

A container boom ongoing for several years produces double-digit handling growth. HHLA reacts to this with the largest investment programme in its history. More than a billion euros will be invested to double terminal capacity step by step.

2005

HHLA updates its name, with "Hamburger Hafen- und Lagerhaus-AG" becoming "Hamburger Hafen und Logistik AG".

2007

Successful stock exchange launch of HHLA. The share was already included in the MDax index in March 2008.

**2010**

HHLA celebrates its 125th anniversary.

THE SHARE

Fall and rise on the stock markets

In 2009, the international stock markets recorded one of the worse starts in their history. Poor economic data, deteriorating corporate results and doubts about the effectiveness of financial and economic policy measures adopted to cope with the crisis led to substantial losses in share prices during the first quarter. This trend was not permanently reversed until March, but the general trend subsequently continued during the following quarters. Primarily the improvements in a number of leading economic indicators and the ensuing hopes of an imminent economic turnaround buoyed many indices. In addition, the lack of other attractive investment opportunities created extra momentum which was stimulated further by investors' high liquidity levels. In the course of the year, this positive stock market trend, however, also experienced phases of consolidation. Overall, the economic data did not improve significantly and with many companies negative announcements domi-

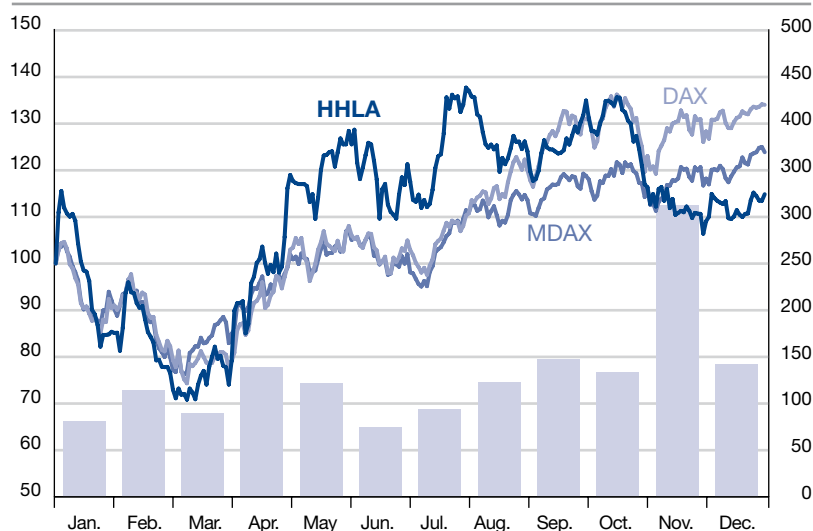
nated. However, with the expectation of better economic conditions in 2010, the stock markets were able to gain additional value by the end of the year and closed on a high level. The upswing on stock markets, which was strongly liquidity-driven, continued as a result. The leading German indices DAX and MDAX both attained new annual highs for the year just before the end of the year at 6,011 and 7,513 points respectively. The DAX closed the year up almost 24 percent on the beginning of the year. The MDAX, in which the HHLA share is represented, even posted an increase of around 34 percent over the year as a whole.

Uncertain economic prospects

Significant downturns in foreign trade and pessimistic economic forecasts put HHLA's share price under considerable pressure at the start of the year. The performance followed the general downward trend. After a temporary recovery

Share price development

CLOSING PRICES 2009 (INDEX = 100) IN PERCENT, AVG. TRADING VOLUME PER DAY IN THOUSAND



Source: Datastream

Financial Newsflow

DISCLOSURES AND EVENTS 2009

- 04.02.**
Release of preliminary results for the financial year 2009
- 31.03.**
Annual report 2008
- 15.05.**
Interim report January to March 2009
- 04.06.**
Annual general meeting
- 13.08.**
Interim report January to June 2009
- 12.11.**
Interim report January to September 2009

in the company's share price after HHLA published its preliminary results, burdening factors such as reports about substantial declines in handling volumes at Chinese ports and speculation about a dramatic aggravation of the crisis in Eastern Europe prevailed. By March HHLA's share price had dropped to an all-time low of € 16.64 before improving slightly by the end of the first quarter. In the second quarter the HHLA share experienced considerable gains, bolstered by the widespread hope of an economic turnaround. Stock market trading in the transportation and logistics sector, which is particularly cyclical, reinforced this development, causing the share price to rise above average compared to broader market indices and to clearly outperform the DAX and MDAX. Besides, HHLA also delivered compelling results for the financial year 2008 and the first quarter of 2009. The company's crisis management with its far-reaching package of measures was particularly appreciated. Increasing scepticism regarding a quick economic recovery later impacted HHLA's share price, resulting in a temporary price correction at the end of the second quarter. Successful refinancing by shipping companies and a rise in container freight rates later spurred confidence. Interest in shares which are sensitive to cyclical trends rose as a result and gave HHLA's share price a considerable boost. Following this trend, the share price reached €32.36 on 30 July, its high for the year, and almost double the lowest valuation for the year in March.

Instable sentiment prevails

When the industry results of the second quarter were published and were unable to support the upward trend, the HHLA share lost most of its gains, falling back below the performance of the DAX and MDAX. Despite the consequent implementation of further cost reductions, the subsequent HHLA reporting on the first half-year was not able to alter investor sentiment in the face of weak volume development. The delay announced by the German Federal Ministry of Transport and the Hamburg Senate to the plan approval process for dredging the Elbe waterway also constrained the share performance, as this expansion is important for HHLA's mid-term business prospects. Ad-

Key figures HHLA share

		2009	2008
Closing price at year-end ¹	€	26.99	23.50
Highest share price ¹	€	32.36	60.00
Lowest share price ¹	€	16.64	20.89
Performance	%	14.9	- 61.5
Average daily trading volume ²	#	132,816	137,884
Number of shares	#	72,679,826	72,679,826
Listed shares (Class A shares)	#	69,975,326	69,975,326
Non-listed shares (Class S shares)	#	2,704,500	2,704,500
Dividend per Class A share ³	€	0.40	1.00
Dividend yield	%	1.3	4.3
Market capitalization as of 31.12. (Class A shares)	€ million	1,888.6	1,644.4
Price-earnings ratio as of 31.12.		33.0	10.7

¹ XETRA ² XETRA, Frankfurt/Main, Hamburg ³ Dividend proposal for 2009

ditional pressure on HHLA's share price was caused by the reorganization of the MSCI Germany indices, which led to the HHLA share being recategorized. By the end of the year, the consequences of this were portfolio adjustments and higher trading volumes. Against this background the share price was unable to catch up with the positive overall trend of the leading German indices by year-end 2009 but closed in a slight upward trend at €26.99. The HHLA share price improved by 14.9 percent compared to the beginning of the year and was 62.0 percent higher than its annual low. The market capitalization of the listed HHLA subgroup Port Logistics amounted to €1,888.6 million as of 31 December. A total of 33.7 million shares changed hands over the course of the year, meaning trading volumes were overall slightly down compared to the previous year. The turnover ratio was 1.5 in relation to the number of shares in free float (22.1 million).

Listed in MDAX for a full calendar year

In 2009, HHLA was represented in the MDAX during the entire calendar year for the first time. Thus HHLA was one of the 50 listed companies in Germany which in terms of their size and revenue levels follow the DAX companies. A review for the regional index MSCI Germany that is carried out on an ongoing basis was conducted again in November 2009. It is calculated by Morgan Stanley Capital International and is used as a reference for regional share portfolios. Due to the market capitalization of the limited free float, the HHLA share was moved from the MSCI Germany Mid Cap to the MSCI Germany Small Cap index. Apart from this, the HHLA share continued to be represented in the HASPAX, a share index which encompasses the 25 largest and highest-turn-over companies on the Hamburg stock exchange.

Intensified financial communication

Overall, 2009 was a remarkably challenging year for financial communication. The perception of a historic economic crisis led to a higher number of requests and also far more varied and detailed questions than before. Against this background, HHLA increased its presence on the capital market and focussed on aligning all of its investor relations activities with the basic principles of speed, credibility and continuity, even under these demanding conditions. HHLA's aim remained to provide information that is as up to date, transparent and comprehensible as possible and thereby maintain the capital markets' trust. At the same time, the company listened to suggestions, information and ideas from the capital markets and took them into account regarding its corporate development. Engaging in dialogue with retail 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 in 2009. These activities included numerous one-on-one and group discussions with the management and investor relations team explaining in particular the economic environment, operating performance, crisis management and the stability of the company's long-term business model.

Investor relations work awarded

At events such as the "Hamburger Börsentag", a fair especially designed for retail investors, the Executive Board presented HHLA's actual state of business and its prospects for the future. The company's fair stand additionally offered visitors the opportunity to inform themselves about the share and enter into discussions. HHLA also took part in events offered by associations of retail shareholders as well as domestic and international investor conferences to enhance investor confidence. At roadshows HHLA intensified its dialogue with shareholders and potential investors in the financial centres of Europe and North America. In addition to this, it staged quarterly conference calls in which the Executive Board members presented the company's results and made themselves available to answer questions. The range of activities also included expanding the information provided about the HHLA share on the company's website. The opportunity for direct communication by telephone, letter, email and fax was greatly appreciated during the reporting year. Public recognition of HHLA's efforts came in the form of the company being awarded the prize for best investor relations work for private investors in Germany. In a reader survey conducted by Börse Online, HHLA achieved first place in the MDAX category as well as in the overall ranking for all indices for the 2009 BIRD (Beste Investor Relations Deutschland) Award.

Annual General Meeting well attended

Around 1,500 people participated in HHLA's second Annual General Meeting since its IPO; also in 2009, particular interest was shown by private investors. Almost 80 percent of the company's nominal capital was represented at the meeting, which was held in Hamburg on 4 June. The proposals by the Supervisory Board and the Executive Board were approved with large majorities, as was the dividend of € 1 per listed Class A share, which was paid out on 5 June. At the Annual General Meeting in 2010, the Executive Board and Supervisory Board will propose distributing a dividend of € 0.40 per Class A share. With this, HHLA continues its result-oriented dividend policy pursued since the IPO. In an

external comparison, the dividend payout ratio referring to the relevant net profit of the subgroup Port Logistics would remain on a relatively high level of 61 percent.

Stable shareholder base

According to the share register, HHLA had a broad shareholder base of around 35,000 investors as of 31 December 2009. Besides 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, around 78 percent of the remaining free float was held by institutional investors and around 22 percent was held by private investors at year-end 2009. The proportion of private shareholders remained largely stable compared to the previous year despite widespread asset reallocations. The regions holding the highest proportion of HHLA's shares were Germany, the USA and Great Britain. According to the voting rights notifications submitted to HHLA by year-end 2009 in accordance with the German Securities Trading Act (WpHG), no single investor held more than 3 percent of the outstanding shares in free float.

Additional set of analyst studies

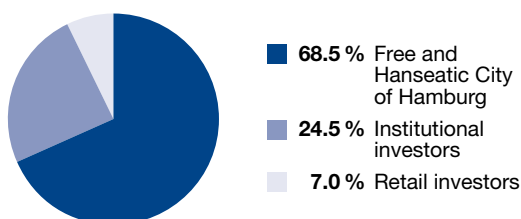
The group of financial institutions which regularly analyze and comment on the development of HHLA's business was successfully expanded during the course of the year. Since

the end of 2008, the number of analysts' reports on the company has increased from 18 to the current total of 24 continuously covering the HHLA share. The vast majority of these surveys recommend buying or holding the share. Positive assessments highlight in particular the opportunities which the vertical business model can provide in the event of a broad economic recovery and the increased integration of emerging economies into the international division of labour. Analysts who recommend selling the HHLA share emphasize the current increase in competition in the port logistics sector. As of year-end 2009, the average target price stated by all surveys was around €29. HHLA places great value on being covered by as broad a range of regular studies as possible since financial analysts are important opinion leaders who enhance investors' understanding of the company's business model and ensure a comprehensive spectrum of opinions.

► Overview of financial analysts available at www.hhla.de

Shareholder structure

AS OF 31.12.2009



Source: Share register

Basic data HHLA share

Type of shares	No-par value registered shares
ISIN International Security Identification Number	DE000A0S8488
SIC	A0S848
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	2 November 2007





A FARSIGHTED APPROACH TO A DEVELOPING QUARTER

Turning Speicherstadt as a logistics centre into an inner city area under historic buildings protection: Where once there stood the most modern logistics centre worldwide, today HHLA is implementing the sensitive transformation of a unique ensemble of buildings possessing special flair.

■ Even in the ascendant German Empire at the end of the 19th century, welcoming every innovation, it was something of a sensation: Hamburg's Speicherstadt, an imposing complex of warehouses erected directly adjacent to the Port of Hamburg's modern quayside facilities. Here, in the freeport just created for Hamburg's accession to the German Customs Union, spacious warehouses equipped as standard with such novelties as electric lighting and hydraulically powered winches towered above the port. A central power station supplied water under pressure as well as electric power, while the warehouses with their thick external walls ensured a stable interior climate for storage of sensitive goods without requiring either heating or cooling.

Founded on 7 March 1885, "Hamburger Freihafen-Lagerhaus-Gesellschaft (HFLG)", as today's HHLA was then called, was entrusted with the task of building and operating the most modern logistics centre of the day. By 1927, a tremendous ensemble of buildings in Neo-Gothic style had been created in stages, built from millions of red bricks, with thousands of piles as its foundations, and floor space working area of altogether 310,000 square metres. With Franz Andreas Meyer, the Superintendent Engineer responsible for overall planning, to the fore, in developing Speicherstadt



One hoist of sacks is put into store in Speicherstadt in around 1930.

the planners and engineers cherished the picture of an early Renaissance “trading city”, complete with moats and towers, its various quarters pervaded by the Gothic style. In 1991, Speicherstadt was listed as a protected monument, but despite the onward march of new port and logistics technologies it managed to retain its function as a logistics centre. This was partly due to such important new users as the coffee trade. When the area forfeited its Freeport status in 2003, however, a fundamental structural change

started. Traditional users received new neighbours: fashion designers launching their collections on modernized warehouse floors, advertising agencies brightening up counting houses, media companies hatching ideas, and cafés and restaurants inviting visitors to linger.

Speicherstadt is developing into a link between downtown Hamburg and HafenCity, and is proving a commercial success. The symbolic barrier between Speicherstadt and Hamburg city centre also fell long ago, ushering in a new era in development of the city.

Started in 2009, the reduction in the height of the historic Customs boundary fence is more than a symbolic act. It underlines Speicherstadt’s development from a freeport warehouse complex into a stylish and much sought-after downtown quarter. Although demand for commercial properties in Hamburg fell last year, HHLA managed to successfully press on with development of the quarter. For instance, two former Customs houses in Speicherstadt were modernized and fully let in 2009. Plans for the remodelling of a third former Customs house are already at an advanced stage.

The interplay of historic and modern elements with the close ties to the port and the city centre together exude a special charm. It is from Speicherstadt, that international music group Warner, for example, runs its business in Central and Eastern Europe, as well as Germany. After deciding in 2003 against a move from Hamburg to Berlin, it moved its base from the modern, glazed Deichtorcenter in Hamburg to an old clinker warehouse in Speicherstadt. On a visit to Hamburg, Warner boss Edgar Bronfman Jr. declared these to be the finest Warner Group offices anywhere in the world.



Stylish revamping of historic Customs fence.



Modern office in Speicherstadt.



Performance of Michael Batz's "Hamburg Everyman" in Speicherstadt.

A large part of Speicherstadt was also rented out in the past. It was mainly trading companies that settled here, but production enterprises did so, too. They were happy to store their commodities in the redbrick warehouses, and the privilege of being able to deposit and process imported goods duty-free in the freeport area offered an additional incentive.

HHLA actively accompanied the structural change evident since the end of the 1980s. When Speicherstadt was listed as a historic monument with protected status in 1991, at the same time the first master plan for the future of Speicherstadt was being drafted. The premises left empty by moves to modern logistics centres have since been released for other uses. With its strategy of combining traditional and modern in the Speicherstadt district, HHLA is pursuing a holistic approach to development. One by one, warehouses are being transformed into floor areas for offices, but also for culture, restaurants/bars, and fashion houses. Speed is not the aim, but sustainability.

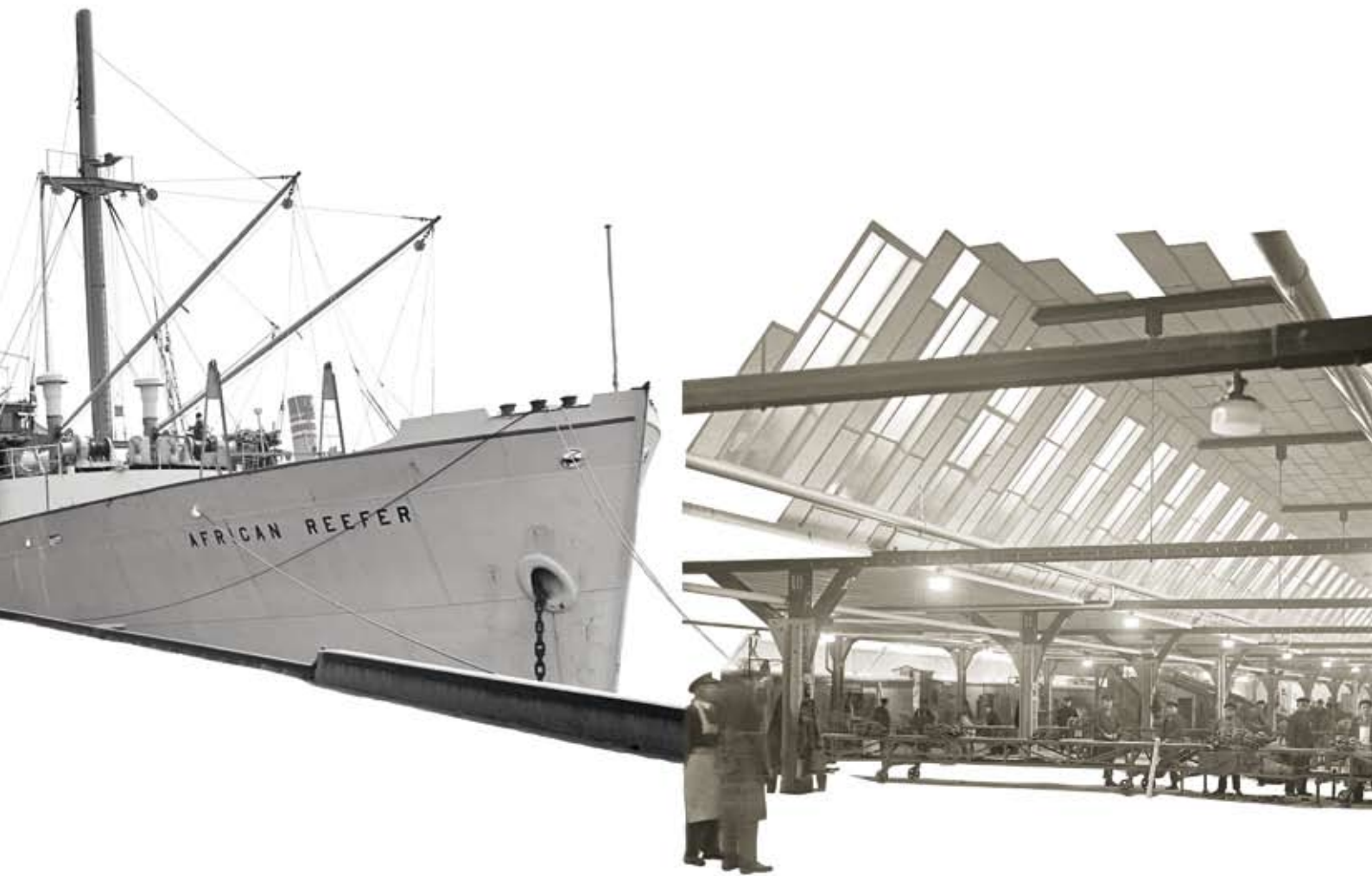
The interplay of historic and modern elements and the close ties to the port and the city centre together exude a special charm.

The further development of Speicherstadt represents a special challenge for HHLA's experts in this field. Along with the famous Chilehaus and the neighbouring counting house quarter, the Hamburg Senate plans to have it registered with UNESCO as a World Heritage Site. In dialogue

with the new users, they are refurbishing the historic warehouse blocks, observing the stringent regulations on conservation of historic buildings in the process, for

instance on the retention of cast iron window frames and beamed ceilings.

Just as when Speicherstadt was first built, we look far ahead, to the long-term preservation of the substance and the future lifecycle of these traditional buildings. This concern for boosting value is also reflected in HHLA's financial result. With Speicherstadt as its core element, HHLA's Real Estate segment is among the most financially stable of HHLA's business activities and on a direct sector comparison, one of its most lucrative.



SUCCESS BEARS FRUIT

From innovative fruit sheds to integrated fruit logistics: HHLA paved the way for Hamburg to be one of the most important European importers of citrus and tropical fruit with new technology and intelligent logistics solutions.

■ As Hamburg ship owner Rob. Sloman Jr.'s steamship "Tropani" made fast in Hamburg with a very sensitive cargo in 1897, at Versmannkai a recently completed and most modern quayside fruit shed awaited her. Until then, fruit imports like the "Tropani's" 10,000 boxes of citrus fruits had had to be handled quickly and sold immediately. Insulated and heated with peat dust, the double-layered shed wall now provided the opportunity for interim storage. That was

an important prerequisite on Hamburg's way to becoming one of the Central European fruit trading centres – a position previously held by Liverpool and London. Some 750,000 boxes of mixed citrus fruits, at that time the most important of tropical fruits, actually came to Hamburg in the 1897/98 season.

Today it is no longer boxes, but 750,000 tons of the most important fruit import, bananas, that are handled here



annually; with almost 100,000 tons of apples, pineapples, grapes and citrus fruits in addition. One single ship like the 150-metre-long “Dole America” brings 200,000 cartons with a total of 22 million bananas in “travel sleep” at 13.5 degrees centigrade. The green bananas do not ripen. Even as the ship is unloaded, the cool-storage chain must only be interrupted for a short time.

The same is true today as it was then: Handling fruit is a sensitive business. The importers and wholesalers must be able to rely completely on the logistics experts. One of the modern centres for fruit logistics today is O’Swaldkai, the multi-functional terminal in the Port of Hamburg covering almost one million square metres. This is one of the biggest facilities for handling fruit in Europe with its temperature-controlled storerooms, run by HHLA Frucht- und Kühl-Zentrum (fruit and refrigeration centre). While the goods are arriving here, work is being done feverishly at the fruit forwarders Ulrich Stein GmbH. With the help of software developed in-house, they make sure that all customs requirements are met, the import licences are always up-to-date and sample goods can be shown to the authorities.

Among the authorities is the German federal agency for agriculture and food that, among other things, issues commercial licences for organic certificates. Other important stakeholders in the field have branch offices directly at O’Swaldkai. Together they form a kind of “banana bunch” on the peninsula in the Port of Hamburg. For example, Germany’s number one in food retailing, the Edeka Group,



1934: bunches of bananas are sorted on conveyor belts.

has its fruit centre as well as a banana ripening facility there, set up in cooperation with HHLA.

The State Quay Administration, one of HHLA’s predecessors, was already responsible for close cooperation with customers. When in 1912, the two-storey fruit shed C at Magdeburger harbour was officially opened – the press celebrated it as “trendsetting for Hamburg”. On the upper floor was the packing and shipment area for the fruit consortium. It was connected directly to the store below by four double freight elevators. Even more specialized sheds came into being, so

that fruit – above all lemons, oranges and tangerines from the Mediterranean region as well as American apples – accounted for an ever-growing proportion of cargo in the Port of Hamburg. At the beginning of the 20th century they made up only about 0.5 percent of goods handled, by 1910 the figure had tripled to 1.4 per cent.

Despite the interruption of the First World War, the boom continued, speeded



The “African Reefer” in the Port of Hamburg.

up by innovations for faster and more efficient handling. In 1931, the Quay Administration installed elevators protected from the weather at shed 48, which transported the unpackaged bunches of bananas straight into the shed on arrival. There, the goods were checked on the conveyor belt, sorted and loaded onto the waiting railcars and vehicles. As from 1934, the first specialized shed exclusively for bananas was located here. After the recovery from the destruction



2009: in the refrigerated facility at O'Swaldkai pallets are stored almost fully automatically.

of the Second World War, the banana developed into a very popular food nationally. In 1954, the Hamburg fruit business achieved a volume of 233,000 tons – more than double that of the nearest competitor, Rotterdam. In the 1960s annual banana handling volumes neared the half-million ton mark. The banana really became part of the national staple diet, with Germans having the highest per capita consumption in the world, mainly delivered via Hamburg.

Without standardization, mechanization and part-automation, it would not have been possible to handle such volumes at the speed an easily perishable cargo requires. So in the mid-1970s HHLA began to build a technically groundbreaking fruit centre, meeting the needs of the fruit trade with an almost doubled refrigerated storage area. To extend O'Swaldkai to what it is today, first Segelschiffhafen, the yacht basin, was infilled. The newly built facility already had a partly automated system, where points in front of the automated pallets were steered by meters with photo sensors. The biggest rise in productivity was achieved by palletizing the goods, as mobile cranes and forklift trucks could move and transport much greater volumes in one movement. HHLA staff were also working actively with this trend by even

consulting the shipper in the country of origin and convincing them of the advantages of standardization.

The four cold-storage rooms, with separate temperature zones, of the partly automated air-conditioned warehouse at O'Swaldkai can accommodate 8,000 pallets, i.e. 400,000 cartons totalling 7,600 tons of bananas. Not only is the storage capacity considerably increased, but the facility is an instrument for comprehensive quality control. Every pallet stored has a bar code, which is read at the entrance of the refrigerated warehouse and "married" to an RFID chip

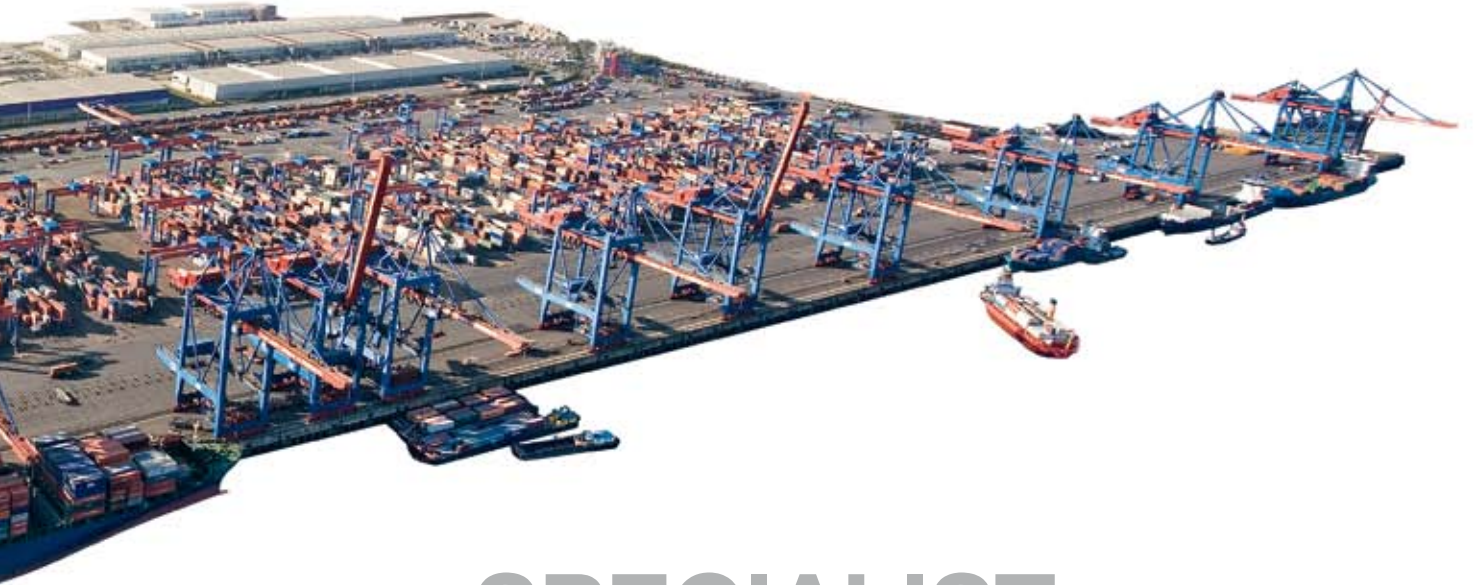
reader on a carrier pallet. Every movement of the carrier pallet via conveyor belts and rack equipment in the five-high store is tracked by the software. Work in the

temperature-controlled storage is fully automatic, goods out are also steered by chips. The pallets just need to be loaded onto the waiting trucks.

Scanning goods in and out assures seamless traceability. This is new in the fruit field, where transparent, computer-aided transport chains (unlike with frozen food or meat) are still in their infancy. This is an important improvement for customers and a further innovation with which HHLA makes Hamburg a more attractive location for fruit logistics. ■

**The same is true today as it was then:
Handling fruit is a sensitive business. The importers
and wholesalers must be able to rely completely on
the logistics experts.**





SPECIALIST FOR INTELLIGENT TERMINALS

From the Hamburg quay layout to the modern container hub: since the beginning of the modern industrial age, Hamburg and HHLA have set benchmarks for intelligently designed cargo handling terminals and direct interweaving of these in transport networks.

■ For the Port of Hamburg, the entry into service of HHLA Container Terminal Altenwerder (CTA) on 25 October 2002, before 360 invited guests and accompanied by a spectacular light show by lighting artist Michael Batz, marked the dawn of a new era. In the middle of the boom phase for container traffic, persisting since 1999 and bringing double-digit percentage growth, Hamburg received the most modern facility of its kind worldwide, a concentration of all that terminal technology had to offer. Innovative two-trolley container gantry cranes, an unmanned transport system with AGVs, compact storage blocks with automatic stacking cranes

and almost entirely automated control represent a new stage in the industrialization of port operations. Together with the adjacent goods traffic centre and its spacious on-dock rail terminal, and with direct links to the autobahn and rail networks, Altenwerder exemplifies a complete logistics system.

In 2002, Hamburg was the fastest-growing container port in the North Range and in the ensuing years, CTA, with its performance potential in handling mega-containerships and its capacity growth, ensured that this remained so.

When on 11 August 1866 a gathering of ship-owners, members of the Senate and the Hamburg parliament and merchants, all in festive mood, ceremonially opened Sandtorkai, the Port of Hamburg's first modern quay wall, nobody could have any idea that a good 136 years later, Hamburg would once again write terminal history on the other side of the Elbe in Altenwerder, transferring the equally successful and innovative basic layout of Sandtorkai to the requirements of the container age.



Regularly awarded top marks by ship-owner customers: HHLA Container Terminal Altenwerder.

The terminal very soon met and exceeded the high expectations placed in it. Internal logistics improvements boosted the originally assumed final capacity of 1.9 million standard containers per year to around three million. In addition, CTA is regularly awarded top marks by shipowner clients.

In 2008, the facility was the first in the world to be granted certification under Germanischer Lloyd's Container Terminal Quality Indicator (CTQI), a certification acquired once again in 2009 with still better marks.

The overall scheme had also long ago passed its acid test. A large number of logistics firms have settled in the direct neighbourhood of CTA. Logistics close to handling, and direct networking of high-performance quay handling with the European hinterland – such are the factors in the success of Altenwerder.

Looking back, some astonishing parallels emerge: The Port of Hamburg also enjoyed an extraordinary boom in the 1860s. Tonnage rose steeply, at double-digit annual growth rates. Ship types and sizes altered – and the steamship revolutionized sea transportation.

Back in the mid-19th century it was already clear to all those concerned that Hamburg must radically modernize and expand its port, in which vessels had so far been loaded and discharged out in the river.

The scheme for the new port was drawn up by Johannes Dalmann, Hamburg's today-legendary Director of Hydraulics, whose plan was approved by the Hamburger Senate and parliament in 1862. The new Sandtorhafen, Hamburg's first artificial port basin, was then built and with it, the trail-blazing Hamburg quay layout: Cutting-edge handling equip-

ment on the water side, quayside sheds for interim storage of the goods and connection of the quays with the hinterland were directly interlinked – the quayside facility with this layout became the Port of Hamburg’s recipe for success and shaped its ascent at the beginning of the 20th century. In 1914, Hamburg occupied third place in the world port rankings, topped only by London and New York.

Sandtorkai initially shone with the most powerful cranes of the day, Brown steam cranes that could lift up to 1.7 tons

was complete. Here was a complete logistics system that in the type and placing of its component parts constituted a historic counterpart to Altenwerder. Here, there were electric and steam cranes as the forerunners of double-trolley gantry cranes, handcarts and horse-drawn wagons instead of unmanned transport systems, sheds instead of container storage blocks and Speicherstadt, with its waterway, rail and road connections, all of which formed the goods traffic centre of the era.



The beginnings of an internationally successful system: the Hamburg quay layout at Sandtorkai, 1889.

and were driven along the quay wall on rails. By 1896 the first electric cranes were already competing with the steam cranes that had hitherto revolutionized port cargo handling. Elongated single-storey sheds offered the opportunity of pre- and post-carriage sorting of goods. Rail tracks laid in parallel to the sheds and the quay edge led to the inter-regional rail network. For carts and vehicles of all kinds, the quay had road access, with provision also made for the usual lighters that loaded and discharged directly beside the ocean-going ship.

When the “Speicherstadt Logistics Centre” opened for business directly behind Sandtorkai in 1888, the Port of Hamburg’s basic equipment for the modern industrial age

For Sandtorkai as for Speicherstadt, HHLA’s two forerunners were the sponsors: the State Quay Administration, founded in 1866 and responsible for development and operation of the port facilities, merged in 1935 with Ham-

burger Freihafen-Lagerhaus-Gesellschaft, founded in 1885 for building and operating Speicherstadt. Yet terminal development

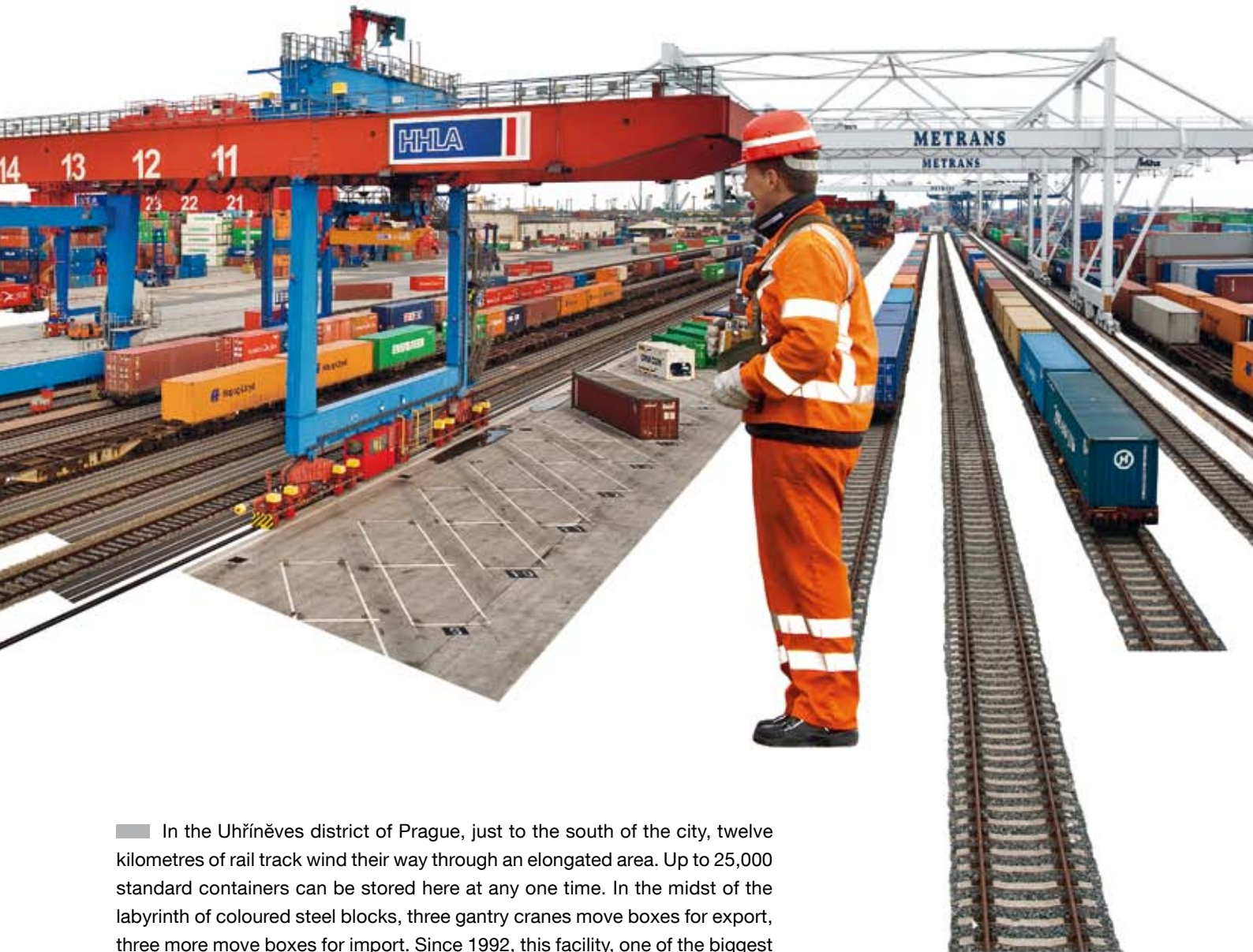
is by no means at an end with Altenwerder. In summer 2010, HHLA Container Terminal Burchardkai will be taking into service a new berth for mega-containerships with container gantry cranes offering a fresh increment in performance plus an even further developed block storage system.

The success factors: Logistics close to handling, highly effective quayside operations and the direct connection to the hinterland.



MARITIME LOGISTICS FOR THE EUROPEAN HINTERLAND

From rail port to integrated transport chain; the Port of Hamburg has for many years sparkled with its excellent connections into the hinterland. Today, HHLA is systematically upgrading the maritime transport chain with improved quality and productive efficiency.



■ In the Uhřetěves district of Prague, just to the south of the city, twelve kilometres of rail track wind their way through an elongated area. Up to 25,000 standard containers can be stored here at any one time. In the midst of the labyrinth of coloured steel blocks, three gantry cranes move boxes for export, three more move boxes for import. Since 1992, this facility, one of the biggest inland terminals in Europe, has been run by HHLA's subsidiary Metrans.

Traditionally the route via Hamburg is the fastest link to the sea for the Czech Republic. The trade routes served today by goods trains, were already proving themselves in the Middle Ages. Today, a train with specially designed Metrans container railcars leaves or arrives at the container terminals in the Port of Hamburg every six hours. Hundreds of loaded steel boxes travel south daily, mostly to Prague, from where about 60 percent are delivered to local



The on-dock container rail terminal at Burchardkai opened in 2006: cranes working on complete block trains on eight tracks, each over 700 metres long.

destinations by truck. The rest of the containers are assembled into new trains and resume their journey to Metran's two other inland hubs in Zlin in Moravia and Dunajská Streda in Slovakia.

By pooling a range of services in the Czech capital a higher frequency of departures is achieved. This is the prerequisite for deploying shuttle trains, which can travel directly, without shunting stops between the rail terminals at the Hamburg container terminals and Prague, a quantum leap in productivity and ease of planning. Uhřetěves in Prague is especially aligned to meet the needs of maritime logistics, which requires efficient management of trans-continental goods flows, i.e. high-capacity container hubs in the hinterland, too.

With their integrated depots in close proximity to the target markets, such full-service terminals offer greater storage capacity. Container volumes can be pooled more efficiently. Up to now there are no such terminals in Germany. The local facilities for combined traffic are, above all, geared towards the needs of continental transport routes, fast transshipment from truck to truck. At the beginning of 2010, after obtaining permission from the German Cartel Office, HHLA and Euro-

gate's Intermodal subsidiaries founded a joint venture to set up a network of container terminals for maritime logistics in Germany. Such terminals will provide the prerequisites for a new quality in the industrialization of transport chains, for the rail port that Hamburg has always been.

The Port of Hamburg serves its European hinterland with a variety of often tightly scheduled rail links, amounting to 70 percent of long-distance traffic being moved by

**In the Port of Hamburg 70 percent
of long distance traffic moves by rail –
a figure unique in Europe.**

rail, a figure unique in Europe. In total, every eighth freight train on the rails in Germany uses the Hamburg Port Railway. Run today by

the Hamburg Port Authority, this port railway has a special history. In 1859, Hamburg could not quite accept the offer from the Berlin-Hamburg railway company (BHE) to build its own handling facility with cranes and railway tracks. Instead, the Senate decided to build a railway terminal adjacent to the whole Sandtorkai port area at its own expense. That marked the birth of the Hamburg Port Railway. In 2009, around 220 trains with over 4,300 railcars roll over its network of tracks every day.

The beginning of the success story followed in August 1866, when the first goods train rolled into Hamburg's Berlin station on a double-track rail siding about 700-metres

long and connecting directly to the quay facilities in Sandtorhafen. There the cargo was loaded on to a ship, and the dream couple, rail and ship had sealed their first rendezvous in Hamburg. Unfortunately the link to the south to compete with the high-capacity hinterland links from Antwerp was missing.

The Cologne-Minden railway company ran the Rhine-Ruhr route but took a long time to build the essential connection. Hamburg had to dig deep into its pockets to finance an Elbe bridge. At last, in December 1872 the route over the Elbe opened up a new trading area. The railway interchange with its shunting tracks and loading areas was named Hannoverscher Bahnhof – Hanover regional station. New port basins soon appeared west of Magdeburger Hafen and south of Brooktorhafen. Over the following decades, at the city's expense, Hamburg developed a comprehensive distribution rail network that took over transportation between quay and handling facilities and Hamburg's railway stations.

At the beginning of the container age, this system needed to meet the demands of the new standard container. The first container train "Delphin" arrived at Ham-

Port of Hamburg one of the biggest handling locations for rail containers in the world.

HHLA not only spurs on the interlinking of rail and sea. Just after the fall of the Iron Curtain, it took the chance to participate in building up new intermodal companies. Shortly afterwards in September 1991, an EU directive was passed deregulating the European rail networks. In January 1992, Polzug Polen-Hamburg-Transport GmbH was formed, a private company running on the tracks of the German and Polish state railways.

Today, HHLA's three railway companies have established themselves as successful market leaders in container rail traffic in their regional markets. TFG Transfracht covers Germany, Austria and Switzerland; Metrans covers the Czech Republic, Slovakia as well as Hungary; and Polzug, Poland and the CIS states, just recently with the first very successful block container train in the Caucasus.

In the coming years, with the creation of further terminals for maritime logistics, additional shuttle train availability, and further services, the hinterland network will be systematically extended. This includes, for example, combining rail transport with a specialist "for the last mile", the HHLA



1936 in Hamburg: direct handling from ship to rail.

burg's Container Terminal Burchardkai back in 1968. In 2006 a new on-dock container rail terminal was opened there, one of the biggest in Europe. On the eight tracks, each over 700 metres long, heavy duty rail-cranes can load and unload complete block trains. They no longer need to be shunted, but run directly out of the port to their rail terminal destination, Prague for example. HHLA's other container terminals also have equally modern facilities and make the



2009 in Prague: HHLA subsidiary Metrans' container terminal.

subsidiary CTD Container Transport Services. Therefore, in July 2009, after Hamburg, Bremen and Berlin, a new branch was opened in Kornwestheim. Since then, with great success, it has been organizing the pre- and on-carriage for container traffic in Greater Stuttgart, via Kornwestheim by rail. This is how an integrated transport chain is being established that closely interlinks the production processes of terminals and transport companies.



CUTTING-EDGE TRAINING IN THE PORT

From Quay Technical School to the maritime competence centre: HHLA has been involved in basic and advanced training for many years, and in the crisis year of 2009 started a major training initiative, with great success.

■ Jan Külper took his chance. The HHLA employee wants to go further in his profession. The Group's major training initiative made it possible for Jan Külper, who works as a block-storage controller at Container Terminal Burchardkai (CTB) to study to become a Certified Specialist in Port Operations, Transport and Logistics. "I am thankful that during the crisis I was released for in-service training. How many companies would do that for you?" said an appreciative Jan Külper.

HHLA's training initiative is an important cornerstone of its project to secure the future. The aim is to use the short-time working period to prepare for the growing challenges in port logistics in the coming years. In a joint effort with the Hamburg Employment Agency, training institutions and employees, the programme took several months to draft but has proved a success within



a very short time. Meanwhile, since the beginning in August 2009, HHLA has been training more than 400 employees in Hamburg, mainly to become Certified Specialists in Port Logistics as well as Port Operations, Transport and Logistics. Germany-wide, HHLA's major training initiative is seen as exemplary. "A pathfinder project" was the compliment from Dirk Heyden, Director of the Hamburg Employment Agency.

There is a long tradition of obtaining qualifications at HHLA, since hardly any profession has changed so much in the last 125 years as that of dock worker. With the growing competition between ports in northern Europe, at the beginning of the 20th century quayside handling and warehousing were quickly modernized, using new equipment and cranes. Electric trucks and two-wheel sledges, double and luffing cranes and new direct handling by rail – all this meant that port employees were required to have increasing specialist knowledge for handling the new equipment and the changes in working procedures. As early as 1927, the State Quay Administration of the time founded the Quay Technical School for the long-term vocational and in-service training of port workers. With the merging of the State Quay

Administration and HHLA predecessor HFLG in 1935, the Quay Technical School became part of the new company, known as HHLA from 1939.

In the current training initiative, HHLA employee Jan Külper will qualify within only 18 months. The course content also covers topics that those attending do not deal with directly in their daily working life. "The English course is also very useful, as I often work with Finnish colleagues," comments Jan

**The success formula for qualifications:
combination of practical experience and
theoretical knowledge.**

Külper. For all of its job groups, HHLA offers about 30 different training courses, e.g. for port workers, tradesmen, commercial staff, technicians and programmers.

The combination of practical experience and theoretical knowledge has always been a recipe for success for HHLA training programmes. At the Quay Technical School, founded in 1927, port workers were able to do their training after their work shift, being tested with dictations and essays and receiving test results that were taken into account for promotions. By qualifying, many employees were able to gain promotion opportunities. This exemplary approach did not go unnoticed. Soon other port companies began to have their employees trained at the school.

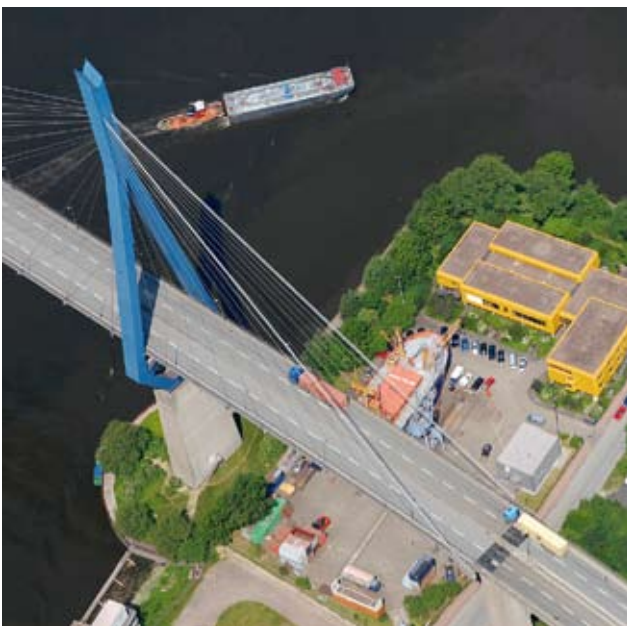


3 August 2009: the first 69 HHLA employees start their training as part of the major training initiative.

When in the 1950s many unskilled workers were looking for work in the port, HHLA provided training to qualify them to work with the new fork-lift trucks and cranes. For a long time HHLA was the only quay company able to offer and organize in-company training for its employees. During the 1960s and 70s there were opportunities for further training, for licences, so that in 1978 about 2,000 of HHLA's 2,300 employees were licensed to drive electric fork-lifts; around 1,000 for the various cranes, including the floating cranes; and a further 1,400 for heavy forklifts, as well as 800 for even more powerful stackers. On average, a HHLA employee attended three technical training courses. Similarly there was training for new jobs,



Hamburg port workers in the 1930s.



Aerial view of ma-co, the maritime competence centre.

such as container gantry crane or straddle carrier driver. Today, too, HHLA stresses a "hands on" approach, opening its training for others in the port. The Group is involved in building up the supra-regional training facility, "maritime competence centre" (ma-co). In 2008, the company's own technical school amalgamated for this with the port vocational training school in Bremen and the Port of Hamburg in-service training centre. About 20 full-time and 75 freelance trainers, people with practical experience, ensure qualified training in the new North German Training Association. It is not only HHLA that profits from this, but also the distribution centres, container packing stations, forwarders and shipping companies. The new supra-regional training institute for logistics, port and ocean-going sea trades provides an important contribution to the development of customized training courses as part of the major training initiative.

Today, HHLA employees like Jan Külper profit from qualifications with new job opportunities. "Qualifying makes sense, to understand the processes and goods flows in the port better," says Jan Külper. For him, this means more opportunities – and HHLA can react flexibly to the challenges of the sector with highly qualified employees.

FOCUS ON THE FUTURE CONSERVING RESOURCES

ENVIRONMENTAL PROTECTION BY CONSERVING RESOURCES

From city port to space-saving expansion programme; Hamburg's traditional compact port facilities will be revitalized by HHLA's current modernization and expansion programme.



■ The Port of Hamburg's contemporary history begins with intelligent recycling of land: the new Sandtorhafen follows the route of the former city moat on the southern edge of the inner city. The opening ceremony for Sandtorkai was in 1866, erected on the area where long-gone fortifications from the 17th century once stood. Perhaps Hamburg's tradition as a city state played an important role here, since land resources were always limited. The Port of Hamburg was, from the beginning, a city port in direct proximity to the city centre. In Hanseatic times the port, just like Sandtorkaihafen and Speicherstadt, was near the inner city. Cargo handling adjacent to logistics, intensive land use and short distances hallmarked the construction of the first modern quay facility in the 19th century.

Naturally, Hamburg's rise to become a world port in the industrial age meant very considerable growth in land use, with its shipyards, seaport industries and the enormous expansion of handling and warehousing facilities. It stretched beyond the Elbe islands to the south side of the River Elbe and then towards the west. Nevertheless, even today, the citizens of Hamburg perceive their port correctly as a "city port". In summer, guests at the "Strandperle" restaurant on the north bank of the Elbe gaze across to





A modern port in close proximity to the city: Sandtorkai, opened in 1866.

Burchardkai on the opposite side. The “Altonaer Balkon”, a viewing platform, 27 metres high above the Elbe, offers a panoramic view of the whole Port of Hamburg. From up there you can also see the southern arm of the Elbe, the Köhlbrand, with the coal and ore stacks at Hansaport and the blue and red gantry cranes of HHLA Container Terminal Altenwerder.

Both are real “space miracles”. The ore and coal stacks at the ultra-modern bulk cargo terminal Hansaport with its three-dimensional laser scanners and satellite-assisted positioning software stack to within an accuracy of two centimetres. The largely automated facility with a capacity of 15 million tons handles more than 10 percent of total port throughput. Innovative technologies and intelligent allocation ensure optimized efficiency of land use. HHLA Container Terminal Altenwerder (CTA) also deserves this rating. Its performance per metre of quayside and square metre of land is double that of conventional container terminals. Here, too, hi-tech, extensive automation and efficient land layout ensure optimal utilization of valuable space.

**Innovative technologies and
intelligent allocation ensure optimized
efficiency of land use.**

The experience gained in establishing CTA flowed into the planning for the biggest investment programme in HHLA's company history that started in November 2004. Increased capacity for HHLA Container Terminals, the systematic development of HHLA's transport network, as well as numerous other projects, among them developing O'Swaldkai multi-functional terminal, are at its core. In 2006, HHLA's Hamburg Container Terminals handled over 6 million standard containers – more at the time than all Indian container ports together, and also more than the port of New York/New

Jersey, the biggest container port on the American east coast. In the coming years HHLA will, step by step, increase capacity to over 12

million standard boxes in Hamburg, adding the equivalent of another world port. This expansion is being achieved almost completely through modernizing the existing container terminals within their own sites.

The secret of success for the consistent increase in the efficiency of land use on existing sites is a combination of many individual factors. Only this makes such leaps in performance possible at all. It involves optimally combining

customized solutions for each individual facility, and handling, storage and transport procedures for each land area profile. This can be demonstrated by taking HHLA Container Terminal Burchardkai (CTB), the biggest single project in the expansion programme, as an example:

Cargo handling: Establishing new mega-containership berths. The quay walls have been strengthened and new gantry cranes ordered. In the second quarter of 2010 the first of the new berths will come into operation. After overall completion Burchardkai will be able to heave double the number of containers over the quay wall per year than it could in 2004, with its quay wall facilities unchanged.

Yard/storage: Up to now at Burchardkai the container store was served by straddle carriers, which could stack the steel boxes in long rows from one to three containers high. With the installation of the new block-storage system, served by automated gantry cranes, storage capacity of the whole facility will be doubled. The first five storage blocks in the new system will go into operation in 2010.

Transport: The block storage system reduces the distance between container gantry crane, block storage and on-dock rail terminal, with trucks loaded and unloaded directly from the block storage. Already opened in 2006, the

new CTB on-dock container rail terminal will, on completion, be able to triple the number of containers moved per year in comparison to 2006.

Process steering: Intelligent interlinking of the individual modules in the terminal make it possible to exploit the whole potential of the facility. This is accomplished by integrated terminal steering, a comprehensive system, which monitors and links together the individual systems for equipment and part processes. This system will also go into operation at Burchardkai in 2010.

HHLA's expansion and modernization strategy will not only save space. Embedding into the existing infrastructure is at least as important a factor. It has to be reinforced for the growing volumes – generally increasing efficiency at the same time. HHLA supports the initiative Port 24/7, to keep the transport chain in operation 24 hours per day, 7 days a week, using the infrastructure evenly. The shuttle and block trains run by HHLA's transport companies also contribute considerably to more efficient use of the available infrastructure.

Hamburg is therefore well prepared for a new growth phase as a logistics hub. The Port of Hamburg can react flexibly to the coming challenges of globalization. ■

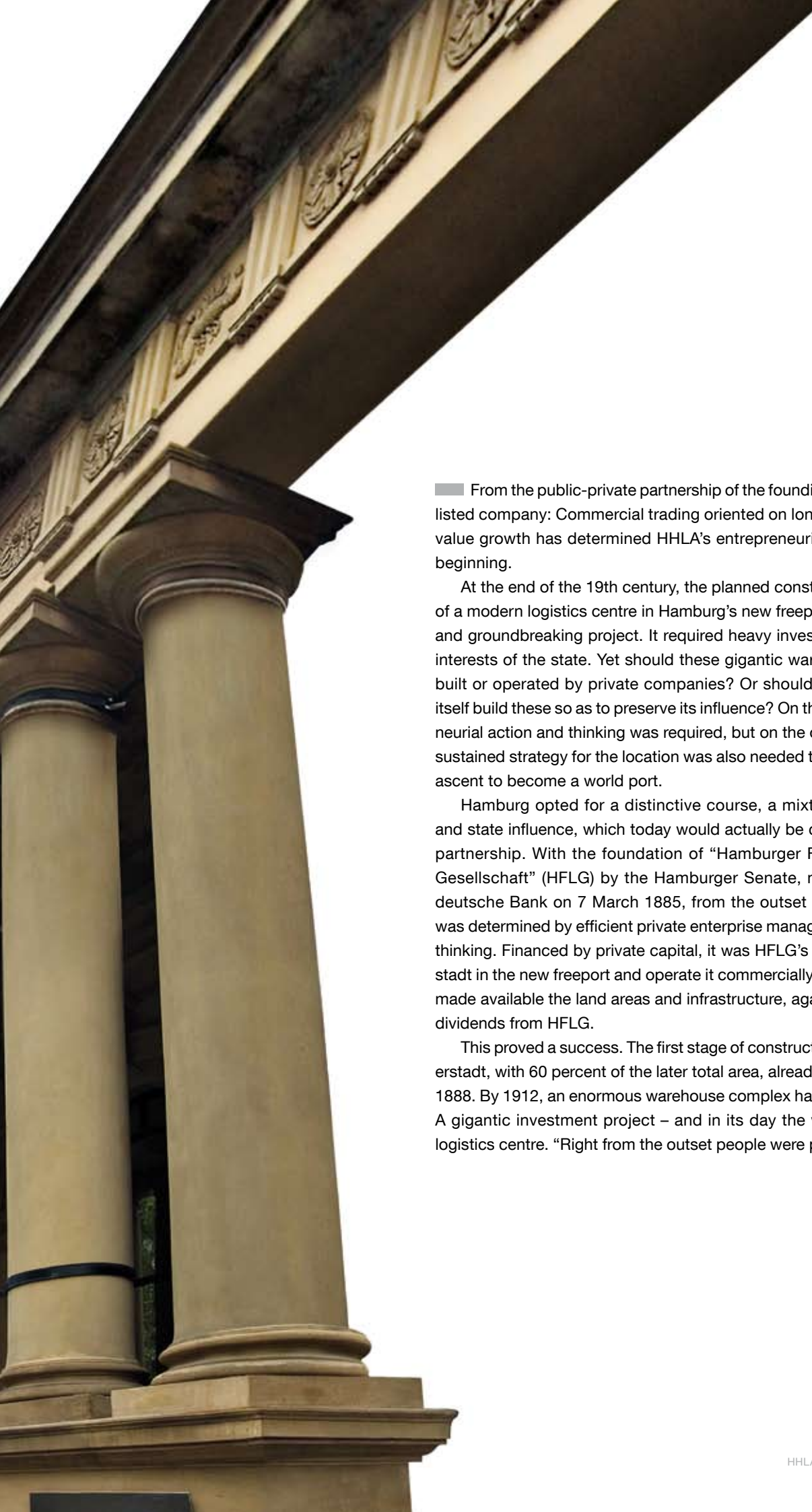


HHLA Container Terminal Burchardkai: the capacity of Hamburg's biggest container terminal will be doubled.

ENTREPRENEURSHIP TAKING THE LONG VIEW

From the public-private partnership of the founding years to the MDax-listed company: Commercial trading oriented on long-term and sustained value growth has determined HHLA's entrepreneurial approach from the beginning.





■ From the public-private partnership of the founding years to the MDax-listed company: Commercial trading oriented on long-term and sustained value growth has determined HHLA's entrepreneurial approach from the beginning.

At the end of the 19th century, the planned construction and operation of a modern logistics centre in Hamburg's new freeport was a very special and groundbreaking project. It required heavy investment and was in the interests of the state. Yet should these gigantic warehousing facilities be built or operated by private companies? Or should the City of Hamburg itself build these so as to preserve its influence? On the one hand, entrepreneurial action and thinking was required, but on the other, a long-term and sustained strategy for the location was also needed to facilitate Hamburg's ascent to become a world port.

Hamburg opted for a distinctive course, a mixture of private capital and state influence, which today would actually be called a public-private partnership. With the foundation of "Hamburger Freihafen-Lagerhaus-Gesellschaft" (HFLG) by the Hamburger Senate, merchants and Norddeutsche Bank on 7 March 1885, from the outset HFLG's development was determined by efficient private enterprise management plus long-term thinking. Financed by private capital, it was HFLG's job to build Speicherstadt in the new freeport and operate it commercially. The City of Hamburg made available the land areas and infrastructure, against which it received dividends from HFLG.

This proved a success. The first stage of construction of today's Speicherstadt, with 60 percent of the later total area, already entered operation in 1888. By 1912, an enormous warehouse complex had been built in stages. A gigantic investment project – and in its day the world's most modern logistics centre. "Right from the outset people were pulling together in one

direction,” says the Professor Franklin Kopitzsch of the University of Hamburg, the social and economic historian, in an analysis of the birth of HFLG 125 years ago.

By contrast, had the Hamburg Senate sold the plots in the new freeport then being created to private companies, the proceeds would have been very substantial, yet Hamburg would have possessed no influence whatever. “And if the City of Hamburg had taken everything in hand itself, i.e. the building and operation of the warehouses, then it would have had the sole say, but also extremely high investment and running costs,” says Kopitzsch.

HFLG’s founding fathers may have decreed that the City of Hamburg could use its dividends to gradually buy back

all the then HFLG’s shares still in private hands, yet despite the influence of the state, the company invariably maintained the tradition of acting commercially and independently. It did this so successfully that in 1935 HFLG took over the heavily loss-making Quay Administration. This brought HFLG the

quayside facilities and port cargo handling, but also numerous burdens such as civil service structures and sovereign duties. In 1939,

**More than 120 years after its foundation
HHLA returned to its roots as a joint stock
company with private capital.**

HFLG was then renamed “Hamburger Hafen- und Lagerhaus-Gesellschaft” (HHLA).

The subsequent mixture of commercial company and state-owned authority was rather unfortunate and not just a regulative handicap. It was not until 1970 that the new port regulations remedied the situation. The City once again



Even the German Emperor appeared for the inauguration in 1888: the first stage of construction of Speicherstadt was punctually completed in time for Hamburg’s accession to the Customs Union.

took over responsibility for the port infrastructure and released the company from all sovereign duties. This enabled HHLA to grasp the opportunities of the container age, soon asserting itself in competition against other cargo handling companies as a technological leader in developing terminal and cargo handling. The entrepreneurial freedom recovered was also one prerequisite for building up the Group's own hinterland rail network. Here, it was a happy coincidence that almost in parallel to the fall of the Iron Curtain – which restored the Port of Hamburg's natural hinterland in Central and Eastern Europe –

deregulation of European railway markets commenced.

More than 120 years after it was founded, HHLA returned to its roots as a joint stock company with private capital. The City of Hamburg brought around 30 percent of the company to the stock exchange on 2 November 2007. Investors displayed enormous interest in HHLA and the IPO was over-subscribed more than tenfold. The initial quote was distinctly above the issue price of 53 euros, and HHLA was very soon listed in the MDax, the second-most important German stock exchange index. HHLA had already altered course strategically and structurally beforehand. That started in 2003 with the restructuring of the Group, now headed by a modern management holding company. The portfolio was then slimmed down and concentrated in the four segments Container, Intermodal, Logistics and Real Estate.

With its successful IPO, HHLA strengthened its equity ratio and therefore laid the basis for maintaining its successful expansion and innovation course of recent years. At the same time, the Hanseatic City of Hamburg received one billion euros for further expansion of the Port of Hamburg.



Frankfurt Stock Exchange, 2 November 2007: the HHLA share makes a successful start to its first day of trading.

Exactly as its founding fathers would have wished, HHLA is thus making a sustained contribution to the development of its location – and is commercially successful in doing so.

Since its IPO, there has been no cessation in the interest in HHLA displayed by international investors, among them virtually all the well-known investment funds. Investors appreciate the stability of its business model as well as Hamburg's position as the leading hub in Europe for the exchange of goods with Asia as well as Central and Eastern Europe. Moreover, only a few port logistics companies are listed on the stock exchange. Already renamed "Hamburger Hafen und Logistik Aktiengesellschaft" (previously: "Hamburger Hafen- und Lagerhaus-Aktiengesellschaft") in 2005, thanks to intelligent decisions on future policy the Group today presents itself as an integrated logistics concern, positioned as a pace-setter for the future in core areas of the European logistics sector. In 125 years, HHLA has more than once proved just how successful effective commercial trading coupled with orientation on long-term and sustained value growth can be.



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 of association 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 articles of association and the Executive Board's instructions.

Meetings

In the financial year 2009, the Supervisory Board held four scheduled meetings and two special meetings, and adopted one resolution by means of document circulation. Rolf Kirchfeld, who stepped down from the Supervisory Board in 2009,

took part in fewer than half of the Supervisory Board meetings held in 2009 owing to the fact that he 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 revenue, 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.

At the special meeting in February 2009, the Supervisory Board dealt with the consequences of the economic crisis and appropriate counteractive measures, as well as investments in the Intermodal segment in Poland.

The financial statements meeting held on 27 March 2009 focused 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 2008. The auditor was present at this meeting. 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 appropriation of profits and the proposal made by the Audit Committee on the election of auditor for the financial year 2009 and the auditor's review of the interim financial statements. Also under discussion at the meeting were the agenda for the Annual General Meeting in 2009, the Supervisory Board's report to the Annual General Meeting, and the corporate governance report.

The meeting on 9 June 2009 focused on the 2009 round of wage negotiations and the introduction of short-time working hours. The Supervisory Board also discussed the sale of combisped Hanseatische Spedition, Lübeck, and the efficiency of its own activities.

At the special meeting held on 4 August 2009, the Supervisory Board dealt with the sale of Hapag Lloyd AG's shareholdings in the Container Terminal Altenwerder to a shareholder consortium of Hapag Lloyd AG and related issues. As a precaution, Wolfgang Rose, an employee representative, did not take part in this meeting and the vote due to also being on the Supervisory Board of Hapag Lloyd AG and the related potential conflict of interest.

In the September meeting, the Supervisory Board focused on the 2009 amendments to the German Corporate Governance Code, the German Act on the Appropriateness of Management Board Remuneration (VorstAG) as well as a corresponding amendment to the Supervisory Board's rules of procedure, and a planned cooperation with the Eurogate group in the area of rail hinterland terminals. In order to improve the efficiency of the work done by the committees in light of new legislation, the Supervisory Board established an independent Audit Committee in this meeting, in addition to the Finance Committee, which had fulfilled the role of the Audit Committee up to this point. Jörg Wohlers, Arno Münster, Dr. Bernd Egert, Jörg Klauke, Dr. Rainer Klemmt-Nissen and Uwe Schröder were voted in as the members of the Audit Committee.

The last meeting in the reporting period was held on 15 December, when the Supervisory Board concerned itself primarily with the budget for 2010, which it approved, and the medium-term corporate planning for 2011 to 2014. Another matter of major significance was the Executive Board's detailed report on the findings of the risk inventory and risk management. The Executive Board and the Supervisory Board also discussed the declaration of compliance with the German Corporate Governance Code and the Supervisory Board resolved to issue the annual declaration of compliance.

The written resolution by circulation concerned the additions made to the agenda of the Annual General Meeting relating to Rolf Kirchfeld stepping down from the Supervisory Board and the submission of a corresponding candidate proposal to the Annual General Meeting.

Committee work

With the Finance Committee and the Audit Committee, set up separately to the Finance Committee in September 2009, the Real Estate Committee, the Personnel Committee, the Nomination Committee and the Arbitration Committee, the the Supervisory Board has now set up a total of six committees. They prepare the resolutions of the Supervisory Board in full council and, if permitted, make decisions on behalf of the Supervisory.

The Finance Committee met four times in the reporting period: in March, May, September and December 2009. The main focal points of its work at the March meeting were the extensive discussion and examination of the annual financial statements of HHLA, the consolidated financial statements and the management reports, as well as 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 2009, and the auditor's review of the interim financial statements. At its meeting in May, the Finance Committee prepared the position of the Supervisory Board regarding the sale of combisped Hanseatische Spedition and dealt, among other issues, with the compliance system and the internal audit report. In the September meeting, the Finance Committee dealt with issues related to risk reporting, risk management and compliance. At its December meeting the Finance Committee was especially concerned with its preliminary review of the budget for 2010 and the medium-term planning for 2011 to 2014.

After being established by the Supervisory Board in September 2009, the Audit Committee met in December of the reporting year for its first, constitutive meeting. Jörg Wohlers was elected as the Chairman of the Audit Committee and Arno Münster was elected Vice Chairman. The first meeting, which was the only one in the reporting period, focussed on the assignment of the auditors for auditing the 2009 annual and consolidated financial statements for the auditors, discussion of the findings of the 2009 risk inventory, the risk management system, preparing the declaration of compliance with the German Corporate Governance Code, the internal control system and the compliance system of HHLA and how these could be developed further.

The Real Estate Committee met twice in the 2009 financial year. It focused on the general development of business and the discussion and audit of HHLA's annual financial statements, including the separate financial statements of the S division, and of the consolidated financial statements and the management reports as well as the budget for 2010 and the medium-term planning for 2011 to 2014, each in relation to the Real Estate subgroup (S division).

The Personnel Committee met once in the reporting year. Its meeting in February 2009 was primarily concerned with issues relating to the Executive Board.

The Nomination Committee met twice in the 2009 financial year. Its meetings in March and April both dealt with the submission of proposals to the Supervisory Board for its proposals for the Annual General Meeting regarding candidates for the Supervisory Board. Carsten Frigge and Jörg Wohlers were proposed as candidates to the Supervisory Board.

The Arbitration Committee did not meet in the reporting period.

Following each meeting, the chairpersons of the committees reported back to the Supervisory Board about the activity of each committee and their findings, and made recommendations to the Supervisory Board.

Corporate governance

At the meeting in September, the Supervisory Board dealt with the amendments to the code adopted by the Government Commission on the German Corporate Governance Code on 18 June 2009 and published on 5 August 2009. The declaration of compliance with the German Corporate Governance Code was discussed and prepared together with the Executive Board at the Audit Committee meeting on 2 December 2009, passed at the December meeting of the Supervisory Board and issued in accordance with Section 161 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.

As previously mentioned in the Meetings section above, Wolfgang Rose recused himself from the special meeting on 4 August 2009 as a precautionary measure due to a potential

conflict of interest. No further conflicts of interest regarding members the Executive Board or the Supervisory Board requiring immediate disclosure to the Supervisory Board arose in the reporting year.

The Executive Board and the Supervisory Board report on the declaration of compliance and HHLA's corporate governance in the corporate governance report for 2009, which is a component of the corporate management declaration. ► see also page 47, Corporate governance report.

Audit of financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, was elected as auditor for the auditor's review of the abridged financial statements and the interim management report for the first half of the financial year 2009 at the Annual General Meeting on 4 June 2009, and instructed by the Supervisory Board. The auditors carried out an audit of HHLA's annual financial statements as provided by the Executive Board, including the divisional financial statements for the A division (Port Logistics subgroup) and the S division (Real Estate subgroup) presented as part of the Notes, in line with the provisions of the German Commercial Code (HGB), 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 and 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 2009 in line with Section 312 of the German Stock Corporation Act (AktG). The auditors 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."

In accordance with Section 4 (5) of the articles of association, the Executive Board of HHLA also prepared a report on the relationship between the A division and the

S division in the financial year 2009. The auditors 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 Port Logistics and Real Estate divisions for the transactions mentioned was not inappropriately high.

Any expenses and returns which could not be attributed directly to one division were divided among the divisions in line with the articles of association.”

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 Audit Committee and the Real Estate Committee have each carried out a preliminary review of the financial statements and reports as well as of the proposal for appropriating profits at their respective meetings on 22 March 2010. In the financial statements meeting of the Supervisory Board on 26 March 2010, 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 auditor were also present at this meeting; they reported on their major findings, particularly regarding the company’s internal risk management, and were available to answer questions. According to the representatives of the auditor, there were no circumstances demonstrating any bias. In addition to the audit, the auditor also provided services in the area of project support related to the implementation of software in the receivables management system and the review of the company’s authorization plan. The auditor provided the Supervisory Board with comprehensive information about these services.

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 annual 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 Executive Board’s proposal for appropriating distributable profit, the Supervisory Board approved the results 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 26 March 2010, 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 Audit Committee and the Real Estate Committee. The annual 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:

As reported in the previous year, the Supervisory Board has appointed Dr. Sebastian Jürgens as a new deputy member of the HHLA Executive Board effective as of 1 January 2009, and a full member of the HHLA Executive Board effective as of 1 July 2009. Dr. Jürgens is responsible for the Intermodal and Logistics segments.

In 2008, Heinz Brandt was appointed as a new member of the HHLA Executive Board, effective as of 1 January 2009. He assumed the position of Labour Director as of 1 April 2009 and took over responsibility for the areas of human resources, employee welfare, purchasing and legal/insurance from Rolf Fritsch, who stepped down as of 31 March 2009 and entered retirement.

CHANGES IN THE SUPERVISORY BOARD

Jörg Wohlers, Chief Financial Officer of Hamburger Sparkasse, was elected by the Annual General Meeting on 4 June 2009 to be a new shareholders' representative on the Supervisory Board. Rolf Kirchfeld, shareholder representative, had previously stepped down from the office effective as of the end of the 2009 Annual General Meeting. The An-

nual General Meeting also elected Carsten Frigge to the Supervisory Board, who had previously been appointed in 2008 by the Hamburg Local Court until the end of the 2009 Annual General Meeting. Both gentlemen were elected for the remaining term of the Supervisory Board, i.e. until the end of the Annual General Meeting responsible for making decisions about discharging board members for the financial year 2011. The Supervisory Board would like to thank Mr. Kirchfeld for his good work and dedication.

The Supervisory Board thanks the members of the Executive Board and all employees and their representatives at HHLA and its affiliated companies for their commitment and efforts. You have all helped HHLA achieve a respectable result in the difficult economic conditions of the financial year 2009.

Hamburg, 26 March 2010



Supervisory Board
Prof. Dr. Peer Witten
Chairman

CORPORATE GOVERNANCE AT HHLA

Corporate management declaration

■ Since it was introduced in 2002, the German Corporate Governance Code (the 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.

Declaration of compliance

The Executive Board and the Supervisory Board dealt with matters relating to corporate governance on several occasions during the financial year 2009. On 15 December 2009, they jointly issued their declaration of compliance for 2009 in accordance with Section 161 of the German Stock Corporation Act (AktG). The declaration has been made permanently available to the general public on HHLA's website at www.hhla.de/corporategovernance. Apart from the following exceptions, in the financial year HHLA complied with the recommendations of the German Corporate Governance Code and will continue to do so in the future:

GERMAN CORPORATE GOVERNANCE CODE 2009

The Executive Board and Supervisory Board of Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) herewith state after due examination that HHLA complied with the recommendations of the German Corporate Governance Code (GCGC) as of 18 June 2009 since their publication on 5 August 2009 with the following exceptions, and that HHLA will continue to comply with these recommendations with the following exceptions:

- a) Section 4.2.3 of the GCGC specifies that in concluding Executive Board contracts care is to be taken to ensure that payments made to an Executive Board member on premature termination of contract without good cause or as a result of change of control do not exceed certain levels (severance payment caps) and that the severance payment cap in question is based on the total remuneration for the previous financial year and, where applicable, on the probable total compensation for the current financial year. The severance payment provisions for Executive Board members in the event of a change of control or comparable situations as outlined in the share prospectus and the last remuneration report comply only in part with these requirements. In our view, an additional inclusion of severance payment caps for cases of premature termination of contract without serious cause would not be practicable since contracts of Executive Board members are regularly concluded for the duration of the term for which they are appointed without any possibility of giving proper notice of termination.
- b) According to Section 7.1.2 of the GCGC, half-yearly and any quarterly financial reports are to be discussed with the Executive Board by the Supervisory Board or its Audit Committee prior to publication. HHLA does not comply with this recommendation because compiling such reports on the basis of individual segment reporting for the A and S divisions takes more time than for companies with only one class of shares. As a result, an effective prior discussion by the Supervisory Board or its Audit Committee cannot be assured at present. In order to increase the level of detail and frequency in which the company's reports are examined, the half-yearly financial report and the interim management report were reviewed

by the auditor for the first time this year. It is intended that this will continue in the future.

GERMAN CORPORATE GOVERNANCE CODE 2008

The Executive Board and Supervisory Board of Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) herewith state after due examination that in the period from 17 December 2008 (the date on which the previous declaration of compliance was issued) to 5 August 2009 (the date on which the Code was published in the version as of 18 June 2009) HHLA complied with the recommendations of the German Corporate Governance Code in the version as of 6 June 2008 published on 8 August 2008 with the following exceptions:

- a) Section 4.2.3 of the GCGC treats stock options or comparable instruments as variable remuneration components for members of the Executive Board. No such LTI (long-term incentive) programme is currently in place for members of the Executive Board. The main reason for this is to reduce any potential for conflict between the insider trading rules stipulated in the German Securities Trading Act (WpHG) and the fact that members of the Executive Board have access to exclusive information. Accordingly, the description of such a programme as specified in Sections 4.2.5 and 7.1.3 of the Code has been omitted.
- b) Section 4.2.3 of the GCGC: severance payment caps when concluding Executive Board contracts: please see 1 a) above for details.
- c) Section 7.1.2 GCGC: prior discussion by the Supervisory Board or the Audit Committee of half-yearly and any quarterly financial reports: please see 1 b) above for details on this.

Disclosure on corporate management practice

SHAREHOLDERS AND 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 its 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. The invitation to the Annual General Meeting includes explanations of the participation conditions, the voting procedure (including proxy voting) and the rights of shareholders. 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.

EXECUTIVE BOARD AND SUPERVISORY 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.

HHLA complies with the recommendations of the German Corporate Governance Code and statutory regulations when making individualized disclosures of the remuneration for members of the Executive Board and Supervisory Board. The basic principles of the remuneration system and remuneration paid are described in the remuneration report, which is part of the management report. ► see also page 63, Group management report.

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 have to 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 2009, the company has not received notifications regarding any directors' dealings.

As of 31 December 2009, the Executive Board and Supervisory Board overall did not possess more than 1 percent of the shares issued by HHLA

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 Aktiengesellschaft are prepared in line with the accounting regulations of the German Commercial Code (HGB). The appropriation of profits is based solely on the individual financial statements.

The consolidated financial statements and the individual financial statements are prepared by the Executive Board. They are audited by the auditor elected by the Annual General Meeting. The auditor for the financial year 2009 is KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, who also conducted a review of the abridged financial statements and the interim management report for the first half of the financial year 2009. 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. After being prepared by the Executive Board and audited by the auditor, the consolidated financial statements and the individual financial statements are examined and approved by the Supervisory Board.

CORPORATE COMPLIANCE

Compliance with the statutory provisions and corporate guidelines relevant to the activity of the company (herein-

after 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 have to be structured in line with these regulations. The process owner also have to supervise the corporate compliance in his/her area and monitor it regularly. The cornerstone of HHLA's corporate compliance programme is a code of conduct, which 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 (www.hhla.de/compliance).

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 for this purpose. As part of the existing corporate compliance programme, comprehensive measures were implemented in the reporting period with the aim of raising employee awareness of the importance of compliance and acting with integrity. These preventative measures were strengthened by training sessions, discussion groups, information in the employee newsletter and an intranet compliance portal. The Audit Committee monitored the development of the compliance programme in the reporting period by compiling appropriate reports for the Executive Board and the Compliance Officer. HHLA aims for developing and expanding the corporate compliance programme in the future.

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. HHLA has practised sustainability since it was established 125 years ago. ► see also page 80, Sustainability.

RISK MANAGEMENT

The HHLA Group's risk management system is described in detail in the "Risk and opportunity report" chapter of the management report. In accordance with the statutory provisions, it is designed to identify significant risks in advance so that they can be minimized, diversified, transferred or averted, ensuring the continued existence of the HHLA Group and its operating companies. The risk strategy and risk policies of HHLA form the primary guidelines for dealing with risks in the HHLA Group. In performing its duties, the Risk Management department receives material support from the Controlling department, the Compliance Officer and the Internal Audit department.

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.

Function of the Supervisory Board and the Executive Board

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 (on the activity of HHLA in the reporting period ► see also page 42, Report of the Supervisory Board).

The company has arranged for D&O insurance with an excess which complies with Section 3.8 of the Code 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 six committees:

- The Finance Committee 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. It also deals with planning and investment issues, such as the budget and medium-term planning.
- The Audit Committee monitors accounting processes and the audit of financial statements, particularly the independence of auditors and the additional services provided by the auditor. The committee prepares the Supervisory Board's resolution proposal to the Annual General

Meeting on the election of the auditor and, after they have been elected by the Annual General Meeting, awards the audit assignment for the consolidated and annual financial statements. It is also deals with the fee agreements and determining what areas audits should focus on. In addition, it concerns itself with the effectiveness of the internal control system, the risk management system, the internal audit system and the compliance system. As an independent member of the Supervisory Board, the Chairman of the Audit Committee, Jörg Wohlers, has expertise and experience in the areas of accounting, the audit of financial statements and the 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. The committee makes sure that there is a long-term succession plan in place for the Executive Board, prepares the Supervisory Board resolution specifying the remuneration of the Executive Board and the examination of the remuneration system for the Executive Board and handles the contracts of Executive Board members, provided German law or the Code does not require the full council of the Supervisory Board to handle these responsibilities. 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 suitable candidates to the Supervisory Board for its suggestions to the Annual General Meeting 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.

The Executive Board of HHLA consists of five members (for its current composition ► see also page 56, Board members and mandates). 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 in accordance with the Executive Board's code of practice. No conflicts of interest regarding members of the Executive Board requiring immediate disclosure to the Supervisory Board arose in the reporting year. Executive Board members may take on other duties, especially supervisory board posts at companies outside the Group, only with the approval of the Supervisory Board. 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. Amendments to ensure compliance with the German Act on the Appropriateness of Management Board Remuneration (VorstAG) will be carried out in due time. ■■■

REMUNERATION REPORT

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

Executive Board remuneration

The Supervisory Board in its entirety is responsible for setting the remuneration for individual Executive Board members in accordance with Sections 87 (1) and 107 of the German Stock Corporation Act (AktG) in its amended version which was brought into effect on 5 August 2009 by the German Act on the Appropriateness of Management Board Remuneration and corresponding regulations in the Supervisory Board's rules of procedure, after being prepared by the Personnel Committee. The German Corporate Governance Code also stipulates that the Supervisory Board in full council does not merely provide advice on, and examine the structure of, the remuneration system, but also decides the remuneration system for the Executive Board, including the core contractual components. When conducting these reviews, the Personnel Committee and the Supervisory Board take into account HHLA's size and area of operations, its financial and economic position and the amount and structure

of Executive Board remuneration at comparable companies. The responsibilities and services provided by each Executive Board member are also taken into account.

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 total consolidated earnings (before minority interests). The bonus is calculated based on the earnings before taxes (EBT), before additions to pension provisions and reduced by any extraordinary income from the disposal of companies, interests and/or real estate. Annual climate protection goals are also agreed, particularly regarding the reduction of CO₂ emissions. The regulations described above are based on contractual provisions agreed with the sitting members of the Executive Board prior to VorstAG coming into effect. The regulations of VorstAG are observed for amendments and extensions of contracts as well as for new contracts.

Individual remuneration of Executive Board members

IN EUROS

	Performance-unrelated payments									
	Basic salary		Supplementary payments							
					Performance-related components		Total remuneration		Appropriation to pension provisions	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Klaus-Dieter Peters	350,000	350,000	13,424	12,244	321,722	687,852	685,146	1,050,096	325,335	139,094
Dr. Stefan Behn	275,000	275,000	10,488	7,554	160,861	343,926	446,349	626,480	316,236	179,311
Heinz Brandt	275,000	0	11,986	0	160,861	0	447,847	0	149,769	0
Gerd Drossel	0	275,000	0	14,943	0	343,926	0	633,869	0	345,458
Rolf Fritsch (until 31.03.2009)	68,750	275,000	6,467	25,785	40,215	343,926	115,432	644,711	460,438	396,549
Dr. Sebastian Jürgens	275,000	0	26,444	0	160,861	0	462,305	0	67,856	0
Dr. Roland Lappin	275,000	275,000	5,942	3,149	160,861	343,926	441,803	622,075	191,519	93,298
Total	1,518,750	1,450,000	74,751	63,675	1,005,381	2,063,556	2,598,882	3,577,231	1,511,153	1,162,710

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 a non-person-related reason 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 percent and 50 percent. Several different forms of income are taken into account 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 percent of the pension entitlement.

Should the pension entitlement have been suspended or no longer apply, transitional pay will apply for a limited period on the basis of the annual basic salary. The service contracts include a compensation provision relating to change of control or comparable circumstances which entitles Executive Board members to receive their remuneration entitlements as a lump sum for the remaining duration of their respective contracts, discounted by 2 percent per annum. This does not affect their pension entitlements.

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 almost €2.6 million for their services in the financial year 2009.


Former members of the Executive Board and their surviving dependants received total payments of €750,982. Total provisions of €11,639,072 have been built for pension obligations to former members of the Executive Board and their surviving dependants.

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 as well as on 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 percent 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 corresponding 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 €286,545. 

Individual remuneration of Supervisory Board members

IN EUROS

	Fixed remuneration		Variable remuneration		Remuneration for committee work		Meeting fee		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Prof. Dr. Peer Witten ¹	35,700	35,700	12,495	12,495	5,950	5,950	3,558	3,558	57,703	57,703
Gunther Bonz	0	9,044	0	3,165	0	2,261	0	1,660	0	16,130
Dr. Berndt Egert	10,000	10,000	3,500	3,500	5,527	5,000	3,250	3,910	22,277	22,410
Carsten Frigge	10,000	929	3,500	325	2,185	232	1,250	500	16,935	1,986
Holger Heinzel	10,000	4,153	3,500	1,454	0	0	1,500	750	15,000	6,357
Rolf Kirchfeld ¹	5,053	11,900	1,769	4,165	0	0	595	1,488	7,417	17,553
Jörg Klauke	10,000	10,000	3,500	3,500	2,705	2,500	2,750	2,250	18,955	18,250
Dr. Rainer Klemmt-Nissen	10,000	10,000	3,500	3,500	10,000	10,000	3,000	3,580	26,500	27,080
Thomas Lütje	0	4,973	0	1,740	0	0	0	250	0	6,963
Thomas Mendrzik	10,000	10,000	3,500	3,500	2,500	2,500	2,000	2,000	18,000	18,000
Arno Münster	10,000	10,000	3,500	3,500	7,705	7,500	3,250	4,000	24,455	25,000
Wolfgang Rose ¹	17,850	17,850	6,248	6,248	2,975	2,975	1,785	2,380	28,858	29,453
Uwe Schröder	10,000	10,000	3,500	3,500	5,205	5,000	3,000	3,250	21,705	21,750
Walter Stork	10,000	10,000	3,500	3,500	5,000	5,000	2,500	3,250	21,000	21,750
Jörg Wohlers	5,781	0	2,023	0	411	0	1,000	0	9,215	0
Total	154,384	154,549	54,035	54,092	50,163	48,918	27,963	32,826	286,545	290,385

¹ All figures include VAT.

BOARD MEMBERS AND MANDATES

The Supervisory Board members and their mandates*

PROF. DR. PEER WITTEN

Chairman

Businessman, Hamburg

OTHER SUPERVISORY BOARD MANDATES

- KWG Kommunale Wohnen AG, Hamburg
- Lufthansa Cargo AG, Frankfurt am Main
- Otto AG für Beteiligungen, Hamburg

ADVISORY BOARD MANDATES

- Röhlig & Co. Holding GmbH & Co. KG, Bremen

BOARD OF PARTNERS MANDATES

- Otto Group, Hamburg
- Honorary executive board member Bundesvereinigung Logistik (BLV) e.V., Bremen

WOLFGANG ROSE

Vice Chairman

Banker, Hamburg

Executive at ver.di (trade union) in Hamburg

OTHER SUPERVISORY BOARD MANDATES

- Hapag-Lloyd AG, Hamburg
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (until August 2009)
- HHLA Container Terminals GmbH, Hamburg (until November 2009)
- Asklepios Kliniken Hamburg GmbH, Hamburg

DR. BERND EGERT

Physicist, Winsen a.d. Luhe

Senate Director in the Ministry for Economic & Labour Affairs of the Free and Hanseatic City of Hamburg

OTHER SUPERVISORY BOARD MANDATES

- Flughafen Hamburg GmbH, Hamburg

- LZN Laser Zentrum Nord GmbH, Hamburg, Chairman (since 2 September 2009)
- Chairman of the Curatorship Foundation Elbefonds, Hamburg,

CARSTEN FRIGGE

Graduate in business administration (Dipl.-Kaufmann), Hamburg
State Secretary in the Ministry for Economic & Labour Affairs of the Free and Hanseatic City of Hamburg

OTHER SUPERVISORY BOARD MANDATES

- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg
- Projektierungsgesellschaft Finkenwerder mbH & Co. KG, Hamburg
- Dedalus GmbH & Co. KG, Stuttgart
- Hamburg Energie GmbH, Hamburg (since 26 May 2009)
- Fischereihafenentwicklungsgesellschaft mbH & Co. KG, Hamburg (until 27 October 2009)

HOLGER HEINZEL

Graduate in business administration (Dipl.-Kaufmann), Hittfeld
Head of Controlling at HHLA

- Member of the representative committee Hafen Hamburg Marketing e.V., Hamburg
- Member of the management committee Hafenfonds Gesamthafen-Betriebsgesellschaft mbH, Hamburg

ROLF KIRCHFELD

Graduate in business administration (Dipl.-Kaufmann), Hamburg
Member of the Supervisory Board at HHLA (until 4 June 2009)

OTHER SUPERVISORY BOARD MANDATES

- Marquard & Bahls AG, Hamburg
- Treugarant AG, Hamburg

BOARD OF PARTNERS MANDATES

- Bankhaus C.L. Seeliger, Wolfenbüttel

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

- Hermann Lothar & Co., Hamburg
- MPC Münchmeyer Petersen & Co., Hamburg (until June 2009)
- 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

OTHER SUPERVISORY BOARD MANDATES

- Sprinkenhof AG, Hamburg (until 9 July 2009)
- Flughafen Hamburg GmbH, Hamburg
- Hamburger Hochbahn AG, Hamburg
- HHLA Container Terminals GmbH, Hamburg
- HSH Nordbank AG, Hamburg (since 3 July 2009)

THOMAS MENDRZIK

Electrical technician, Hamburg

Chairman of the HHLA Container-Terminal
Altenwerder GmbH works council

OTHER SUPERVISORY BOARD MANDATES

- HHLA Container Terminals GmbH, 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

OTHER SUPERVISORY BOARD MANDATES

- HHLA Container Terminal Burchardkai GmbH, Hamburg (since 27 August 2009)
- Service Center Burchardkai GmbH, Hamburg (since 27 August 2009)
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (since 30 October 2009)
- HHLA Container Terminals GmbH, Hamburg (since 10 December 2009)

UWE SCHRÖDER

Trade union secretary, ver.di Hamburg

OTHER SUPERVISORY BOARD MANDATES

- HHLA Container Terminals GmbH, Hamburg
- HHLA Container-Terminal Altenwerder GmbH, Hamburg (until 5 May 2009)
- HHLA CTA Besitzgesellschaft mbH, Hamburg (until 5 May 2009)
- SCA Service Center Altenwerder GmbH, Hamburg (until 5 May 2009)

WALTER STORK

Logistics manager, Hamburg

Chairman of the Executive Board of NAVIS Schifffahrts- und
Speditionsgesellschaft AG, Hamburg

OTHER SUPERVISORY BOARD MANDATES

- DAKOSY Datenkommunikationssystem AG, Hamburg
- HHLA Container Terminals GmbH, Hamburg

ADVISORY BOARD MANDATES

- DIHS-DAKOSY Interessengemeinschaft Hamburger
Spediteure GmbH, Hamburg

BOARD OF PARTNERS MANDATES

- HPA Hamburg Port Authority AöR, Hamburg

JÖRG WOHLERS

Dipl.-Sparkassenbetriebswirt, Hamburg

HASPA Finanzholding, Member of the Executive Board (Deputy
spokesman of the executive board) (since 1 January 2009)
Hamburger Sparkasse AG, Hamburg, Member of the Executive Board
Member of the Supervisory Board at HHLA (since 4 June 2009)

OTHER SUPERVISORY BOARD MANDATES

- Haspa Beteiligungsgesellschaft für den Mittelstand mbH,
Hamburg (Deputy Chairman)
- S Broker AG & Co. KG, Wiesbaden (Deputy Chairman)
- DAL Deutsche Anlagen-Leasing GmbH & Co. KG, Wiesbaden
- DEUTSCHE FACTORING BANK Deutsche Factoring
GmbH & Co. KG, Bremen
- Deutsche Sparkassen Leasing AG & Co. KG,
Bad Homburg v.d. Höhe
- NRS Norddeutsche Retail-Service AG, Hamburg/Bremen
- S Broker Management AG, Wiesbaden
- S Rating und Risikosysteme GmbH, Bonn
- Sparkasse zu Lübeck Aktiengesellschaft, Lübeck

ADMINISTRATIVE BOARD MANDATES

- BTG Beteiligungsgesellschaft Hamburg mbH, Hamburg (Chairman)
- Bürgerschaftsgemeinschaft Hamburg GmbH, Hamburg

The Executive Board members an 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

Mandates:

- ▮ HHLA Container Terminals GmbH, Hamburg
- ▮ HHLA Container-Terminal Altenwerder GmbH, Hamburg
- ▮ HHLA CTA Besitzgesellschaft mbH, Hamburg
- ▮ SCA Service Center Altenwerder, Hamburg
- ▮ HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg (until 15 October 2009)
- ▮ Ulrich Stein GmbH, Hamburg (until 15 October 2009)
- ▮ Hansaport Hafenbetriebsgesellschaft mbH, Hamburg (until 31 May 2009)
- ▮ HHLA Container Terminal Tollerort GmbH, Hamburg
- ▮ CTT Besitzgesellschaft mbH, Hamburg
- ▮ HHLA Container Terminal Burchardkai GmbH, Hamburg
- ▮ Service Center Burchardkai GmbH, Hamburg
- ▮ GHF Erste Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- ▮ GHF Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- ▮ HPC Hamburg Port Consulting GmbH, 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, 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
- ▮ CTL Container Terminal Lübeck GmbH, Lübeck
- ▮ HCC Hanseatic Cruise Centers GmbH, Hamburg (since 6 February 2009)
- ▮ Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven
- ▮ Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven
- ▮ HHLA Rosshafen Terminal GmbH, Hamburg
- ▮ HPC Hamburg Port Consulting GmbH, Hamburg
- ▮ DAKOSY Datenkommunikationssystem AG, Hamburg
- ▮ LZU Leercontainer Zentrum Unikai GmbH, 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
- ▮ HCCR Hamburger Container- und Chassis-Reparatur Gesellschaft mbH, Hamburg (since 16 September 2009)
- ▮ GHF Erste Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg (since 16 September 2009)
- ▮ GHF Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg (since 16 September 2009)
- ▮ Gesamthafen-Betriebsgesellschaft mbH, Hamburg

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

- HHLA-Personal-Service-Gesellschaft mbH, Hamburg
- ma-co maritimes kompetenzcentrum e.V. 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

Mandates:

- HHLA-Personal-Service-Gesellschaft mbH, Hamburg
(until 13 March 2009)

DR. SEBASTIAN JÜRGENS

Attorney at law, Hamburg

Appointed: 1 January 2009

Areas of responsibility:

- Intermodal segment
- Logistics segment

Mandates:

- CTL Container Terminal Lübeck GmbH, Lübeck
- POLZUG Intermodal GmbH, Hamburg
- METRANS a.s., Prague, Czech Republic
- Ulrich Stein GmbH, Hamburg (since 24 November 2009)
- TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt am Main
- HHLA Logistics GmbH, Hamburg
- HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg
- HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg
- HHLA Intermodal Polska sp. z o.o., Warsaw, Poland
(since 21 January 2009)
- HPC Hamburg Port Consulting GmbH, Hamburg
(since 10 June 2009)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
(since 24 November 2009)
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
(since 1 June 2009)

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 GmbH, 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 mbH, 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 (until 14 April 2009)
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block T mbH (until 14 April 2009)
- GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung St. Annen mbH, Hamburg (until 14 April 2009)
- Fischmarkt Hamburg-Altona GmbH, Hamburg
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- Ulrich Stein GmbH, Hamburg
- HHLA Intermodal GmbH, Hamburg
- HHLA Intermodal Polska sp. z o.o., Warsaw/Poland
(since 21 January 2009)
- CTD Container-Transport-Dienst GmbH, Hamburg
- METRANS a.s., Prague/Czech Republic (since 23 April 2009)
- Regionalbeirat Nord der Commerzbank AG
- SC HPC Ukraina, Odessa, Ukraine

FINANCIAL INFORMATION

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Group structure

Group				
Subgroups	Port Logisitcs Listed Class A shares			Real Estate Non-listed Class S shares
Segments	Container	Intermodal	Logistics	Real Estate
Main services	<ul style="list-style-type: none"> Container handling Container transfer between different modes of transport (ship, rail, truck) Container-related services (e.g. storage, maintenance, repair) 	<ul style="list-style-type: none"> Rail- and road-bound transport services in the ports' hinterland Loading and unloading of carriers Operation of hinterland terminals 	<ul style="list-style-type: none"> Storage and contract logistics Special handling of bulk goods, fruits, vehicles, etc. Consulting and training 	<ul style="list-style-type: none"> Management of real estate in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH Development Lending Facility management
Key figures for 2009¹				
Revenue in € million	561.6	277.3	114.9	32.7
EBITDA in € million	225.5	31.6	14.0	16.4
EBITDA-Marge in %	40.2	11.4	12.2	50.2
EBIT in € million	149.6	21.9 ²	8.2	12.3
EBIT-Marge in %	26.6	8.0 ²	7.2	37.6

¹ Before consolidation between the segments ² EBIT from continuing activities

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

GROUP MANAGEMENT REPORT

- Sharp decline in global trade affects business development
- Group revenue down by 25.3 % to €990.7 million
- EBIT from continuing activities reaches €177.7 million
- Operating cash flow generates liquid funds of €193,2 million
- Equity ratio of 40.0 % demonstrates strength of balance sheet

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 a strategic management holding company. Its operations are carried out by the 39 domestic and 8 foreign subsidiaries which make up the group of consolidated companies.

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 provide shared services such as finance, purchasing, human resources, IT and other functions 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.

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 an optimal hinterland link to the economies of Central and Eastern Europe, Scandinavia and the Baltic region.

HHLA – a leading company in the European seaport transportation industry

Division into subgroups Port Logistics and Real Estate

Two separate bodies
for executive and
supervisory function

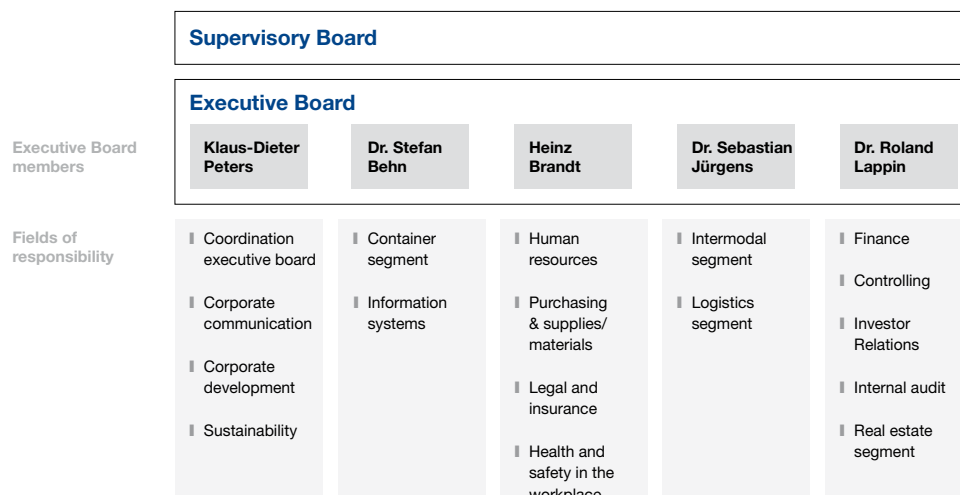
The subgroup Real Estate includes those HHLA properties which are not specific to port handling, i.e. the properties in Hamburg's historical warehouse district (Speicherstadt) and Fischmarkt Hamburg-Altona GmbH. The performance and the financial result of the subgroup Real Estate, which also follows 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 indirectly responsible for 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.

Organisational structure

AS OF 31.12.2009



In the reporting year 2009, the Executive Board had five members in principle; their areas of responsibility are defined by specific tasks and organizational segments. The Supervisory Board had twelve members in all, with six representing the shareholders and six representing the employees. ► see also page 56, Board members and mandates.

GROUP SEGMENTS

Segment Container

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

Business activities
in four segments

segment consist primarily of handling container ships (the loading and unloading of containers) and transferring containers to other carriers (e.g. rail, truck or feeder ship). HHLA operates three high-performance container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort, abbreviated as CTA, CTB and CTT, respectively). The company also runs a container terminal in Odessa, Ukraine. The portfolio of services provided by the HHLA terminals is complemented with container 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 a comprehensive seaport hinterland rail and truck traffic network. Together with strategic partners, HHLA operates the railway companies Transfracht, Metrains and Polzug, which maintain regular rail links to and from Central and Eastern Europe. The trucking company CTD transports containers in the metropolitan areas of Hamburg, Berlin and Bremen, as well as over long distances within Europe. The segment's service portfolio also includes loading and unloading carriers and operating inland terminals. The organization of additional feeder traffic through the Baltic Sea port of Lübeck was discontinued during 2009 due to unsatisfactory prospects within the Group.

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 and warehousing logistics, consulting and specialist handling services, including the handling of bulk cargo, fruits, 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 industry. 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 m² 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.

Important income and expense items

Revenue

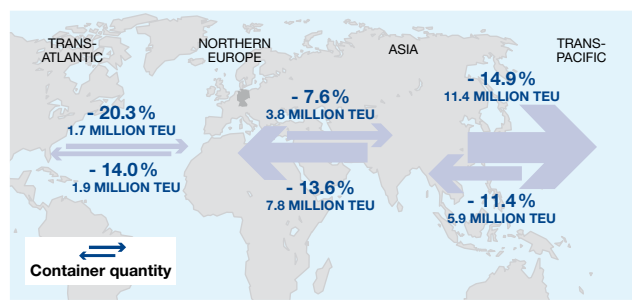
Handling fees
Transport fees
Fees for additional services
– Storage
– Repair
– Maintenance, etc.
Consulting fees
Building rental

Expenses

Wages and salaries
Fuel and energy
Leases for land and quay walls
Usage fees for
– Locomotives
– Railway tracks
Depreciation and amortization
Maintenance and repair
External services
Financing costs

International container traffic

2009 – CHANGE TO PREVIOUS YEAR IN %



Source: Drewry

MARKET POSITION

After benefiting strongly from the growth in global freight volumes over recent years, the port logistics sector experienced the sharpest downturn since the Second World War in 2009. Low demand in the real economy, the corresponding destocking and difficulties in trade finance led to a dramatic contraction in international cargo traffic last year. However, the fundamentals of global trade remained intact: sinking transport costs and the removal of trade restrictions in particular have accelerated the internationalization of the division of labour in procurement, production and selling in recent years. Decreased sea freight rates caused transport costs to fall considerably once again in the reporting year.

The liberalization of global trade remained largely the same as it was prior to the economic and financial crisis, due also to agreements made by the international community. Maritime shipping is still by far the most important mode of transport used in intercontinental trade flows. 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 have led to high freight volumes in global container traffic. This trend is generally expected to continue as long as protectionist measures are prevented. The development of many emerging economies is closely linked to their export business. In turn, the sales markets and production facilities of these countries are becoming increasingly important for industrialized nations.

In 2009, the Port of Hamburg ranked third in Europe behind the ports of Rotterdam and Antwerp, with its handling volume of 7.0 million standard containers (TEU). Hamburg occupied sixteenth place in the list of the world's leading international ports, now that Chinese ports, in particular, have risen to occupy the leading places due to their massive growth in recent years.

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 European coast between Hamburg and Le Havre (the "North Range") that is relevant for HHLA is characterized by its high preponderance of ports. Competition is currently strongest between the major North Range ports of Hamburg, Bremen/Bremerhaven, Rotterdam and Antwerp – the "Hamburg-Antwerp Range". The market share of these ports' aggregate handling volume accounted for by the Port of Hamburg was 24.5 % in 2009 (previous year: 28.0 %). The western ports of Rotterdam and Antwerp are largely geared towards supplying the saturated markets in Western Europe which were more stable during the crisis, causing them to experience less of a downturn in volumes. The Port of Hamburg, on the other hand, was hit particularly hard due to its role as a hub for trade with emerging Eastern European markets which were more vulnerable to the crisis. This led to a disproportionate collapse in precisely those shipping regions which had

Top 20 ports

BY CONTAINER THROUGHPUT
2009 IN TEU MILLION

1. Singapore	25.9
2. Shanghai	25.0
3. Hong Kong	20.9
4. Shenzhen	18.3
5. Busan	12.0
6. Los Angeles/Long Beach	11.8
7. Guangzhou	11.2
8. Dubai	11.1
9. Ningbo	10.5
10. Qingdao	10.3
11. Rotterdam	9.7
12. Tianjin	8.7
13. Kaohsiung	8.6
14. Antwerp	7.3
15. Port Keelang	7.3
16. Hamburg	7.0
17. Tanjung Pelepas	6.0
18. Xiamen	4.7
19. Laem Chabang	4.6
20. Bremerhaven	4.6

Source: AXS Alphaliner

helped the Port of Hamburg to grow significantly in recent years. Charter and freight rates for feeder ships were extremely low due to the economic crisis, overshadowing the geographical advantages of the Port of Hamburg as shipping companies shifted feeder services to other locations, including terminals in which they have holdings, despite the disadvantages of longer distances.

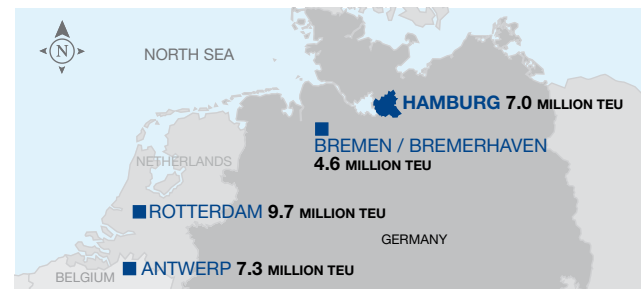
In the **Container segment**, HHLA competes directly with other terminal operators in Hamburg and the rest of the North Range. Besides pricing, which dominated in the crisis conditions of the reporting year as expected, other factors with relevance for competition primarily include the reliability and speed of ship handling, and the scope and quality of container handling services. Other factors affecting the terminal operators' competitive position are the ports' geographical position, their hinterland links and their accessibility from the sea. In Hamburg, HHLA, with a handling volume of 4.9 million TEU in 2009, was the largest container handling company with a considerable lead over its nearest competitor. In 2009, HHLA dealt with 68 % of all container handling activity in the Port of Hamburg (previous year: 71 %). In the Hamburg-Antwerp Range, HHLA's market share was 16.6 % (previous year: 19.9 %).

The market served by the **Intermodal segment** is characterized by competition among a multiplicity of service providers. HHLA is well positioned on this market, with its mix of carriers aligned by the vertically integrated business model. In this area, the segment benefits in particular from Hamburg's position as the most significant rail traffic hub in Europe. Transfracht, for example, provides transport services for rail-bound hinterland traffic within Germany and from there to Austria and Switzerland, making it the market leader for German seaport-hinterland traffic. 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 rail-bound transport business from Hamburg, Bremerhaven and Rotterdam to the Central and Eastern European hinterland (primarily Poland, Ukraine and Russia) and ultimately Central Asia. The rail companies' regional orientation provides a special market proximity and deep market knowledge, both of which are among the HHLA rail companies' special competitive strengths.

The **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.

Important North Range ports

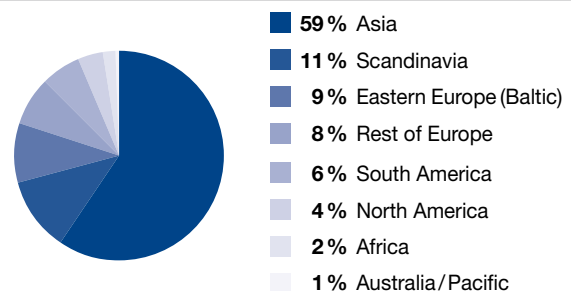
CONTAINER THROUGHPUT 2009



Source: Port Authorities

Seaborne container throughput

BY SHIPPING REGION IN THE PORT OF HAMBURG 2009 IN %



Source: Hafen Hamburg Marketing e.V.

Significant positions in all core markets

The **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 placing the HHLA Real Estate segment in 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.

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 area of fruit logistics) to operators of ports and other logistics centres (in the area of port consulting). The Real Estate segment lets its office and industrial premises to 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 most significant contributions to HHLA's revenue are the globally operating container shipping companies. 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-quality 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 hold direct stakes in terminals. In the financial year 2009, HHLA's five most important customers accounted for 52 %, its ten most important for 78 % and its 15 most important for 91 % of the revenue generated by the HHLA container terminals in Hamburg. HHLA maintains commercial relationships with 75 % of its most important customers for more than two decades.

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 usage of the services is not fixed beforehand, as the shipping companies transport the goods, but the freight 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 backlog in the traditional sense. The sales 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 pro-

Top 20 shipping companies

BY TRANSPORT CAPACITY
2009 IN TEU '000

1. APM-Mærsk	2,045
2. MSC	1,488
3. CMA CGM Group	1,031
4. Evergreen Line	559
5. APL	545
6. Hapag-Lloyd	458
7. CSCL	453
8. COSCO	450
9. Hanjin	440
10. NYK	407
11. K Line	342
12. MOL	342
13. CSAV Group	333
14. OOCL	322
15. Yang Ming Line	313
16. Hamburg Süd Group	310
17. Zim	306
18. Hyundai M.M.	275
19. UASC	196
20. PIL (Pacific Intl. Line)	191

Source: AXS Alphaliner

vides 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.

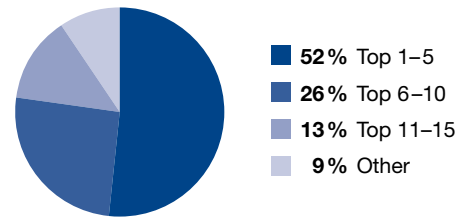
The two HHLA segments Intermodal and Logistics are geared differently towards the heterogeneous needs of customers. Their selling activities are therefore organized mainly in a decentralized manner while following – as far as is useful and viable – the strategic approach of vertical integration in terms 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, sales activities are organized by way of its two central locations, Hamburg's Speicherstadt historical warehouse district and the northern 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

Although the financial and economic crisis caused an abrupt disruption to the long increase in international trading, the transportation and logistics sector is still considered a growth industry. Experts are predicting a long-term increase in freight volumes, particularly for merchant shipping and combined rail traffic, also due to ecological aspects. Against this background, HHLA's strategy is aimed at securing and expanding its leading position as a port logistics group in the European North Range. With the aim of developing the Company sustainably, this approach includes an appreciation of HHLA's economical, ecological and social responsibility in order to safeguard the Group's sustainability. Thanks to its vertical integration along the logistics chain between international seaports and the European hinterland, HHLA is promisingly positioned to derive disproportionately large benefits from the intensification in global trade, particularly in light of the continuing integration of emerging economies in Asia and Central and Eastern Europe. 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 handling volumes for the HHLA container terminals.

Revenue distribution

SPLIT BY CUSTOMERS IN THE CONTAINER SEGMENT IN %

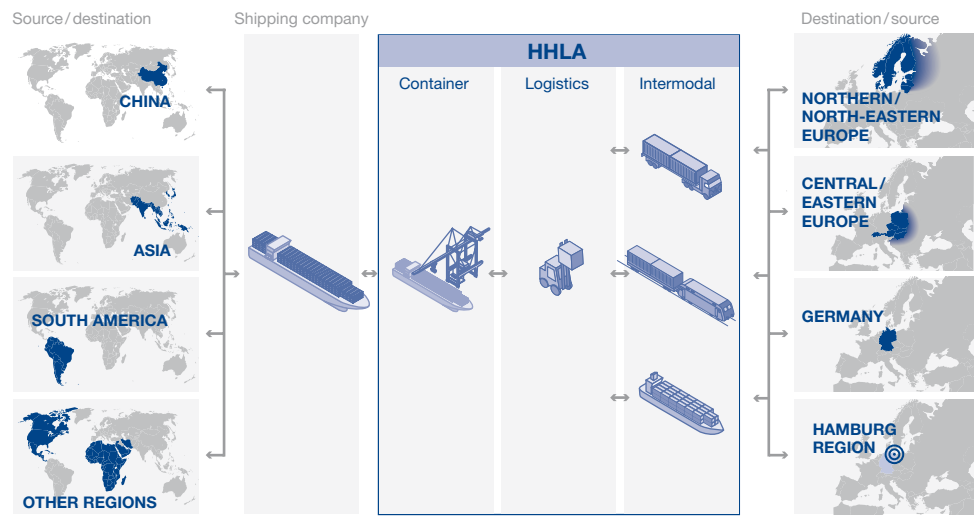


Transportation and logistics as growth industries

One-stop offer through interlinked business activities

Vertical integration

THE INTERLINKED BUSINESS MODEL OF HHLA



Following the strategic hubs and transport corridors, HHLA's commercial activities are concentrated on Hamburg, the Baltic region, Central and Eastern Europe, the northern Adriatic and the Black Sea. HHLA's objective in these markets is to use its technological leadership in the areas of ship handling and pre-carriage and on-carriage system management as effectively as possible, and thus earn an attractive return on its capital. HHLA is pursuing the following measures to achieve these objectives:

It is intended to further develop the container-related transport network between international ports and their respective hinterland so that HHLA can consolidate its market position in the individual segments along the transport chain. To achieve this, it is planned to expand complementary segment-specific services (such as empty container storage facilities, container repairs, etc.) and to achieve synergies between the individual segments.

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.

To ensure the best-possible quality of service, the efficiency of the handling services in the Container segment are to be improved continually. These endeavours will be based on the systematic orientation of the facilities' design and operation to productivity as regards sites, employees and capital. In order to strengthen its leading position in handling technology and efficiency, HHLA is working particularly intensively on innovating its systems and optimizing its processes. HHLA is improving its IT basis continuously for this purpose. To ensure that it is largely independent from IT service providers, HHLA develops and maintains systems critical to its success itself, as far as standard modules cannot be

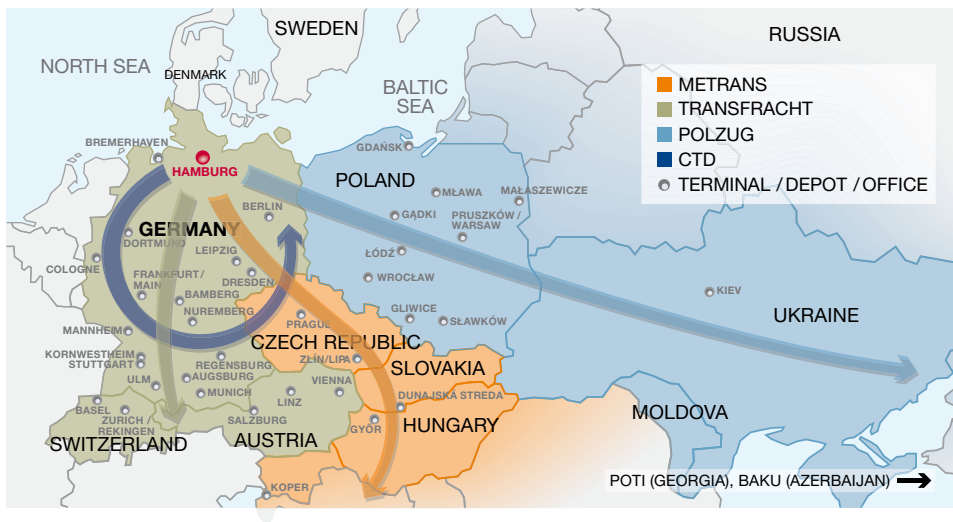
International hub for
emerging economics

Continuous productivity
improvements

procured and used for these purposes. HHLA aims 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 Intermodal network

GEOGRAPHICAL COVERAGE OF HHLA'S INTERMODAL COMPANIES



HHLA plans to continuously improve the services provided by the Intermodal segment by expanding intermodal rail and road transport. Besides increasing the scope and range of the services, HHLA is aiming particularly to broaden the extent of value added. In the field of rail activities, HHLA intends to further strengthen the market position of its intermodal subsidiaries in their respective markets, with the main geographical focus being on the growth markets of Central and Eastern Europe. The main focus of investment will be on inland terminals and their connection via high-efficient shuttle-hub systems, i.e. direct links to distribution centres. Orienting these activities to meet the special requirements of maritime transport chains is a crucial foundation for optimizing the management of transport to and from seaports. HHLA is accompanying these measures with a demand-oriented expansion of its truck platform.

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

Efficient modal split in the hinterland

Specialized know-how in logistics and real estate

In the Real Estate segment, HHLA pursues the approach to profitable activities pooled there, in particular the careful, sustainable development of properties, the marketing of real estate in the historical warehouse district (Speicherstadt), commercial property management and facility management.

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. Based on available flexibility, it is intended that capacities will be managed in line with demand in dialogue with customers.

► see also page 86, Group performance, and page 80, Sustainability.

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).

In setting up, altering and operating the handling facilities, HHLA is reliant on the issuance and continued existence of authorizations under public law, especially official authorizations in accordance with the German Federal Emissions Control Act (Bundesimmissionsschutzgesetz – 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 workplace and environmental protection.

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.

Public ownership
of port areas

Legal foundation
for fair competition

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 obviate 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 financial year 2009, 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. This approach is based on the firm belief that the only way to master this guiding principle over the long term is to combine economic success with ecological and social responsibility. For this reason, all corporate decisions follow the general rule of achieving a balance between economy, environment and society. ► see also page 80, Sustainability.

Focus on sustainability
value creation

HHLA uses a Group-wide value management system for planning, managing and monitoring its commercial activities. The central financial management 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 in the HHLA Group:

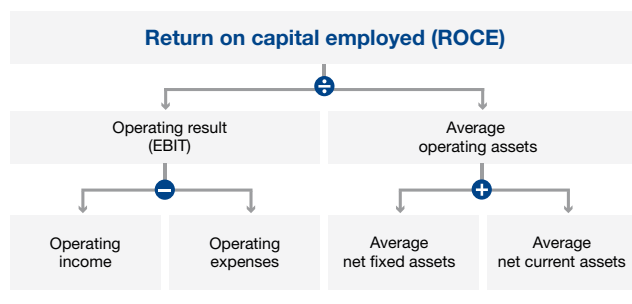
$$\text{ROCE} = \frac{\text{EBIT}}{\text{Average operating assets}}$$

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 plus other operating income and 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 net non-current assets (intangible assets and property, plant and equipment, investment property, assets held using the equity

Alignment on EBIT
and operating assets

Value management

ROCE – PARAMETERS AND INFLUENCING FACTORS



method and financial assets) and the average net current assets (inventories plus trade receivables less trade liabilities). Operating assets comprise the Group's assets which go towards generating the operating result.

EBIT based on continuing activities was used to calculate the ROCE for 2009. This figure represents EBIT without one-off restructuring expenses and the operating earnings of two affiliated companies, of which one is classified as discontinued operations and the other has since been sold and deconsolidated. EBIT from continuing activities corresponds to the definitional approach to operating assets which does not include assets held for sale.

Thus, the key performance indicator ROCE represents the average interest on the capital used to generate regular operating performance.

The return on capital employed is not just a central hurdle rate for assessing investments; it is simultaneously a significant parameter for determining the variable components of the remuneration for management in positions of operational responsibility. In this way, value-oriented management serves to gear all the operating activities towards increasing the aggregate value. Commercial activities are generally 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 2009, HHLA used a weighted average cost of capital of 10.5 % before taxes to calculate its value appreciation.

HHLA's objective is to sustainably earn a premium on its capital costs. For this reason, a great deal of value is placed on managing capacities in line with demand in dialogue with customers, wherever allowed by the highly capital-intensive nature of the industry and investment projects that often take several years to be realized. Accordingly, HHLA cut its investment budget in the reporting year to less than half of what was initially planned, due to the recession. 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. As a result, the organization of feeder traffic through the Baltic Sea port of Lübeck was discontinued during 2009 (discontinued operations).

In the financial year 2009, the return on capital employed fell distinctly. This was primarily attributable to the significant decrease in the operating result (EBIT from continuing activities). Thanks to its cost-reduction measures, HHLA recorded substantial savings in operating expenses, though these were unable to compensate for the downturn in operating income largely caused by the sharp fall in throughput and transport volumes. Furthermore, capital commitment continued to increase despite greatly reduced investment plans. Although return on capital employed fell overall to 14.1 %, it still exceeds capital costs. It was thus possible to achieve a positive absolute value added again in 2009.

In the operating business units, various non-financial central control parameters are used in addition to the ROCE benchmark. For example, the number of handling move-

Value proposition as
main investment criteria

ments per hour, energy efficiency 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 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.

Usage of non-financial and early indicators

Key performance indicators

		2009	2008	Change
Operating income	€ million	1,024.5	1,351.7	- 24.2 %
Operating expenses	€ million	- 846.8	- 993.8	14.8 %
EBIT ¹	€ million	177.7	357.8	- 50.3 %
Average net non-current assets	€ million	1,174.3	1,083.5	8.4 %
Average net current assets	€ million	90.5	91.3	- 0.9 %
Average operating assets ²	€ million	1,264.8	1,174.8	7.7 %
ROCE	%	14.1	30.5	- 16.4 PP
Cost of capital before tax ³	%	10.5	10.5	-
Relative value added	%	3.6	20.0	- 16.4 PP
Absolute value added	€ million	44.9	234.5	- 80.9 %

¹ EBIT from continuing activities (EBIT unadjusted: €160.2 million for 2009 and €355.1 million for 2008). ² Average operating assets without assets held for sale. ³ Different for subgroup Real Estate with 7.5 %.

EMPLOYEES

HHLA had a total of 4,760 employees at the end of 2009. Compared with the previous year's total of 5,001, this is 241 employees fewer, or a decrease of 4.8 %. In geographical terms, the workforce was concentrated mainly in Germany, with 3,658 staff members (77 %), and particularly in Hamburg, where 3,570 are employed (75 %). The 1,102 jobs at foreign sites are located predominantly in the Ukraine, the Czech Republic, Slovakia and Poland.

The largest decrease in staff numbers (14.9 %) was in the Intermodal segment, which with its 751 staff now accounts for 15.8 % of HHLA's workforce. This decline is largely due to adjustments in staff numbers at the Eastern European locations of HHLA's Intermodal companies. The Container segment's workforce fell by 1.8 % to 2,961 (62.2 % of the entire workforce), primarily due to natural fluctuation and an expanded part-time early-retirement model. The number of employees in the Logistics segment has fallen by 7.4 % to 475 in the reporting period; it accounts for 10.0 % of all HHLA employees. The Holding/Other division's workforce dropped 2.9 % to 533 employees, of which 502 (previous year: 528) are employed by HHLA Holding.

HHLA Group employees

AS OF 31.12.

Segments	2009	2008	Change
Container	2,961	3,015	- 1.8 %
Intermodal	751	883	- 14.9 %
Logistics	475	513	- 7.4 %
Real Estate	40	41	- 2.4 %
Holding/Other	533	549	- 2.9 %
Total	4,760	5,001	- 4.8 %

Against the background of the change in the economic climate, HHLA was able to significantly reduce the amount of hours worked at Hamburg sites over the course of the financial year by scaling back the deployment of external staff, discontinuing overtime and using part-time early retirement. The “Securing the Future” project, a personnel development programme designed by HHLA for the Hamburg sites in the first half of 2009, was also launched in the third quarter. Short-time working hours are used flexibly and as needed in combination with customized qualification programmes to enable costs to be cut and jobs to be saved, while keeping future development options open. To date, around 420 employees have taken part in measures, most of which lead

to a professional qualification in port logistics or port management. In addition, the use of short-time working hours on a flexible monthly basis, depending on the amount of work required in the individual companies and departments, which HHLA introduced in Hamburg as of 1 July 2009, has also proven itself. The wide fluctuations in the number of ships coming into port, which are characteristic of the industry, constitute a particular challenge, but one that was met effectively due to the high level of flexibility of the workforce.

Actively managing demographic change is an important field of action for HHLA's human resources management. The objective is to keep the age structure as balanced as possible, and indeed 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 just 17 % and that of older employees (over 50 years old) was 31 % in 2006, these proportions were 20 % (younger employees) and 27 % (older employees) as of 31 December 2009. The employees' average age remained unchanged at 41 in 2009 (men: 42; women: 36).

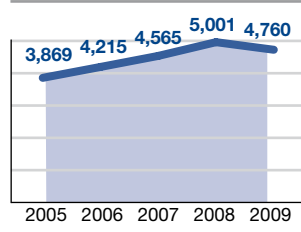
As most of the jobs in the HHLA Group are in a segment of the labour market in which men are traditionally employed, HHLA is promoting the employment of women. The proportion of HHLA's workforce in Germany made up of women increased slightly to 13.8 % (previous year: 13.4 %).

The commitment to further training remained high in Hamburg despite the difficult economic climate. HHLA offered a total of 142 young people vocational training in the past financial year (previous year: 141).

HHLA is also continuously at work maintaining and improving the occupational safety of its workforce and protecting their health. With 40 accidents requiring reporting at Hamburg sites in 2009, the number recorded was 24 fewer than in the previous year.

Staff numbers

AS OF 31.12.



Competent training

PROVIDING BOTH PORT LOGISTICS QUALIFICATIONS AND FURTHER TRAINING DURING THE CRISIS

When the HHLA specialist school joined together with the Hafen Hamburg training centre (FZH) and the Bremen port training college (hfs) two years ago, to form the first national training institution for the fields of logistics and port and maritime commerce in northern Germany, all signs pointed towards growth. The newly established “maritime competence centre” (ma-co) provided the port management sector with the qualified specialists it desperately needed.

In 2009, however, the focus was on working together with the Hamburg employment agency and HHLA to develop customized offerings for HHLA's planned qualification drive. ma-co's expertise, combined with the potential of its around 100 specialist trainers with real-world experience in their field, played a major role in the development of the “Long-term port management qualification training plan”, a cornerstone of HHLA's qualification drive.

PURCHASING AND MATERIALS MANAGEMENT

Organization

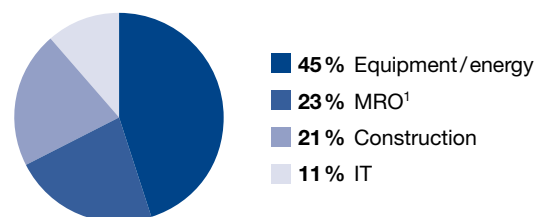
HHLA Group purchasing is organized centrally in the management holding division. It manages and coordinates all purchasing and procurement activities for the Group. The strategic focus of purchasing is to ensure that capital goods, raw materials and supplies, services and other products are reliably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

To facilitate the operational management of purchasing and handle 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 equipment/energy merchandise group accounted for around 45 % of the purchasing volume across the Group. The maintenance/repair/operation and construction groups accounted for some 23 % and 21 %, respectively, while 11 % of the purchasing volume was made up by the IT group.

The strategic involvement of the Group's suppliers into the development of products, facilities and processes in a spirit of partnership is fundamentally of major importance. Because of this and the changes in the economic climate, it was necessary to examine and reappraise existing contracts and orders as well as supplier relationships for their reliability, quality, innovative capacity, flexibility and cost structure. In particular, long-term and infrastructure procurement

Procurement volume

BY CLASS OF GOODS 2009 IN %



¹Maintenance, repair and operation

projects, especially those involving capital goods, came under close scrutiny. Their scope was inspected and, in some cases, their duration was adjusted. Suppliers' conformity with the required standards of environmental friendliness, not only as regards their products and services, but also the respective company's environmental policy, plays a major role in the creation of requirement profiles and the selection of suppliers. In addition, the timely procurement of supplies and replacement parts remains an important factor in the operational readiness of the container handling equipment, which in turn places high demands on flexibility and automation levels in the procurement area.

Process optimization

The steps initiated two years ago to optimize the procurement processes were also continued intensively in 2009.

Building on the purchasing guideline introduced last year, which defines the entire purchasing process chain from demand notification to the completion of the delivery, the entire contract documentation system (records management) was realized in full on a system level in financial year 2009. In addition, the implementation of subsidiaries in central procurement processes was developed further, and central purchasing management was significantly improved for the storage/workshop/service operating areas.

Furthermore, as part of the increasingly strong orientation towards environmental protection and sustainability, the power supply for facilities not concerned with throughput, primarily the buildings of HHLA Group, was switched to green energy. A newly established energy trading company closely linked with Group procurement will ensure the more intensive pooling of demands and the optimization of energy management. In light of the development in prices in the energy sector, the tranche model used to procure energy proved extremely beneficial. In particular, this allowed us to participate in the low prices during financial year 2009.

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 fundamental research in the traditional sense.

Innovative Seaport Technologies II

As part of the Innovative Seaport Technologies II (ISETEC II) support initiative that was launched by the German Federal Ministry of Economics and Technology, numerous companies within the HHLA Group are involved in a variety of development projects. The focal points of these projects is, first and foremost, the optimization of operational processes, for example by investigating new container terminal technologies or developing intelligent routing and deployment systems for efficient seaport logistics. Following this approach, the Group's activities in the financial year 2009 focused next to the ongoing integration of tandem container gantry cranes into the operations at CTB and among others on innovations

Enhanced competitive-
ness through technological
progress

in maintenance management. This included the automated recording of wear-dependent technical operating parameters as part of the further development of throughput technology and crane equipment. Further opportunities for the optimization of maintenance processes resulted from the computer-aided management of the vehicle fleet in use at the terminals. In addition to this project, HHLA also worked on new telematics solutions in the reporting year, such as expanded possibilities for the use of satellite positioning systems at the container terminals or collecting transport-relevant information in a single data-processing system common to all modes of transport.

Process optimization at container terminals

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 project, which also qualified for a federal support, 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. Here, an important sub-project was brought nearly to conclusion in the financial year 2009: the development of the so-called multiple-load method for automated guided vehicles (AGVs). The steering software for these devices, which are controlled using electromagnetic waypoints, was expanded and optimized during test operations to allow two containers with different starting points and destinations to be transported at the same time by a single AGV. In addition, HHLA combined OCR (optical character recognition) technology, which is already used to automatically recognize container identification codes, with an existing booking system in order to develop a self-service terminal to accelerate truck handling. Other projects included the minimizing of storage and removal distances and re-stacking procedures as part of terminal operations, as well as additional software support for work processes in the CTA control centre.

Advancements in automated terminal operations

Automation of fruit logistics

HHLA also implemented technological innovations in the area of fruit logistics: the construction of a new refrigerated shed was completed in the autumn of 2009. The construction focused on the development of a new storage system with around 8,000 pallet spaces, marked by particularly efficient logistics via the high level of automation.

The four refrigerated chambers, each of which can be controlled separately, ensure precise temperature control for the goods. In the high-rack warehouse, computer-controlled rack storage/retrieval devices put the pallets in their spots. The paths of these cranes are monitored and recorded using RFID (radio frequency identification) technology. Specially developed software determines every step of the process, from the point when the pallets arrive on the reefer ship to their transfer on a truck. This results in a high level of safety and productivity gains.

Productivity gains in fruit handling

Equipment and system improvements

In addition to these projects, work was also done in the reporting year on the technical improvement of individual equipment and systems. HHLA developed the third generation

Improvement of energy efficiency

of its Internet-based container information system, COAST. This system allows access to user-specific container data at any time and from any location. Customers can use the system to not only look up standardized status information about their containers, but also to interactively supervise handling methods. The use of cutting-edge Internet technology makes it possible to set up personalized user interfaces, including customized reporting formats, and enables a direct interface with customer systems. In an additional step, this application will be developed further to allow temperature requirements to be entered for reefer containers, for example. COAST is particularly suitable for shipping companies, shipping agents and other transport companies involved.

Moreover, in an effort to increase energy efficiency, the drive technology of straddle carriers was further optimized with the help of the manufacturer Noell Mobile Systems, thus reducing diesel consumption. In cooperation with Gottwald Port Technology GmbH, the first automated guided vehicle (AGV) with a battery drive has also been making its rounds at the Container Terminal Altenwerder since mid 2009. ► see also page 80, Sustainability.

Certification as proof of success

In order to document its performance, the Container Terminal Altenwerder once again received certification in accordance with the Container Terminal Quality Indicator in the reporting year. 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. By meeting the standard, CTA proved once again that it is one of the most productive container terminals in the world.

SUSTAINABILITY

HHLA has practised sustainability since it was established 125 years ago. Due to high levels of capital intensity and long useful lives, those who build and operate handling facilities, hinterland networks and logistics centres are compelled to take a wider view and gear their business operations towards lasting success spanning several economic cycles. For this reason, HHLA pursues 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.

Sustainability management with clear focal points

A sustainability plan was developed in 2008 to pool HHLA's various sustainability measures, set suitable focal points and formulate goals for the future. In 2009, this plan resulted in a comprehensive strategy. It is based on three basic areas, namely environmental, social and economic issues, and is intended to coordinate HHLA's efforts to take a sustainable approach to business and make this approach clearer externally. It focuses on forming intelligent links between maritime and rail carriers when organizing ecological transport chains. For this HHLA has highly efficient handling facilities, high-performance transport systems and comprehensive logistics services ready to make this a reality. These central interfaces in the international flow of goods are operated in an environmentally friendly manner which also conserves land. They are constantly developed with an eye on the future. The measures implemented to minimize the impact of transport on the environment are rounded out by environmental and resource conservation measures. HHLA's well-trained employees are the base for all of the company's activities and

guarantee a high level of quality together with exemplary occupational safety standards. The company's socially responsible activities focus on raising awareness of port and logistics-related issues.

HHLA uses modern sustainability management comprising ten fields of activity to implement its strategy. This puts HHLA in a position to take a leading role in the area of sustainability as well.

Sustainability initiatives

	Fields of activity	Guidelines
Environment	Climate protection/ energy efficiency	Exploitation of technically feasible and economically viable methods to reduce CO ₂
	Surface conservation	Efficient usage of port and logistics areas
	Nature preservation	Minimizing impact on nature and active protection of natural habitats
	Ecological transport chains	Active networking with other logistics operators and creating sustainable, environmentally friendly transport chains
Society	Occupational safety/ health protection	Safety, appropriate working conditions and encouragement of health-conscious behaviour
	Staff development	Vocational and ongoing specialist training and tailored staff development programmes
	Social responsibility	Intensifying dialogue with society; information and discussions regarding port logistics
Economy	Added value	Making an ongoing and significant contribution to added value and consequently prosperity at all locations
	Business partners	Offering tailor-made customer solutions and reliable cooperation with suppliers
	Shareholders	Long-term increase in company value and transparency for investors

The fields of activity focus on climate protection, surface conservation, nature preservation and ecological transport chains. HHLA has been issuing information about its carbon footprint since 2008. This data is also regularly published as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative which now manages one of the world's largest databases of corporate greenhouse gas emissions on behalf of institutional investors and makes this information widely available. HHLA calculates its CO₂ emissions on the basis of the Greenhouse Gas Protocol, a global standard for recording greenhouse gas emissions.

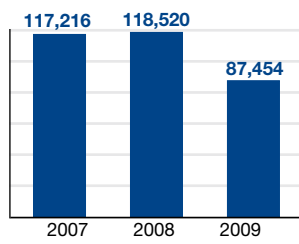
Environment

Changes in the HHLA Group's absolute CO₂ emissions are significantly influenced by handling and transport volumes. Due to the drop in volumes caused by the recession, emissions fell by 31,067 tons or 26.2 % to 87,454 tons in the financial year 2009, after adjustments for the sold business unit combisped and the decommissioned Container Terminal Lübeck. Of these total emissions, around 10,000 tons of CO₂ per annum are classified as relatively

Reduction of fossil
fuel consumption

CO₂ emissions

IN TONS



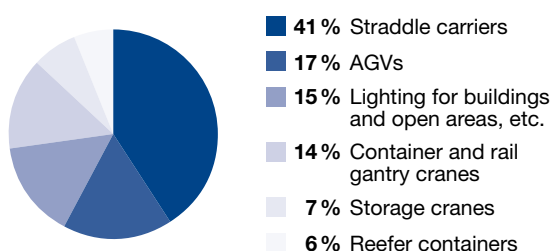
fixed, i.e. largely non-dependent on actual operations. This primarily includes heating and lighting for buildings and lighting for open terminal areas.

Even though this figure does not change in proportion to volumes, energy efficiency – i.e. the energy consumption per defined activity unit – decreased by no more than 3.8 %. HHLA was able to compensate for the downturn to a certain extent, as the energy required by all buildings and workshops occupied by HHLA has come from renewable energies since 2009. This allowed HHLA to cut CO₂ emissions by 3,000 tons in the reporting year. The energy efficiency of the entire fleet of diesel-powered straddle carriers and automated guided vehicles (AGV) improved by 1.3 % compared to the previous year, after already rising by a considerable 3.5 % in 2008 compared to 2007.

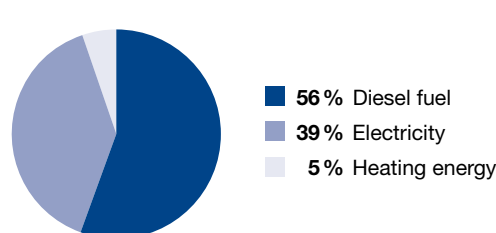
These vehicles account for more than half of the CO₂ emissions produced by HHLA container terminals, causing our climate protection measures to focus on reducing the consumption of fossil fuels once again in 2009. For example, the drive technology of the straddle carriers manufactured by Noell Mobile Systems was further optimized. With each straddle carrier logging up to 4,500 operating hours a year, and a fleet of over 40 Noell machines, this will save up to 100,000 litres of diesel fuel every year. In addition, the first battery-powered automated guided vehicle (AGV) has been making its rounds at the Container Terminal Altenwerder since the middle of 2009. This zero-emissions vehicle is being tested as part of a pilot scheme. The first Blue AGV, on the other hand, is already in everyday use. This AGV cuts exhaust emissions by 90 % by injecting a urea solution.

CO₂ emissions by equipment type

2009

**CO₂ emissions by energy type**

2009



The CO₂ emissions are based on measured and calculated data as well as estimates.

In light of these developments, HHLA's fuel mix moved further towards electricity, the production of which now accounts for more than a third of CO₂ emissions. This will gradually open up more opportunities to utilize regenerative energies and technologies with lower noise emissions.

In order to incorporate its conservation activities into a single overarching initiative, HHLA and eleven of its subsidiaries joined the Hamburg environment partnership in 2009, actively supporting the climate protection strategy of the Hamburg Senate. Measures to cut CO₂ emissions by a total of 9,000 tons were also proposed. Examples of these

include introducing diesel-electric drive systems for handling equipment at the container terminals, saving electricity by virtualizing servers using HHLA computing centres, using electric fork-lifts with electricity generators or establishing an energy-saving system for lighting open areas.

Water is mostly used in the HHLA Group to clean large-scale equipment and containers and for employee hygiene. The amount of water consumed by operations in Hamburg fell by 11,300 cubic metres or 14.5 % to 66,700 cubic metres in 2009. In order to minimize consumption, HHLA integrated a chemical wastewater treatment plant into the construction of a new workshop used as part of its terminal operations. This plant collects the water used to wash straddle carriers, purifies it, and supplies it for reuse. This reduces fresh water requirements by up to 80 %.

The amount of waste produced in Hamburg fell by 24.5 % in 2009 compared to the previous year, to 8,800 tons; 31.1 % of this was attributable to water collected at the washing and parking spaces for straddle carriers and AGVs, while 25.6 % was made up of overripe bananas, which were recycled to generate biogas. Scrap waste made up 6.1 % of the waste produced by HHLA, while engines, hydraulic oils, and equipment or waste containing oil accounted for 3.5 % of waste.

Society

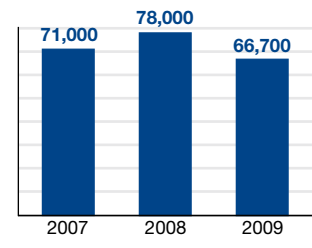
HHLA launched a forward-looking staff development programme in Hamburg in response to the current economic crisis and the related short-time working hours in the reporting year. The training scheme is a cornerstone of the "Securing the Future" project: around 420 courses helped to significantly improve the career prospects and qualifications of many employees. Over 30 different vocational and specialist training schemes were on offer for all career paths, such as port workers, skilled trades workers, administrative roles and technicians. The scheme focused on tailor-made programmes which covered current and future challenges facing the port logistics industry.

HHLA offers its employees subsidized public transport tickets to encourage them to use environmentally friendly modes of transport to get to work. An internet commuter portal also encourages car sharing among employees. This is particularly useful for terminals without 24-hour public transport links.

The company's social dialogue focuses on raising awareness of port- and logistics-related issues. For example, in 2009 HHLA developed a hands-on education project together with the Europaschule Gymnasium Hamburg Hamm grammar school: pupils were taken on a guided tour around the Port of Hamburg and the Container Terminal Altenwerder. This taught them about the importance of containers for global trade. Pupils were later able to calculate the area, volume and other dimensions in a maths lesson using a container delivered to the school.

HHLA's container terminals made preparations for another education project in the reporting year: starting in 2010, ten classes a year will have a project day covering the areas of ports, trade and water. The aim is to make them aware of the relationship between global trade and logistics. This education project will be run by experienced education experts in cooperation with other companies.

Water consumption IN HAMBURG IN CU M



Qualification programme
as important cornerstone

Added value in the HHLA Group

IN € MILLION

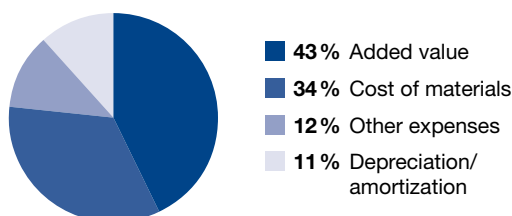
	2009	2008	2007	2006	2009/08
Employees	301.7	299.0	279.4	252.1	0.9 %
Shareholders	89.1	217.5	152.0	117.0	- 59.0 %
Public authorities	36.9	106.6	104.9	69.8	- 65.4 %
Lenders	12.8	18.6	15.3	16.3	- 31.0 %
Total	440.5	641.7	551.6	455.2	- 31.4 %

Economy

In the crisis-dominated year of 2009, net added value sank to €440.5 million while the ratio of added value to the total production value changed only slightly to 43.0 % (previous year: 46.7 %). Net added value serves as an indicator of business activities' contribution to economic value creation. 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, public authorities (taxes) and shareholders. In 2009, the largest proportion, 68.5 % or €301.7 million, went to employees. Shareholders accounted for the second-biggest share of €89.1 million (20.2 %), followed by the public authorities with €36.9 million (8.4 %) and payments to lenders amounting to €12.8 million (2.9 %).

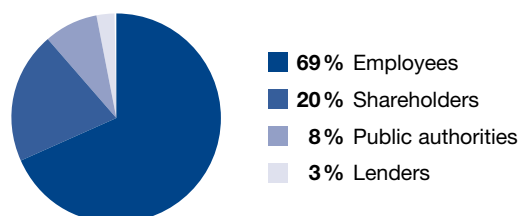
Source of added value

PRODUCTION VALUE (€ 1.02 BILLION) = 100 %



Application of added value

ADDED VALUE (€ 441 MILLION) = 100 %



Economic environment

MACROECONOMIC DEVELOPMENT

Comprehensive government stimulus programmes, swift measures to support the banking sector and expansive monetary policy prevented the global economy from deteriorating further in 2009. The collapse of the global economy, which caused the GDP to shrink by around 1 % in 2009, came to a halt in the summer. New orders, production volumes and global trade recovered from their lowest levels. However, the recovery has yet to set in across the board, even though almost every economic region across the globe began to decline at the same time. The governments of the Asian emerging markets were even able to revive their economies in the first few months of the year. By autumn 2009, most of the economies across the globe were showing signs of recovery in comparison to the previous quarter. According to the International Monetary Fund (IMF), global trade still declined by 12 % in the course of the worst economic crises in post-war history. Industrial production

Worst economic crises in post-war history

levels stabilized, but were still far lower than in the previous year as 2009 came to an end. The Chinese economy led the recovery in Asia. The government in Beijing primarily introduced measures to stimulate domestic demand, causing China's GDP to increase by 9 % in 2009 despite weak exports.

The economies in Central and Eastern Europe, an important hinterland region for the Port of Hamburg, were hit far harder, causing their GDP to fall by 4 %. Poland's economy grew by 1 % despite the crisis. Russia, on the other hand, suffered due to the falling price of commodities, which caused the country's economic output to contract by up to 9 % in 2009. The euro zone's GDP shrank by 4 % in 2009 compared to the previous year.

In 2009, the German economy also shrank for the first time in six years tumbling by almost 5 % on the previous year. The export industry suffered due to the global decline in demand, particularly at the beginning of the year. Exports fell by around 15 % in 2009 and investment in equipment dropped by 20 %. By contrast, public investments increased by almost 3 % in 2009, and private households also spent more than in the previous year. After collapsing in the winter of 2008/2009, aggregate production stabilized from the second quarter of 2009 onwards. In autumn, the measures implemented across the globe and increased inventory levels had a positive effect on demand. This trend began to weaken in the fourth quarter of 2009, partly because private consumption declined towards the end of the year.

Sector development

According to preliminary figures, the sharp fall in global trade caused worldwide container throughput to fall by 10 % in 2009 compared with the previous year. Due to sizeable overcapacities in container shipping, almost 12 % of global shipping capacity was not in use at the end of 2009. Container shipping companies around the world suffered due to a steep decline in freight rates, particularly in the first half of the year. Experts expect total losses of US\$20 billion for the industry in 2009 due to the profound nature of the structural crisis.

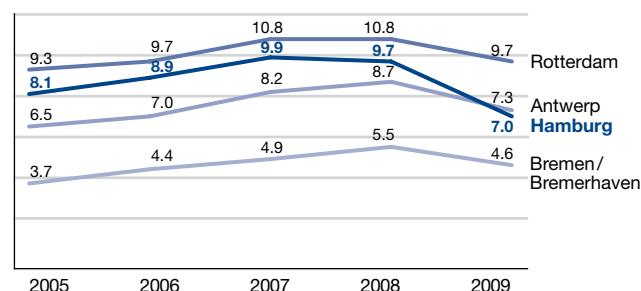
Container throughput at the major ports in the North Range, known as the Hamburg-Antwerp Range (Hamburg, the Bremen ports, Rotterdam, Antwerp) fell by 17.5 % in 2009 to 28.6 million standard containers (TEU). Throughput in the Port of Hamburg decreased by 28 % in 2009 to 7 million TEU, similar to 2004 levels.

In 2009, container throughput fell by 25.8 % and 43.8 %, respectively in the shipping regions of east Asia (north) and the Baltic region, which are particularly important for the Port of Hamburg. Both shipping regions together accounted for some 61 % of Hamburg's total container throughput in 2009. Hamburg's traditionally high proportion of feeder traffic with the Baltic region had a negative effect. More than two-thirds of the total decline in container throughput in Hamburg was due to the downturn in feeder traffic. The container throughput at the Russian port of Saint Petersburg fell by approx. 40 %, while Poland's ports also recorded a drop of around 40 % despite the country's GDP growing in 2009. This demonstrates how heavily the Baltic region was hit by the Eastern European economic downturn. The decline in Hamburg feeder traffic was reinforced by low charter rates for feeder ships and reduced fuel costs. These developments overshadowed the geographic advantages of the Port of Hamburg, because it became economically viable for feeder traffic

Significant decrease of international cargo traffic

Container throughput

2005–2008 IN TEU MILLION



Source: Port Authorities

Difficult market environment for overland transportation

from the Benelux ports to travel around the northern tip of Denmark into the Baltic region.

Nevertheless, Hamburg remained one of the most important European export and import ports in 2009. The balance between import and export containers was once again high: Hamburg handled 3.6 million TEU import containers in 2009, slightly more than the number of export containers (3.4 million TEU). The proportion of total container handling accounted for by empty containers was correspondingly low at 14.5 % (previous year: 18.8 %).

The companies in the Intermodal segment found themselves in a particularly challenging market environment shaped by the collapse in demand, the resulting downturn

in cargo transport and fierce price competition. Transport volumes and performance (transport volumes multiplied by distances) in Germany each shrank by around 11 % in 2009 compared to the previous year. Volumes and services in rail goods traffic recorded an even stronger loss of around 17 %. Intermodal transport volumes, which primarily includes the transport of containers, fell by around 20 % in 2009 according to estimates, with some operators experiencing downturns of up to 25 %. According to market surveys, road traffic was unable to reclaim a significant share of the market from rail in many regions. However, volumes still appear to have shifted to the road network in 2009 in the area of maritime intermodal transport, i.e. transport from and to seaports, which is important for HHLA. This is primarily due to ruinous price competition between forwarding companies, although the trend of volumes shifting to rail is still intact.

Course of business and economic situation

EARNINGS POSITION

Group performance

OVERALL VIEW

From the management's point of view, HHLA performed respectably in the financial year 2009, considering the adverse parameters caused by the global financial and economic crisis. Even though Group revenue and earnings were far below the record levels of the previous year due to the sharp decline in global trade, the company generated a clearly positive

Guidance for revenue and EBIT met

Forecast and actual figures

	Forecast 31.03.2009	Forecast 15.05.2009	Forecast 13.08.2009	Forecast 12.11.2009	Actual 31.12.2009
Revenue	distinctly below previous year	distinctly below previous year	in the region of € 1 billion	in the region of € 1 billion	€ 990.7 million
EBIT margin	substantially burdened	substantially burdened	14 -16 % ¹	14 -16 % ¹ upper end	18.0 % ¹

¹ EBIT margin from continuing activities

net profit despite the pressure of fixed costs immanent to the industry. In order to achieve this, HHLA realized operating cost savings in the hundreds of millions, as forecasted.

The Group was able to maintain a strong balance sheet with a high equity ratio almost similar to the previous year, and has no significant refinancing requirements due to the liquid funds at its disposal. HHLA also entirely met the forecast made in its annual report 2008, which was subsequently further specified.

Due to the restructuring of business operations in the Intermodal segment, the reporting for HHLA Group has been expanded since the second quarter of 2009 to include EBIT from continuing activities. For the purpose of transparent presentation, this figure represents EBIT without one-off restructuring expenses and operating earnings of two affiliated companies, of which one is classified as discontinued operations and the other has since been sold and deconsolidated. The corresponding pro-forma figures for the previous year are adjusted for the earnings contributions of these companies.

The group of consolidated companies changed in the financial year 2009, as a result of the sale mentioned above as well as the first-time consolidation of one acquired company and four newly established companies. At Group level, however, none of these changes led to any material effects on revenue or results. Currency effects also had no material impact on the earnings position of the Group.

The 2009 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union, taking the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) into consideration.

REVENUE AND EARNINGS

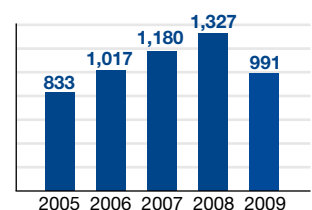
The performance data which has a material influence on the majority of Group revenue was largely impacted by the sharp downturn in international container traffic caused by the financial and economic crisis in the financial year 2009. Throughput in the Container segment fell by 32.9 % to 4.9 million TEU (previous year: 7.3 million TEU) in the reporting period. Transportation in the Intermodal segment still performed relatively well, dropping by 18.5 % to 1.5 million TEU (previous year: 1.8 million TEU).

Under these conditions, HHLA concentrated on sustaining a solid earnings quality in order to maintain its range of high-performance handling and transport systems in future, and to ensure the required lasting financial stability for the company. As expected, earnings levels were however increasingly burdened over the course of the year. As a consequence, the HHLA Group's revenue decreased by 25.3 % to €990.7 million in the year under review (previous year: €1,326.8 million). The listed core business operation of the Port Logistics subgroup with its handling and logistics activities as well as its hinterland traffic was hit particularly hard by this development. Revenue fell in this area by 25.9 % to €962.9 million (previous year: €1,299.2 million). With business remaining largely stable in Hamburg's historical Speicherstadt warehouse district and at Fischmarkt Hamburg-Altona GmbH, the Real Estate subgroup generated revenue of €32.7 million, nearly unchanged to the previous year's level (€32.6 million).

At €0.4 million, no significant changes in inventories were recorded at Group level, as in the previous year (€0.0 million). Own work capitalized was largely generated by internally

Basics of reporting framework

Revenue IN € MILLION



developed software, used mostly to continuously improve operational processes at the container terminals. This item amounted to €8.3 million (previous year: €12.2 million) in the financial year 2009. Other operating income remained practically unchanged at €29.2 million (previous year: €29.5 million) in the reporting period.

The different development of the subgroups caused the proportion of the Group's entire external revenue accounted for by the Port Logistics subgroup to decrease slightly from 97.7 % to 97.0 %. The proportion accounted for by the Real Estate subgroup increased accordingly to 3.0 % (previous year: 2.3 %).

EXPENSES

Operating expenses fell by 14.3 % compared to the previous year. However this was less compared to the considerable slump in revenue. The development is largely due to the pressure of fixed costs immanent to the industry.

The Group took consistent steps to reduce its **cost of materials**, primarily via savings in variable costs. As a result, the cost of materials was reduced by 28.6 % to €346.1 million (previous year: €484.7 million) in comparison with the corresponding period of the previous year, disproportionately large to the development of revenue. The expenses posted under this item were influenced very strongly by purchased railway services in the field of intermodal traffic (particularly locomotive and track use). Lower transport volumes and more flexible purchasing both contributed to this pronounced decrease. Significant savings were additionally made in the procurement costs for fuel, energy and spare parts due to the reduced workload. The cost of external personnel, especially those involved in handling, also declined markedly. All in all, the cost of materials as a percentage of revenue consequently decreased to 34.9 % (previous year: 36.5 %).

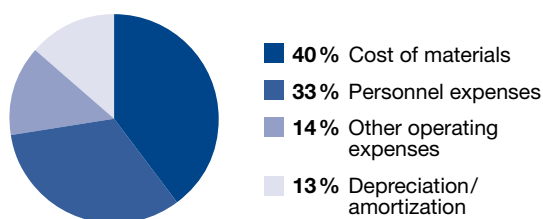
The relatively sharp rise in **personnel expenses** over the first half-year was scaled back in stages as the introduction of short-time working in July, reduced overtime, lower employee numbers and the collective wage freeze agreed began to take positive effect. Consequently, this expense item only rose by 1.4 % to €284.7 million (previous year: €280.7 million), despite higher obligatory contributions to the pension indemnification fund of the German economy and an expanded range of part-time early retirement models. The workforce was also adjusted by reducing deployment of external staff, which however had an effect on the costs of materials, as already mentioned. Against this background, the ratio of personnel expenses to revenue increased considerably from 21.2 % to 28.7 %.

Other operating expenses decreased by 17.8 % to €120.2 million (previous year: €146.3 million) in the reporting period. In addition to regular components such as rental expenses for land and quay walls along with expenses for maintenance and other services, change in this area compared to the previous year was also influenced by one-off effects. The sale of a company in the Intermodal segment led to a deconsolidation loss of €3.0 million. The previous year,

Disproportionately larger decrease of material expenses

Cost structure

2009 IN %



on the other hand, was burdened with €13.5 million in extraordinary expenses for securing an expansion area in the Container segment within the framework of the acquisition and disposal of companies located there. However, even when adjusted for these effects, the fall in this expense item still came to €15.6 million or around 11.7 %, despite its mainly fixed cost-nature. This is primarily the result of extensive cost-reduction measures.

Depreciation and amortization went up in comparison to the previous year due to a one-off, non-cash expense for restructuring in the Intermodal segment (€11.7 million) and to remaining investments and the accompanying asset additions. In total, depreciation and amortization volumes totalled €117.3 million (previous year: €101.8 million) in the reporting year, an increase of 15.3 %. In addition to the one-off effect mentioned above, additional expenses resulted particularly from the purchase of railcars and the capitalization of buildings and sites as part of completed investment projects.

EARNINGS

Against the background of these developments, the operating result before depreciation and amortization (EBITDA) fell by 39.2 % to €277.5 million (previous year: €456.8 million). The EBITDA margin went down to 28.0 % (previous year: 34.4 %).

After depreciation and amortization, an **operating result (EBIT)** of €160.2 million (previous year: €355.1 million) was achieved. This represents a decline of 54.9 %. Based on continuing activities – i.e. adjusted for the extraordinary expenses mentioned above and the earnings contribution of two discontinued affiliates – EBIT came to €177.7 million (previous year: €357.8 million). The subgroup Port Logistics contributed 92.2 % to total EBIT, while the subgroup Real Estate accounted for 7.8 %. The EBIT margin from continuing activities was 18.0 % (previous year: 27.3 %).

Interest income fell noticeably, largely due to lower average cash balances and lower interest rates, to €5.6 million (previous year: €16.7 million). Despite increased financial liabilities, interest expenses came to €39.9 million, also lower than in the previous year (€47.9 million).

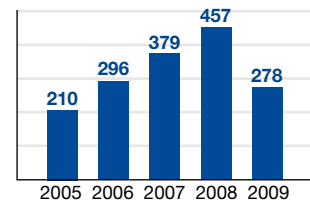
The **effective tax rate** fell to 29.3 % (previous year: 32.9 %), primarily as a result of the adjustment of tax provisions for previous years and the consequent decrease in tax expenses.

Against this background, **consolidated profit after tax and minority interests** declined in comparison to the previous year by 66.9 % to €53.0 million (previous year: €160.4 million). In relation to profit after tax, minority interests increased significantly in the reporting period which, in light of the overcapacities caused by the crisis, was mainly due to increased involvement of partner companies and their contributions towards the utilization of joint commercial activities.

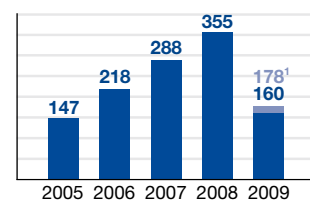
APPROPRIATION OF PROFITS

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 dividend policy. The individual financial statement of the HHLA Group's parent company, which is relevant for dividend distribution, shows net profit of €51.1 million, according to the German Commercial Code (HGB), for the financial year 2009. Of this sum, €45.7 million is accounted for by the A division (Port Logistics subgroup) and €5.4 million by the S division (Real Estate subgroup). On this basis, the Executive Board and Supervisory Board of HHLA will propose at the

EBITDA IN € MILLION



EBIT IN € MILLION



¹from continuing activities

Continuation of dividend distribution policy

Annual General Meeting on 16 June 2010 that a dividend of €0.40 per Class A share and €1.00 per Class S share shall be distributed. The total amount distributed for the Class A shares would therefore decrease to €28.0 million in line with the development of the two subgroups' results. The total amount for the Class S shares would be kept unchanged at €2.7 million. In an external comparison, the dividend payout ratio would remain at the relatively high level of 61.3 % for the Port Logistics subgroup and 49.7 % for the Real Estate subgroup.

Container segment

Key figures		2009	2008	Change
Revenue	€ million	561.6	792.3	- 29.1 %
EBITDA	€ million	225.5	376.8	- 40.1 %
EBITDA margin	%	40.2	47.6	- 7.4 pp
EBIT	€ million	149.6	303.9	- 50.8 %
EBIT margin	%	26.6	38.4	- 11.8 pp
Container throughput	thousand TEU	4,913	7,317	- 32.9 %

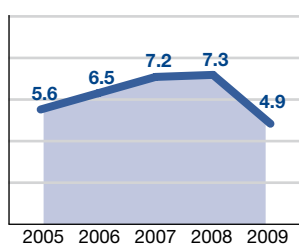
Double-digit EBIT-margin despite severe downturn in volumes

The impact of the financial and economic crisis on global transport and logistics chains had a considerable effect on the Container segment's direct market environment and influenced its development considerably in the financial year 2009. Container throughput at HHLA's Hamburg and Odessa terminals fell by over 35 % in the first half of 2009. Although throughput volumes subsequently stabilized, showing small signs of recovery, they were still down 32.9 % for the year. Handling volumes fell by 31.1 % to 4,670 thousand TEU in Hamburg in the financial year 2009, while volumes in Odessa dropped by 54.8 % to 243 thousand TEU due to the particularly difficult situation in the Ukraine. Revenue performed comparatively better, declining by 29.1 % to €561.6 million (previous year: €792.3 million). The operating result (EBIT) amounted to €149.6 million, 50.8 % lower than the previous year's record high (€303.9 million). However, thanks to the success of the comprehensive cost-reduction programme incorporated in the "Securing the Future" project launched at the end of 2008, the EBIT margin was 26.6 % (previous year: 38.4 %), a respectable level for the industry in 2009.

The economic crisis and the effect of the shipping crisis caused throughput volumes at the HHLA container terminals to fall particularly sharply. The main reason for this was the steep decline in volumes in the two most important shipping regions for HHLA, the Far East and Europe. The shipping crisis also caused Hamburg's competitive position in European seaborne feeder traffic to worsen temporarily. For 2009 it partially compensated the natural advantages Hamburg enjoys due to its location as a link to the entire Baltic region. ► see also page 84, Economic Environment. HHLA's feeder throughput in the Port of Hamburg fell by a total of 43 %, with feeder traffic accounting for 23 % of throughput, down from 28 % in the previous year. European land-based feeder traffic, on the other hand, was far more stable. Road traffic fell by 15 % and rail traffic was down 21 %.

Despite the significant downturn in feeder traffic, Hamburg was able to maintain its position as Europe's leading feeder hub for the Baltic Sea region, with 45 feeder services and up to 160

Container throughput IN TEU MILLION



departures every week. HHLA and Eurogate established a feeder coordination centre (Feeder Logistik Zentrale – FLZ) in 2009, to strengthen Hamburg’s qualitative position (shares: HHLA 66 %, Eurogate 34 %). By coordinating everyone involved, FLZ optimizes feeder traffic in the Port of Hamburg, shortening round trips and increasing terminal productivity. The activities and investments of HHLA’s transport companies contributed also significantly to strengthening the Port of Hamburg’s competitive position last year. They consolidated Hamburg’s position as the leading European “railway port”. ► see also below, *Intermodal segment*.

[Introduction of a feeder coordination centre](#)

The Container segment continued to invest in enhancing the performance of its terminals in 2009. Although investments to expand capacities were postponed and extended, the Container segment pressed forward with modernizing its facilities. Due to a large number of new mega-containerships taken into service, demand for quicker and more efficient handling facilities is increasing, despite the economic crisis. Investments focused on preparing to commence operations at a new mega-ship berth at the HHLA Container Terminal Buchardkai (CTB), which should take place during the second quarter of 2010. This berth will be the first in Europe to use cutting-edge tandem gantry cranes capable of loading or discharging two 40-foot containers or four 20-foot containers in a single movement (Twin-Forty container gantry cranes). The gantry cranes will be connected to the first five storage blocks of the new block storage system which, together with the new ITS terminal operating system, will provide a new level of quality when handling mega-containerships.

In the second half of 2009, Albert Ballin Terminal Holding GmbH transferred its minority stake in the HHLA Container Terminal Altenwerder (25.1 %) within the shareholder base of Hapag-Lloyd AG in order to meet conditions set by the German federal government and the banking syndicate involved in the shipping lines’ refinancing. The existing cooperation agreement has been amended to reflect the indirect changes to the shareholder structure. There were no significant changes to the content of the agreement.

Intermodal segment

Key figures		2009	2008	Change
Revenue	€ million	277.3	369.7	- 25.0 %
EBITDA	€ million	31.6	53.0	- 40.5 %
EBITDA margin	%	11.4	14.4	- 3.0 pp
EBIT	€ million	4.4	39.3	- 88.8 %
EBIT margin	%	1.6	10.6	- 9.0 pp
EBIT from continuing activities ¹	€ million	21.9	42.1	- 48.0 %
EBIT margin from continuing activities	%	8.0	11.9	- 3.9 pp
Container transport ²	thousand TEU	1,500	1,841	- 18.5 %

¹ EBIT without one-off restructuring expense and the operating result of the affiliated companies combisped and CTL, which have been classified as discontinued resp. disposed of and deconsolidated. ² The transport volume was fully consolidated.

The market environment for maritime container logistics in European hinterland transport worsened considerably in the financial year 2009. A significant downturn in volumes and the entry of new operators onto the market led to considerably tougher competition. Against this

Preservation of strong market position under intensified competition

backdrop, the transport companies in the Intermodal segment were able to maintain their market positions well overall – and expand them in some cases – with transport volumes down 18.5 % to 1.5 million standard container units (previous year 1.84 standard container units). Volumes trended slightly upwards over the course of the year: the decline was 23.5 % after the first six months, and 21.7 % after nine months.

Revenue also reflected the stabilization of volumes: although the segment's revenue was still 27.6 % below the previous year's level after the first half of the year, the decline for 2009 as a whole came to 25.0 % at €277.3 million (previous year: €369.7 million). The slump in revenue was limited despite a number of substantial price concessions. The extent of vertical integration at those companies whose competitiveness depends on the combination of high-performance terminals in the hinterland with cost-efficient and highly productive operations for the entire transport chain – such as regular shuttle traffic between seaports and inland terminals – had a stabilizing effect on volumes and earnings.

Distinctly lower material costs and declining personnel expenses contributed significantly to respectable earnings figures in a considerably worse macroeconomic environment which stabilized in line with volumes and revenue in the course of the year. EBITDA totalled €31.6 million for the year, 40.5 % lower than the previous year's level of €53.0 million. The decline was 56.6 % still in the first half of the year. The EBITDA margin for 2009 was 11.4 % (previous year: 14.4 %).

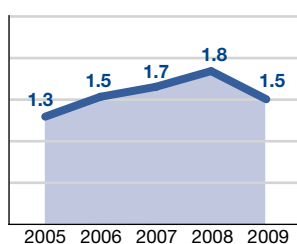
The dramatic market development in the Baltic Sea region caused HHLA to suspend its Hamburg-Lübeck transport service with feeder traffic from Lübeck to Russia and Finland, which was no longer profitable. This was implemented by means of a management buy-out of the transport company combisped and the closure of the Container Terminal Lübeck (CTL), which was completed in the financial year 2009 and had a significant impact on the segment EBIT, which amounted to just €4.4 million (previous year: €39.3 million). The segment result therefore includes a one-off expense of €17.5 million, which includes the deconsolidation loss from combisped amounting to €3.0 million and the impairment charge for CTL of €11.7 million. EBIT from continuing activities dropped by 48.0 % year on year, from €42.1 million to €21.9 million, taking the EBIT margin from continuing activities to 8.0 % (previous year: 11.9 %).

The strategy of intensifying vertical integration and expanding the intermodal network also bore fruit in a difficult 2009. Establishing the inland terminal at Dunajska Streda in Slovakia for the HHLA subsidiary Metrans was a key incentive for a leading European shoe company to set up a large logistics centre there in April 2009, for instance. This company now regularly uses the intermodal transport offerings from the HHLA subsidiary Metrans to supply the South-Eastern European market.

The companies in the segment continued to expand in 2009. Significant investments were made to procure further rail wagons, expand container yard areas at the terminal at Dunajska Streda and improve handling facilities at the Prague inland terminal. HHLA's subsidiary CTD Container-Transport-Dienst opened a further location in Kornwestheim in July 2009, which has already made its proof. CTD organizes the pre- and post-carriage of container traffic arriving in Kornwestheim by rail on the roads in the Stuttgart area with resounding success.

Container transport

IN TEU MILLION



The expansion of the segment is focussing on implementing high-performance inland terminals which are customized to the requirements of maritime logistics. These terminals will be established in Poland as well as Germany in the future.

Logistics segment

Key figures		2009	2008	Change
Revenue	€ million	114.9	126.9	- 9.4 %
EBITDA	€ million	14.0	17.9	- 21.6 %
EBITDA margin	%	12.2	14.1	- 1.9 pp
EBIT	€ million	8.2	10.4	- 21.0 %
EBIT margin	%	7.2	8.2	- 1.0 pp

The Logistics segment represents a broad section of the service offering in the Port of Hamburg as an all-purpose port, with a range of activities including special logistics (vehicles, fruit, bulk cargo), contract logistics and consultancy. The economic crisis affected different submarkets in very different ways in the financial year 2009. Despite volumes dropping considerably in some areas (ore, vehicles, contract logistics), the segment performed well overall. With revenue falling 9.4 % to € 114.9 million (previous year: € 126.9 million), the drop in earnings was limited, mostly due to successful cost management. EBITDA was 21.6 % lower than in the previous year at € 14.0 million, while EBIT declined by 21.0 % to € 8.2 million (previous year: € 10.4 million). This meant that the margins on EBITDA (12.2 %, previous year: 14.1 %) and EBIT (7.2 %, previous year: 8.2 %) level were kept close to last year's good figures.

These segment figures conceal the differentiated development of individual companies in the course of the year. The recession caused a decline of 68 % in ore handling in the first half of 2009. This improved in the second half of the year to a 41.6 % downturn for the whole of 2009 in comparison to the previous year. Coal handling, on the other hand, remained steady, down 1.7 % compared to the previous year's high levels. Fruit logistics throughput came to 990 thousand tons, barely under the previous year's tonnage of 1,004 thousand tons. Additional project transactions and improved container business made it possible for vehicle logistics' roll-on/roll-off activities to largely compensate for the majority of the decrease in volumes in the vehicle business caused by the crisis, leading to seaborne handling tonnage of 1,171 thousand tons, only 7.2 % off the record levels seen in the previous year. Contract logistics, on the other hand, experienced a significant drop-off in orders, which weighed heavily on earnings. HPC Group's global consultancy in contrast continued to perform very well, increasing its result considerably.

Operations commenced successfully at a cutting-edge fruit logistics refrigerated shed, allowing the multi-function terminal O'Swaldkai to improve its capacity and quality considerably in 2009. The bulk cargo terminal Hansaport continued to optimize its facilities, including the automation of all four handling gantry cranes. This will allow Hansaport to accelerate handling at the terminal, which is already mostly automated, increasing capacities and reinforcing the terminal's competitive position.

Differentiated development in heterogeneous market environment

Real Estate segment

Key figures		2009	2008	Change
Revenues	€ million	32.7	32.6	0.4 %
EBITDA	€ million	16.4	17.6	- 6.5 %
EBITDA margin	%	50.2	54.0	- 3.8 pp
EBIT	€ million	12.3	13.7	- 9.9 %
EBIT margin	%	37.6	41.9	- 4.3 pp

Demand for office space on the Hamburg rental market fell considerably in 2009. According to a market survey by Jones Lang LaSalle, approx. 392,000 m² of office space were let or in use in the past year, 28 % less than in the previous year. In 2009, revenue reached its lowest levels since 2003. The vacancy rate was 8.3 % at the end of the year. The vacancy rate is expected to continue rising to over 10 % in 2010 due to the high proportion of speculative developments (240,000 m²). Jones Lang LaSalle believes that Hamburg has completed the transition from a renter's market to a tenant's market and forecasts prime rents to fall further in 2010, although the weighted average rent in 2009 remained stable in comparison to 2008.

HHLA's office and commercial properties in the heritage-protected historical warehouse district (Speicherstadt) and the Fischmarkt Hamburg-Altona GmbH property on the northern bank of the river Elbe were able to largely detach themselves from the trends in this difficult market. The long-term strategy of sustainable portfolio development paid off again in the financial year 2009. Revenue increased by 0.4 % to €32.7 million, reaching the record levels achieved in the previous year (€32.6 million). The EBIT and EBITDA earnings figures were lower than the previous year's high figures at €16.4 million (previous year: €17.6 million EBITDA) and €12.3 million (previous year: €13.7 million). This was partly due to increased land rental fees and higher maintenance costs for certain properties.

With profit margins of 50.2 % (EBITDA – previous year: 54.0 %) and 37.6 % (EBIT – previous year: 41.9 %), the Real Estate segment proved its earnings strengths once again by industry standards. The cause of this is not least the continued positive development in the Speicherstadt historical warehouse district, where even the properties brought onto the market only recently are now almost fully let. In 2009, these included former tollhouses 3 and 4 in the Speicherstadt historical warehouse district, which were converted into highly sought-after event spaces.

Fischmarkt Hamburg-Altona GmbH (FMH) celebrated its 75th anniversary in May 2009 and its properties in attractive locations in the “string of pearls” along the bank of the river Elbe continued to exhibit high occupancy rates. FMH ran an architectural competition for ideas in August 2009, which is intended to help design a new building to close the final gap in what is known as the “string of pearls” and take the next step in the development of this historical area. The ten designs awarded prizes in December 2009 are sophisticated solutions, combining local fishing traditions, office and residential space and a hotel.

Earnings strength due to successful property development

Financial position

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

The financial management of the HHLA Group is managed centrally and serves the overriding objective of ensuring the Group's long-term financial stability and flexibility. Group clearing pools the Group's financial resources, optimizes net interest income and substantially reduces dependency on external sources of funding.

Following this approach, HHLA was able to maintain its equity ratio at 40.0 % (previous year: 42.3 %), a high level for the industry, despite a difficult macroeconomic environment.

[Preservation of solid balance sheet structure](#)

FINANCING ANALYSIS

HHLA's core business is dominated by large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium and long-term loans and finance leases to achieve funding with matching maturities. In the financial year 2009, its liabilities from bank loans, at €330.0 million, were above their previous year's level (€300.2 million). The increase is primarily a result of borrowing by HHLA Frucht- und Kühl-Zentrum GmbH and the Metrans Group, who both realized investment projects together with minority shareholders. For its investments of €159.7 million (previous year: €259.4 million), the Group drew on additional external financing totalling €64.2 million (previous year: €32.7 million) in the reporting year. In contrast, the Group's loan repayments totalled €34.3 million (previous year: €24.7 million). There are no significant refinancing requirements for the liabilities from bank loans existing as of the reporting date due to the maturities agreed and the stable liquidity base.

[Financing with matching maturities](#)

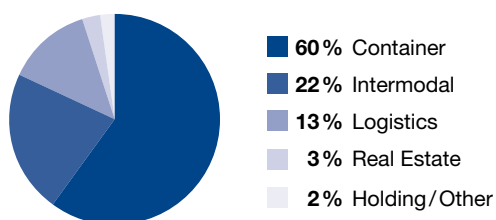
Liabilities from finance leases declined slightly to €17.4 million as of 31 December 2009 (previous year: €20.5 million). With the exception of the operating leases discussed in the Notes, there are no significant off-balance-sheet financial instruments. These operating leases relate primarily to long-term 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. ► see also Notes, 44.

Cash and cash equivalents, the bulk of which is held centrally by the holding company, totalled €173.5 million (previous year: €226.0 million) as of the reporting date and are invested at German financial institutions with verified high credit ratings as call money and short-term deposits. Current credit lines play a subordinate role due to HHLA having sufficient liquid funds. As of the balance sheet date, the Group had unused credit facilities amounting to some €30.5 million (previous year: €10.5 million). In HHLA's view, the Group's solid balance sheet structure would enable more substantial credit facilities to be arranged at any time if its medium-term liquidity planning were to reveal a need. Of the total cash and cash equivalents, €11.8 million (previous year: €5.3 million) were subject to restrictions in the Ukraine relating to the transfer of currency abroad.

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 derive at appropriate internal credit ratings.

Investments

BY SEGMENTS IN %



INVESTMENT ANALYSIS

The investment volume in the past financial year totalled €159.7 million¹, considerably less than in the previous year's €259.4 million. This was due to far-reaching adjustments to the Group's investment programme. Some investments were shifted to subsequent years due to current market developments. Property, plant and equipment accounted for €149.7 million (previous year: €220.4 million) of investments made, €7.5 million (previous year: €30.0 million) were for intangible assets and €2.5 million (previous year: €9.0 million) for investment properties.

The largest share of the Group's aggregate investment was accounted for by the Container segment with €96.5 million (previous year: €160.5 million). The procurement of new container gantry cranes represented the majority of investments, which were, however, overall far lower than in the previous year.

Total investment in the Intermodal segment amounted to €35.9 million, also short of its previous year's level of €56.4 million. The Metrans Group invested further in expanding sites and procuring railcars, although the level of these investments was lower than planned. In Poland, work began on the planned expansion of the terminal network, although some of the investments were shifted to the following year here too.

In the Logistics segment, HHLA Frucht- und Kühl-Zentrum GmbH finished the construction of a new refrigerated shed on schedule. The new facility was put into operation in the autumn of 2009. The construction of a car park for Unikai Lagerei- und Speditionsgesellschaft was postponed to the following year. Total investments in the Logistics segment came to €20.2 million (previous year: €21.4 million).

As a rule, the main focus of investment 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 continue to promote its expansion of efficient hinterland connections as well as the extension and optimization of its logistics activities in line with market requirements.

Adjustment of investment programme

LIQUIDITY ANALYSIS

	1-12 2009	1-12 2008
Financial funds as of 01.01.	231.2	240.8
Cash flow from operating activities	193.2	341.9
Cash flow from investing activities	- 157.3	- 265.6
Free cash flow	35.9	76.3
Cash flow from financing activities	- 88.6	- 88.5
Change in financial funds due to exchange rates	- 52.7	- 12.1
Change in financial funds due to exchange rates	0.7	2.4
Financial funds as of 31.12.	179.2	231.2

Cash flow from operating activities fell to €193.2 million (previous year: €341.9 million) in the reporting period, primarily due to the declining results development.

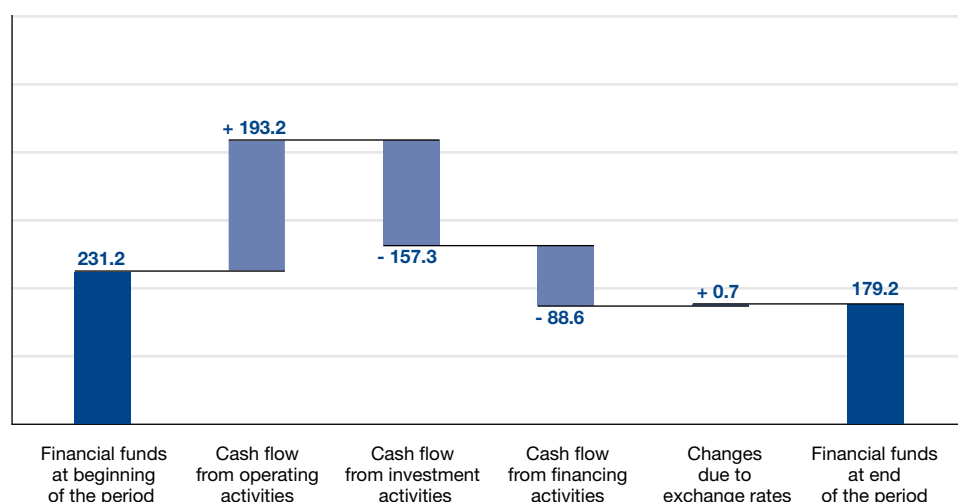
The cash flow from investing activities (outflow) totalled €157.3 million, which was below the previous year's figure of €265.6 million, mainly as a result of postponed investment projects. This includes expenditure for investments in property, plant and equipment, investment properties and intangible assets amounting to €159.0 million (previous year: €243.5 million) and other disbursements amounting to €7.9 million (previous year: €23.4 million), particularly for the acquisition of shares in consolidated companies and other business units. These sums were offset by payment inflows from the sale of companies and shares in companies as well as from the disposal of intangible assets and property, plant and equipment totalling €9.6 million (previous year: €1.4 million).

The free cash flow – the total cash flow from operating and investing activities – decreased to €35.9 million from its previous year's level of €76.3 million, but still led to an inflow of liquid funds.

Cash flow from financing activities (outflow) came to €88.6 million (previous year: €88.5 million) in the reporting period and was dominated by dividend payments to shareholders and minority shareholders for the 2008 financial year totalling €115.3 million (previous year: €96.6 million). Debt repayments came to €34.3 million (previous year: €24.7 million) and also contributed to this cash outflow. It was offset by proceeds from the assumption of bank loans, which came to €64.2 million (previous year: €32.7 million).

Change in financial funds

2009 IN € MILLION



¹ The capitalization of interest on borrowed capital (in 2009: €0.7 million) is recognized in the cash flow statement under interest paid, not under payments for investments. 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.

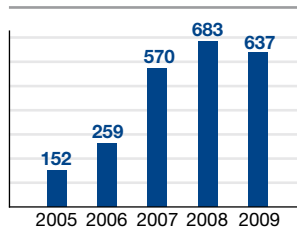
With regard to its overall financial position, the HHLA Group has sufficient liquidity as of year-end 2009. Financial funds, which consist of cash and cash equivalents (€ 173.5 million) as well as balances from the pooling of short-term deposits with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (€ 4.2 million), and short-term deposits to other shareholders (€ 1.5 million) amounted to € 179.2 million as of 31 December 2009 and were therefore lower than at the beginning of the year (€ 231.2 million) for the reasons mentioned above.

ACQUISITIONS AND DISPOSALS OF COMPANIES

The shares in combisped Hanseatische Spedition GmbH, Lübeck, were sold as of 1 September 2009 due to HHLA's discontinuation of feeder traffic through the Baltic Sea port of Lübeck. Other transactions did not lead to any material effects on the Group's financial position. ► see also Notes, 3.

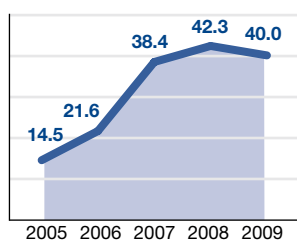
Group equity

IN € MILLION



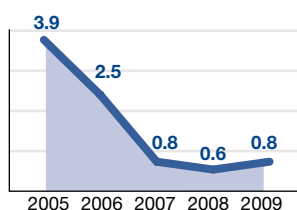
Equity ratio

IN %



Gearing

RATIO



ASSETS POSITION

Compared with the end of 2008, the HHLA Group's balance sheet total decreased as of 31 December 2009 by a total of € 22.0 million to € 1,590.5 million.

On the assets side, non-current assets, at € 1,224.9 million, were higher than the comparable figure from 31 December 2008 (€ 1,174.2 million). This development resulted primarily from the continued investment in property, plant and equipment.

Current assets, at € 365.6 million, fell in comparison to the previous year (previous year: € 438.3 million). This downturn resulted largely from cash and cash equivalents reducing to € 173.5 million (previous year: € 226.0 million) and lower current financial receivables, which totalled € 2.4 million (previous year: € 16.2 million). Trade receivables also fell to € 121.7 million (previous year: € 138.6 million) due to the weaker development of business in this year compared to the previous year. This was offset by an increase in claims for tax rebates, which came to € 23.4 million (previous year: € 11.3 million) as of the balance sheet date.

On the liabilities side, equity decreased by € 45.6 million to € 637.0 million (previous year: € 682.6 million) compared with year-end 2008. The decline in retained earnings is mostly due to the dividend distribution of € 115.3 million for the previous year and the lower consolidated net income of € 89.1 million for the reporting year. Other Group equity changed comparably and includes lower actuarial gains due to a change in the discount rate used when calculating the net present value of pension provisions in the reporting year. All in all, the equity ratio declined by 2.3 percentage points to 40.0 % (previous year: 42.3 %).

Non-current liabilities increased to € 710.6 million as of the balance sheet date (previous year: € 651.0 million). This increase was largely due to a decrease in the discount factor used to establish the net present value of the pension obligations to 4.75 % (previous year: 5.60 %). As a result of the accompanying actuarial effects, pension provisions rose by € 24.4 million and totalled € 325.1 million as of the balance sheet date (previous year: € 300.7 million). The increase in financial liabilities resulting from the assumption of new loans and the upturn in other non-current provisions, caused primarily by the increase in early retirement provisions by € 5.7 million, had a corresponding effect.

Current liabilities reduced by €36.0 million to €242.9 million (previous year: €278.9 million) of which trade liabilities decreased by €10.4 million to €54.6 million in step with the lower overall performance. Income tax liabilities fell accordingly to €3.4 million from the previous year's figure of €21.5 million.

HHLA Balance sheet structure

AS OF 31.12. IN € MILLION

	Balance sheet total		Balance sheet total		
	1,591	1,613	1,591	1,613	
Property, plant and equipment	917	873	637	683	Equity
Other non-current assets	308	301	325	301	Pension provisions
Current assets	366	438	386	350	Other non-current liabilities
			243	279	Current liabilities
	2009	2008	2009	2008	
	Assets		Liabilities		

The gearing ratio as the net financial liabilities and pension provisions in relation to Group equity increased to 0.8 (previous year: 0.6) as of the balance sheet date 31 December 2009. This resulted from both the decrease in equity and the adjustment of pension provisions to a lower 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 subscribed capital of the company is now €72,679,826.00. It is divided into 72,679,826 no-par-value shares, including 69,975,326 Class A shares and 2,704,500 Class S shares (types of shares). 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 distributable profit for the year attributable to the S division, and the dividend entitlement of holders of Class A shares is based on the remaining proportion of distributable profit for

the year (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. The shares allocated preferentially within the scope of the stock flotation 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 Group 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 commercial register. 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 nominal 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 the wording. 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).

7.1 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 nominal capital until 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 right of the holders of Class S shares shall be 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,

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

7.1.2 if it increases the nominal 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,

7.1.3 as necessary for equalizing fractional amounts or

7.1.4 they wish to offer employees in the company and its subsidiaries the opportunity to purchase the new shares (employee involvement).

7.2 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 nominal capital until 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 right of the holders of Class A shares shall be excluded. The Executive Board was further authorized, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class S shares as is necessary to equalize fractional amounts.

7.3.1 The Annual General Meeting held on 4 June 2009 authorized the company until 3 December 2010 to acquire Class A shares in the company amounting to up to 10 % of the current nominal capital consisting of Class A shares. 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 Class A shares acquired may not at any time constitute more than 10 % of the company's nominal capital accounted for by Class A shares. This authorization may not be used for the purpose of trading in its own shares. The authorization may be exercised in whole or in part, in one or more stages, for one or more purposes, by the company or its affiliates or for its or their account by third parties. 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 Class A shareholders or by means of a public request for a purchase offer.

(1) 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.

(2) If the purchase is made by means of a public offer to all Class A shareholders or a public request for a purchase offer, this is permissible if the price or the threshold of the price range offered per Class A share (excluding incidental purchasing costs) is not more than 10 % 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 publication of the decision to make the purchase offer or the public request for a purchase offer. If the defining stock price is significantly different after a publication of a purchase offer or a public request for a purchase order, the offer or the request to submit such an offer can be amended. Any amendment made in these cases is made on the basis of the average market price for the company's Class A shares in the Xetra final auction (or a similar successor system) on the last five trading days before publication of any amendment. The volume of the offer may be restricted. If the total acceptance of the offer exceeds this volume, the purchase 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 purchase offer or the public request for a purchase offer may contain further conditions.

7.3.2 The Executive Board was also authorized, subject to the approval of the Supervisory Board, to use Class A shares purchased under the authorization to acquire the company's own Class A shares for any legally permissible purpose, including the following:

(1) The Class A shares can be resold by means other than the stock exchange or an offer to all Class A shareholders, provided these Class A shares are resold at a price which is not significantly lower than the price of shares in the company of the same rights at the time of the sale. The defining market price for the purposes of this regulation is the average share price of the company's Class A shares in the Xetra final auction (or a similar successor system) on the Frankfurt Stock Exchange over the last five trading days before the sale of the company's own shares. In these cases 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 nominal capital in the form of Class A shares at the time this authorization comes into effect and is exercised.

(2) The Class A shares can sold as payment in kind to third parties, particularly in the course of mergers with other companies or in order to acquire companies, equity stakes or parts of companies.

(3) The Class A shares can be transferred or offered for purchase to people employed by the company or companies affiliated to it.

(4) The Class A shares can be redeemed in full or in part without a further resolution by the Annual General Meeting. They can be redeemed in a simplified process in accordance with Section 237 (3–5) of the German Stock Corporation Act. The authorization to redeem shares can be made use of multiple times. If the shares are redeemed in a simplified process in accordance with Section 237 (3) (3) of the German Stock Corporation Act, the Executive Board is authorized to adjust the number of no-par-value shares in the articles of association.

7.3.3 The right of shareholders to subscribe for the company's own shares is excluded if these shares are used in accordance with the aforementioned authorizations in 7.3.2 items 1 to 3.

7.3.4 The authorizations in 7.3.2 items 1 to 4 also cover the use of shares in the company acquired on the basis of Section 71 (d) sentence 5 of the German Stock Corporation Act.

7.3.5 The authorizations in 7.3.2 can be exercised on a one-off or repeated basis, in whole or in part, and separately or jointly. The authorizations of 7.3.2 items 1 to 3 can also be exercised by independent companies or companies in which the company holds a majority stake or third parties acting for their own account or for the account of the company.

7.4 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. The company has no significant agreements dependent on a change of control resulting from a takeover bid.

9. The contracts of employment with the Executive Board members 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 or similar circumstances. 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 discounted by 2 % per annum. In calculating this severance pay, the future entitlement to payment of a bonus is 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 situation and are standard practice at comparable listed companies. Their intention is not to complicate any attempted take-overs.

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 and 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 monitored 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.

INTERNAL CONTROL SYSTEM AND MANAGEMENT OF ACCOUNTING RISKS

Structure of the system

HHLA has implemented an internal control system together with accounting risk management to ensure that the company's financial reporting is consistent and accurate and complies with legal requirements, the principles of adequate and orderly bookkeeping, accounting standards and Group guidelines. It is made up of principles, procedures and methods engineered to ensure the effectiveness and propriety of HHLA's accounting.

HHLA's internal accounting control and risk management system is based on the criteria laid out in the "Internal Control – Integrated Framework" working paper published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Accounting processes are assessed to determine whether there is a risk posed to the completeness, existence, accuracy, valuation, ownership and reporting of transactions. The company also conducts a risk assessment regarding the possibility of fraudulent acts. Concluding unusual or complex transactions can lead to specific accounting risks. There is also a latent risk of error when processing non-routine transactions. Employees are by necessity given a certain amount of leeway when recognizing and measuring balance sheet items, which can give rise to further risks.

Internal controls are intended to reduce accounting risks and make sure that transactions are documented, recorded, processed and assessed correctly in the balance sheet, as well as being included in the company's financial reporting quickly and correctly. Controls are in place for all accounting processes. Internal controls guarantee that the accounting process is an efficient one, in which the majority of errors are avoided, or at the very least detected.

Accounting processes, risks and controls have been documented and described along with their respective lines of responsibility and reporting structures. A risk control matrix is used to document risks and controls. Processes, risks and controls are updated regularly.

The Internal Audit department is responsible for monitoring HHLA's internal accounting control and risk management systems. In addition to that, the external auditor assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks. The internal accounting control and risk management system will always be

limited, regardless of how carefully it is put together. For this reason, it is impossible to fully guarantee that accounting standards will always be met or that every incorrect statement will always be avoided or identified.

Significant regulations and controls

At HHLA, areas of responsibility related to accounting are clearly structured and assigned. The HHLA Executive Board bears overall responsibility for the HHLA Group's internal accounting control and risk management system. HHLA Holding's central units and the affiliates are responsible for carrying out adequate and orderly accounting processes. The departments involved in the accounting process are provided with appropriate personnel and resources. All the employees who deal with accounting are suitably qualified.

Accounting tasks and functions are clearly defined within the Group. There is a clear functional demarcation between accounts payable and accounts receivable as well as the preparation of individual financial statements and the preparation of consolidated financial statements. There is also a clear demarcation between these departments and the respective segment accounting. Separating execution, settlement and authorization functions and giving these responsibilities to different members of staff reduces the risk of fraudulent acts. Multi-stage approval and authorization thresholds for ordering, payment transactions and accounting are employed across the Group. These include a double-checking principle.

There is a single accounting manual which covers the consistent application and documentation of accounting rules for the entire Group. Other accounting guidelines are also in place. Like the accounting manual, they are reviewed regularly and updated if necessary.

Most bookkeeping procedures are recorded using accounting systems developed by SAP. For the purposes of preparing HHLA's consolidated financial statements, subsidiaries add more information to their separate financial statements to form standardized report packages, which are then fed into the SAP EC-CS consolidation module for each individual company.

Measures are in place to protect the IT systems from unauthorized access. Access rights are granted in line with each user's role. Only those departments responsible for mapping transactions are given write access. Departments responsible for processing information use read access. Detailed function-related authorizations are defined in a set of SAP authorization guidelines. IT security guidelines also cover access to IT systems in general.

External service providers are used for pension reports, fiscal issues and for reports and projects if necessary.

The concrete formal requirements for the consolidation process pertaining to the consolidated financial statements are clearly defined. In addition to a definition of the group of consolidated companies, there are also detailed rules requiring affiliates to use a standardized and complete report package. There are also concrete provisions regarding the recording and handling of Group clearing transactions and subsequent balance reconciliations or the determination of the fair value of shareholdings. As part of consolidation, the Group accounting team analyses the separate financial statements submitted by affiliates and corrects them if necessary. Incorrect information is identified and corrected as necessary using control mechanisms already present in the SAP EC-CS system or system-based plausibility checks.

RISK ITEMS

As a result of the economic and financial crisis, the prospects for the financial year 2010 remain extremely uncertain. The current global economic recovery is mostly due to momentum provided by the central banks' expansive monetary policy and state economic packages. It is not yet clear to what extent government stimulus programmes will lead to a long-term, self-sustaining upturn. The journey out of recession is expected to continue for some time, particularly for industrialized nations. Global trade is also under threat from governments implementing protectionist measures in order to achieve a short-term economic boost. The central banks' monetary policy is currently spurring growth, but it may well become a neutral force in the medium term. The effect on pricing in the various economies cannot yet be gauged. The profound recession also caused some EU countries to run up massive debt. This makes refinancing on the capital market more difficult. The extent to which the debt of individual countries threatens Europe's stability depends largely on the reaction of the EU.

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

Strategic risks

The continuing growth in ship sizes influences the competitiveness of HHLA and of Hamburg as a port location. Irrespective of the difficult market situation currently seen 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 river 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. On 12 September 2006, the process of granting planning approval for the dredging of the shipping channel was initiated. In August 2009, the German Federal Ministry of Transport and the Hamburg Ministry for Economic and Labour Affairs announced an updated timetable for the ongoing plan approval procedure. The need to take the requirements of the EU Habitats Directive into account means that a plan approval is now expected in autumn 2010. A judicial review of the planning approval can also not be ruled out. It is impossible to begin excavation work until planning approval has been granted in full.

For the Port of Hamburg, the deepening of the waterway is a vital prerequisite for maintaining and extending its position as a key hub for international container traffic in future. Delays in carrying out the work mean that shipping companies increasingly look to other handling sites with greater ease of nautical access when planning their scheduled services, which over time could mean that developments in freight traffic might bypass the Port of Hamburg. These factors put a strain on HHLA's business development and depending on the further course of proceedings and the reactions of shipping companies, could severely impact the Group's assets, financial and earnings position.

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 business at

the port include 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 better service quality. HHLA is confident that the relevant political decision-makers will continue to press for the completion of these infrastructure projects. HHLA is attempting to prevent any further delay by making sure that HHLA's interests are represented on appropriate boards, lobbying and providing information for the public.

Market risks

Leading economic indicators currently point towards a gradual recovery of the global economy, although all forecasts remain shrouded in a great deal of uncertainty. This is also reflected in the frequency with which the relevant indices are changed. Forecasts do, however, tend to agree that the global economic recovery is expected to be a slow one, with an increasing amount of differentiation between developed economies and developing nations with considerable growth potential (including the so-called BRIC countries). Because of this, there is a risk that HHLA may not achieve its planned figures for container throughput, transport volumes or logistics services.

Terminal operators in the Hamburg-Antwerp range are gradually bringing the expansion of their handling capacities to a close. Due to the economic crisis, the supply of container throughput capacity far outstrips demand. Drewry believes that capacity utilization will be around 60 % in Northern Europe in the coming years. A surplus of this kind will lead to even greater competition.

Similar to the Container segment, demand for container transport is expected to increase slightly in the Intermodal segment. This could lead to the underutilization of train systems and hinterland terminals. Generally, underutilization involves the risk that it may 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.

The Intermodal companies are exposed to noticeably more intense competition from competing railway operators as well as from trucks and feeder ships as carriers. The market entry of new competitors with aggressive pricing policies, particularly in Eastern Europe, involves the risk that market share will shift to the detriment of railway operators in which HHLA has interests.

As a consequence of the downturn in international transport volumes and low transport and charter rates, shipping clients have changed their priorities over the past twelve months. While quality, reliability and availability were previously their main concerns in container handling, costs are now the most important factor. Other factors are giving this trend extra weight. Public bodies significantly increased port fees (harbour dues, pilotage, fees for the Kiel Canal) last year. The decrease in feeder ship running costs brought about by the crisis and intense price competition at certain Benelux ports also negatively affected the geographical advantages of the Port of Hamburg. This eroded the Port of Hamburg's advantage in terms of feeder costs.

HHLA works with almost all the major 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 a change in the volume and pricing structure currently in place between handlers. This process could be accelerated still further by the shipping companies' difficult economic position with regard to decreasing rates and volumes.

In order to confront these market risks, HHLA is taking specific steps to reinforce customer loyalty and develop unique selling points in all its segments. The Group is also making use of the flexibility in cost and capacity management at its disposal. HHLA's strategy is to adapt its investments in expanding the container terminals as flexibly as possible to foreseeable demand. Throughput and transport volumes in the affected markets are being monitored together with the throughput volumes/service structure of each client so that any negative developments can be recognized early on. The network is also being used to recognize developments which are relevant to competition ahead of time.

The global macroeconomic environment has also put HHLA's suppliers under pressure. This could lead to bottlenecks in the procurement of replacement parts and changes to procurement agreements with remaining market participants. HHLA is surveying the market in order to find procurement alternatives and will diversify its procurement if necessary. HHLA is also working closely with strategic suppliers in a spirit of partnership. In coordination with HHLA's departments and affiliates, relevant consolidation processes in the procurement markets are also being carefully monitored and taken into account when awarding contracts, particularly when it comes to handling equipment.

The HHLA companies operating in the Intermodal segment purchase significant traction, carriage and network services from the respective public railway operators. This leads to a certain amount of dependence on one or a small number of service providers. In order to minimize this, the Intermodal companies maintain regular contact with the public railway operators, some of which are among HHLA's own shareholders. The Intermodal companies are taking specific precautionary steps to reinforce customer loyalty and develop unique selling points. All railway operators are constantly exposed to the risk of public railway operators charging excessive usage fees.

Central technical equipment failing can restrict the ability of equipment-based companies to provide services. Depending on the length of the downtime, unavailable equipment can lead to decreased revenue and an increase in the costs involved in providing services. Preventative maintenance, contingency plans/repair services and redundant equipment, such as computing centres and transformer stations, reduce the risk considerably. HHLA's affiliates carry out regular inspections and tests to identify possible faults before they happen.

Financial risks

Liquidity risks in financial management are limited by, among other things, HHLA's centralized responsibility for financing the affiliates. 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.

As a result of borrowing, individual affiliates have covenants linked to key balance sheet figures. Violating these covenants would authorize the lender to demand additional collateral, a change to the conditions or the repayment of the loan. In order to prevent such measures from being taken, HHLA constantly monitors compliance with the covenants and implements the measures required to ensure that the conditions of the loan are met. As of 31 December 2009, the relevant total borrowings came to €94 million. The covenants were met at all agreed audit points throughout the reporting year.

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 rating 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 fixed-interest agreements. No speculative hedging transactions are carried out. 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 only conducts derivative financial transactions with counterparties whose credit ratings are first-class.

► see also Notes, 46.

The bulk of HHLA's services are rendered within the eurozone, meaning that the majority of its invoices are issued in euros. The Logistics and Intermodal segments are active further afield, and a container terminal is operated in the Ukraine. Even there, invoicing is carried out mostly in or based on euros or dollars. 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. Currency risks take on a concrete form mainly in the Eastern European affiliates 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.

The global economic collapse has placed our customers under severe pressure. Unless the global economy experiences a sustained recovery and freight rates increase, shipping companies' liquidity situations will continue to deteriorate. An increasing number of shipping companies are now relying on state bailout packages. Clients going bankrupt is a possibility in the current economic climate. In addition to the loss of any outstanding accounts receivable, the insolvency of one of HHLA's shipping clients could lead to freight volumes being taken on by shipping companies which are not clients of HHLA.

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 conducting credit assessments.

To reduce the risk of default, HHLA operates an active receivables management system that enables its receivables to be monitored with precision. HHLA also follows its clients' credit ratings so that it can amend services appropriately in good time if necessary. A number of individual companies arrange loan insurance to cater for their requirements.

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, we may see more EU guidelines and their translation into national law over the next few years.

Staff risks

HHLA's ability to act relies to a large degree on qualified staff. For this reason, the HHLA Group is exposed to individual risks resulting from fluctuation among key personnel, the age distribution of its workforce and employees engaging in fraud. A standardized procedure is used to assess managers and help them to develop. This procedure allows HHLA to recognize potential and safeguard succession plans. The risk of fraudulent acts is countered with centralized staff selection and systematic safeguarding measures, e.g. double-checking by a second member of staff when payment transactions are being conducted.

HHLA has countered the underemployment caused by the downturn in volumes by reducing overtime, scaling back the deployment of external staff and expanding phased early retirement. HHLA is now using intelligent plans to make up for what the high workload during the boom made it hard to fully implement: training schemes combined with short-time working hours aimed at improving the long-term career prospects of affected employees and making the workforce better qualified as a whole. Around 420 employees are currently taking part in qualification programmes lasting up to 18 months. HHLA developed these measures with the valuable help of the Hamburg Employment Agency and training providers. Particular importance was attached to tailor-made programmes which cover current and future challenges facing the port logistics industry.

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. IT security guidelines define the responsible operation of IT and help 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 fully 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 part of the 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 have been put in place by public authorities and companies operating in the port 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 surrounding the future development of the global economy 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 river 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 decisive action taken by politicians and central banks, the continuing stabilization of financial markets, the expected growth of the global economy and the risk of inflation remaining low.

Events after the balance sheet date

The negative effects of the international financial and economic crisis continued to impair the business environment after the balance sheet date (31 December 2009) and have been taken into account in the "Business forecast" section below as far as they are currently foreseeable.

In January 2010, company management entered into talks with employee representatives about continuing the "Securing the Future" project. These talks focus on reorganizing workflow and labour management at the HHLA Container Terminal Buchardkai (CTB) and optimizing productivity and capacity management between CTB and the HHLA Container Terminal Tollerort.

Also in January, the HHLA and Eurogate port logistics groups announced that they are going to establish full-service hinterland terminals and depots for container traffic from and to German seaports in a joint venture by their German intermodal subsidiaries. This was authorized by the German Federal Cartel Office. The aim of the joint venture is to sustainably improve the framework for hinterland maritime transport and logistics chains.

With regard to the non-current assets held for sale by the Container Terminal Lübeck (CTL), HHLA assumes the divestment to be completed in the first half of 2010.

Business forecast

MACROECONOMIC ENVIRONMENT

The outlook for the development of the global economy in 2010 remains characterized by an extremely high level of uncertainty. Due to the lack of any historical comparisons or reliable forecast models, there is currently no way to narrow down the full spectrum of these possible

High uncertainty on further economic development

developments with any degree of certainty. The actual development of the economy may thus be considerably worse or considerably better than the base case scenario described below. For this reason, the section below on the expected earnings position covers the impact that different framework conditions would have on the development of business. Within the scope of prudent commercial assessment, HHLA sees itself obliged to follow a conservative forecast.

There is currently mounting evidence that the worst of the financial and economic crisis is over, although the deep-seated shifts in the economy will likely continue to have an effect for some time. On this basis, the International Monetary Fund (IMF) and the World Bank predicted a moderate recovery for the global economy in financial year 2010. Global gross domestic product (GDP) is expected to rise by between 3 and 4 %, and current estimates forecast a possible 4 to 6 % increase in global trade. However, this is still no indication of a self-supporting, long-lasting recovery for the global economy. The risk remains of an economic reversal due to the ongoing instability of the banking sector, further deterioration of the labour market situation and massive increases in public indebtedness in many national economies.

Regionally different economic trends

It is already becoming obvious that the economic regions which have a significant impact on HHLA's business development will experience varying levels of economic recovery. The IMF forecasts the economies of Asia to grow by slightly more than 8 % in 2010, a comparatively strong rate, with the Chinese GDP growing by possibly up to 10 %. However, in light of the low demand from industrialized countries, most of the growth momentum is expected to come from the development of domestic markets and the exchange of goods within the Asian economic region. The economies in Central and Eastern Europe on the other hand are expected to recover at a slower rate due to a lack of capital inflow, with GDP forecast to improve by the relatively small amount of around 2 % in 2010. Somewhat more sizeable growth of almost 4 % is forecast for Russia due to the increase in commodity prices.

The economies of the industrialized countries in the eurozone are not expected to grow by more than 1 %. Although fiscal and monetary policy measures will shore up the European economy initially, insufficient capacity utilization is expected to lead to increased unemployment in large parts of the industry throughout the year, with a corresponding negative effect on private consumption. In Germany, the economic recovery is also expected to be moderate, with growth somewhere between 1 and 2 %. Due to increasing foreign demand, heightened momentum is once again expected to come from Germany's export economy.

SECTOR DEVELOPMENT

Against the backdrop of the changes in the global economic climate, market research institutions like Drewry or Clarkson currently expect global container throughput to increase by 2 to 3 % in 2010. Forecasts for the North Range point towards a comparable increase in volumes. Despite this, throughput would still be far below pre-crisis levels. The strained situation in container shipping and the intensive competition in handling and transport services are expected to dominate the general market environment once again in 2010. Capacity adjustments and remarkable price discipline have caused shipping companies to see climbing sea freight rates in the recent past. However, shipyard order books will

continue to put new tonnage on the market in 2010, which will place additional burdens on the earnings positions of shipping companies due to a lack of adequate utilization. It is therefore quite possible that container shipping could experience a further year of operating losses, which Drewry estimates could run up to \$ 7 billion. This may well cause shipping customers' financial woes to get worse for the time being.

Excess capacity and intensive pricing competition

After the considerable decrease in throughput volumes and the slow recovery in handling demand, the accelerated expansion of several container terminals has led to a substantial surplus in maritime throughput capacity in the North Range. The economic advisor Ocean Shipping Consultants estimate that underutilization stands at around 40 %. Given the fact that freight rates for maritime feeder traffic within the North Range are expected to remain mostly distance-independent in 2010, competition is expected to remain stiff, particularly in the Baltic Sea shipping regions which are so important for Hamburg.

Trends at the seaports have an impact all the way down the transport chain, including intermodal transport services in the hinterland. Freight volumes for European land-based pre- and post-carriage systems are expected to increase only slightly in 2010. However, residual surpluses will continue to drive aggressive price competition. This is particularly true for transport services from and to Eastern Europe, where the economic recovery is expected to be delayed. Rail operators are expected to experience stiff competition from road transport in the coming months even over long distances despite its inferior cost and environmental efficiency. Rail goods transport will also continue to experience intense competition from alternative feeder and truck transport services in certain areas, as current conditions cause customers to prefer cheaper options, even if they are inferior in terms of the distance they need to cover or how much time they take.

Recovery in the logistics sector is also expected to be restrained. Demand in the retail sector caused by the restocking activities is not expected to be permanent, while increasing automobile industry exports could provide momentum for bulk cargo handling in the steel production sector. However, market segments such as coal handling for power stations should for the most part show a stable trend due to their low dependence on economic trends.

GROUP PERFORMANCE

Expected earnings position

In light of the base case scenario described above, 2010's subdued economic outlook does not yet give reason to expect sweeping recovery in the handling and transport service markets which are vital for HHLA. HHLA therefore expects moderate improvements in volumes in the low single digits in comparison to the previous year. Average earnings is also expected to fall due to intensified price competition, the effect of which on revenue will most likely not be compensated for by positive volume effects. The delayed plan approval process for dredging the Elbe waterway to cater to the increasing numbers of large ships are a particular factor putting increased strain on the key Hamburg site. As economic reversals cannot be excluded with sufficient certainty, HHLA expects revenue to be slightly lower than in the previous year, but still within reach of €1 billion. Thanks to cost and capacity management measures being applied early and consistently across the entire Group, HHLA's earnings position is expected to be positive once again in financial year 2010.

Continuous challenges for the operational business

	Best case scenario	Base case scenario	Worst case scenario
Conditions	Broad, self-supporting economic recovery	Slow, uneven economic recovery	Recession sets in again
	Considerably improved capacity utilization	Continued overcapacities	Capacity utilization worsens further
	Decreased price competition	Increased price competition	Ruinous price competition
	Planned deepening of the Elbe waterway begins	Planned deepening of the river Elbe approved	Planned deepening of the Elbe waterway delayed
	Positive volume effect > negative price effect	Positive volume effect < negative price effect	Negative volume effect and negative price effect
Business development	Revenue above previous year	Revenue slightly below previous year, in reach of € 1 billion	Revenue distinctly below previous year
	Double-digit EBIT margin above previous year	Vigorous cost management to maintain double-digit EBIT margin	Focus on maintaining positive EBIT margin

After being introduced in July 2009, the instrument of short-time working promoted by the German Federal Employment Agency will now contribute to reducing personnel expenses for the year as a whole. In addition, cost reduction measures are primarily focused on optimising productivity and capacity management, including a far-reaching restructuring of container terminal structures and processes. HHLA entered into negotiations with employee representatives at the beginning of the year in this respect. After being implemented, the outcome of these negotiations is expected to make itself felt in profit and loss gradually from the second half of the year. Natural fluctuation and an expanded early retirement programme are also expected to cause the number of employees to decline. Other measures are aimed at keeping the cost of materials largely constant despite the expected increase in volumes, while continued investment is expected to cause regular depreciation and amortization to increase. Maintenance postponed as well as made necessary by weather conditions are expected to lead to an increase in other operating expenses.

Against the backdrop of costs which will have an opposing effect, HHLA believes that the cost-cutting measures will only be able to compensate for part of the weaker revenue development. This will thus initially lead to increased pressure on the operating result and consequently on the net profit for the year. These are not expected to reach the levels of the previous year. Because of this, HHLA is focusing its efforts on maintaining a double-digit EBIT margin. Due to partner companies participating in the utilization of jointly operated business activities, minority interests in the profit after taxes are expected to generally be higher compared to the previous year.

HHLA will continue to make important investments in 2010 to secure its long-term prospects. As the first part of the construction of an automatic block storage system, a new mega-ship berth with cutting-edge container gantry cranes will be put into operation, together with a new terminal management system at CTB, in 2010 in order to improve ship handling for shipping clients. HHLA is also pursuing the expansion of full-service hinterland terminals, which will strengthen the competitive position of HHLA's integrated rail traffic

Focus on keeping double-digit EBIT-margin

in seaport–hinterland traffic. Taking delayed expenses from the two previous years into account, HHLA is forecasting aggregate investment of between €180 million and €200 million. HHLA is also continuing to make changes in order to gradually reduce expenses to the level of required maintenance investments over the coming years, until additional demand for capacity returns.

Throughput in the **Container segment** is expected to grow moderately, although this will most likely not be able to balance out the increased pressure on earnings, leading to a slight downturn in revenue. HHLA will confront this challenge with consistent cost reductions and a great deal of flexibility in its capacity management. The aim of the measures is to absorb a reduced operating result as much as possible and generate a double-digit margin.

In the **Intermodal segment** it can be assumed that 2010 will bring somewhat higher demand for container transport in seaport–hinterland traffic, which should keep revenue and results trends stable compared to the previous year, despite a very competitive environment. Positive effects resulting from the long-term trend of traffic volumes shifting in favour of the economically and ecologically more advantageous rail segment may initially be outweighed by low price road transport.

Moderate development of segments

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 port consulting and the bulk handling of iron ore and coal, in particular, will be able to make a stabilizing contribution to the segment. Overall, HHLA expects the segment to make a contribution in the region of previous years' revenue, while the result will be burdened by additional depreciation and amortization.

In the **Real Estate segment**, demand for office and commercial space in the prominent locations of the Speicherstadt historical warehouse district and the northern bank of the river Elbe is expected to be somewhat lower. Thanks to a high occupancy rate and existing lease agreements, it can be assumed that the revenue and results trend in 2010 will be at the previous year's levels.

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

Despite the continued effects of the financial and economic crisis and the resulting difficult economic conditions, HHLA's financing and liquidity will remain secure in the financial year 2010. 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 for the year as well as the changes in actuarial effects arising from the calculation of the present value of pension provisions based on the applicable discount rate. Financial liabilities for the financing of investments are also expected to increase slightly. Thanks to the predominantly long-term nature of the loan agreements, there will be no material refinancing requirements in the financial year 2010.

Further sound financing

The intended means of financing the further development of business are, primarily, the 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 are cash-effective, the cost measures described above also help to safeguard sufficient operating cash flow. Additional financing possibilities arise from HHLA's good credit standing. HHLA is therefore confident that the Group has sufficient funds at its disposal.

Continuation of dividend
distribution policy

DIVIDEND

HHLA's objective remains the same: to continue pursuing its yield-oriented dividend distribution policy. As far as financing needs for a value creating corporate development allow and as long as there are no fundamental changes of the situation, the intention is to continue in distributing at least 50 % of the distributable net income for the year as dividends.

CHANGE IN BUSINESS ACTIVITY AND ORGANIZATION

The distinctly reduced valuations in the port logistics sector caused by the economic and financial crisis may provide HHLA with opportunities to take an active part in the process of consolidation. If an attractive acquisition opportunity which meets HHLA's strategic and financial requirements should occur, it may allow HHLA to expand its core business within the existing segments. Apart from that, no changes in the organization of business are currently planned ► see also page 69, Corporate strategy.

FURTHER DEVELOPMENT

Against the background 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.

If the positive economic momentum is maintained over the months ahead and leads to a broad-based recovery, HHLA expects to continue its positive revenue and income trends in subsequent years. In doing so, it intends to carry on its investment programme in line with the development of demand.

Positive business outlook
in the long term

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.

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.

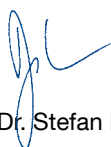
In accordance with Section 4 of the articles of association, the Executive Board, with analogous application of the provisions of Section 312 of the German Stock Corporation Act (AktG), must prepare a report on the relationships between the A division and the S division. Under the circumstances that 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 2010

Hamburger Hafen und Logistik AG
The Executive Board



Klaus-Dieter Peters



Dr. Stefan Behn



Heinz Brandt



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	2009	2008
Revenue	8.	990,743	1,326,826
Changes in inventories	9.	360	7
Own work capitalized	10.	8,278	12,231
Other operating income	11.	29,238	29,540
Cost of materials	12.	- 346,113	- 484,746
Personnel expenses	13.	- 284,741	- 280,745
Other operating expenses	15.	- 120,216	- 146,297
Earnings before interest, taxes, depreciation and amortization (EBITDA)		277,549	456,816
Depreciation and amortization	16.	- 117,301	- 101,764
Earnings before interest and taxes (EBIT)		160,248	355,052
Earnings from associates accounted for using the equity method	17.	164	108
Interest income	18.	5,644	16,692
Interest expenses	18.	- 39,933	- 47,899
Other financial result	18.	- 119	193
Earnings before tax (EBT)		126,004	324,146
Income tax	20.	- 36,868	- 106,645
Profit after tax		89,136	217,501
- of which share of profit after tax attributable to minority interests	21.	36,090	57,150
- of which share of profit after tax attributable to shareholders of the parent company		53,046	160,351

Statement of comprehensive income HHLA Group

IN € THOUSAND

	Notes	2009	2008
Profit after tax		89,136	217,501
Actuarial gains/losses	38.	- 23,640	12,273
Cash flow hedges	46.	- 800	- 1,845
Translation differences		- 3,065	- 15,659
Deferred taxes on changes recognized directly in equity	20.	7,766	- 3,064
Other		85	6
Income and expense recognized directly in equity		- 19,654	- 8,289
Total comprehensive income		69,482	209,212
- of which attributable to other shareholders		35,903	57,000
- of which attributable to shareholders of the parent company		33,579	152,212

Income statement HHLA subgroups

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

	2009 Group	2009 Port Logistics	2009 Real Estate	2009 Consolidation
Revenue	990,743	962,865	32,718	- 4,839
Changes in inventories	360	338	23	0
Own work capitalized	8,278	8,231	0	47
Other operating income	29,238	28,870	1,143	- 775
Costs of materials	- 346,113	- 340,739	- 5,492	118
Personnel expenses	- 284,741	- 282,570	- 2,171	0
Other operating expenses	- 120,216	- 115,885	- 9,781	5,449
Earnings before interest, taxes, depreciation and amortization (EBITDA)	277,549	261,110	16,440	0
Depreciation and amortization	- 117,301	- 113,460	- 4,138	296
Earnings before interest and taxes (EBIT)	160,248	147,650	12,302	296
Earnings from associates accounted for using the equity method	164	164	0	0
Interest income	5,644	5,605	184	- 145
Interest expenses	- 39,933	- 34,671	- 5,407	145
Other financial result	- 119	- 119	0	0
Earnings before tax (EBT)	126,004	118,629	7,079	296
Income tax	- 36,868	- 35,834	- 988	- 46
Profit after tax	89,136	82,795	6,091	250
- of which share of profit after tax attributable to minority interests	36,090	36,090	0	0
- of which share of profit after tax attributable to shareholders of the parent company	53,046	46,705	6,091	250

Statement of comprehensive income HHLA subgroups

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

	2009 Group	2009 Port Logistics	2009 Real Estate	2009 Consolidation
Profit after tax	89,136	82,795	6,091	250
Actuarial gains/losses	- 23,640	- 23,321	- 319	
Cash flow hedges	- 800	- 800	0	
Translation differences	- 3,065	- 3,065	0	
Deferred taxes on changes recognized directly in equity	7,766	7,663	103	
Other	85	85	0	
Income and expense recognized directly in equity	- 19,654	- 19,438	- 216	0
Total comprehensive income	69,482	63,357	5,875	250
- of which attributable to other shareholders	35,903	35,903	0	
- of which attributable to shareholders of the parent company	33,579	27,454	6,125	

Income statement HHLA subgroups

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

Statement of comprehensive income HHLA subgroups

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

	2008 Group	2008 Port Logistics	2008 Real Estate	2008 Consolidation
Profit after tax	217,501	211,686	5,578	237
Actuarial gains/losses	12,273	11,798	475	
Cash flow hedges	- 1,845	- 1,845	0	
Translation differences	- 15,659	- 15,659	0	
Deferred taxes on changes recognized directly in equity	- 3,064	- 2,802	- 262	
Other	6	6	0	
Income and expense recognized directly in equity	- 8,289	- 8,502	213	0
Total comprehensive income	209,212	203,184	5,791	237
- of which attributable to other shareholders	57,000	57,000	0	
- of which attributable to shareholders of the parent company	152,212	146,184	6,028	

Balance sheet HHLA Group

IN € THOUSAND

ASSETS	Notes	31.12.2009	31.12.2008
Non-current assets			
Intangible assets	24.	82,334	78,356
Property, plant and equipment	25.	916,772	872,985
Investment property	26.	186,471	193,715
Associates accounted for using the equity method	27.	1,487	1,424
Financial assets	28.	8,062	7,125
Deferred taxes	20.	29,812	20,553
		1,224,938	1,174,158
Current assets			
Inventories	29.	20,379	19,919
Trade receivables	32.	121,731	138,572
Receivables from related parties	33.	6,660	7,279
Other financial receivables	31.	2,356	16,234
Other assets	34.	12,292	15,578
Income tax receivables	35.	23,412	11,254
Cash and cash equivalents	36.	173,531	225,961
Non-current assets held for sale	30.	5,200	3,500
		365,561	438,297
		1,590,499	1,612,455
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		72,680	72,680
Subgroup Port Logistics		69,975	69,975
Subgroup Real Estate		2,705	2,705
Capital reserve		139,728	139,728
Subgroup Port Logistics		139,222	139,222
Subgroup Real Estate		506	506
Retained earnings		291,805	311,693
Subgroup Port Logistics		280,300	303,825
Subgroup Real Estate		11,505	7,868
Other comprehensive income		30,547	50,013
Subgroup Port Logistics		29,354	48,604
Subgroup Real Estate		1,193	1,409
Minority interests in equity		102,225	108,466
Subgroup Port Logistics		102,225	108,466
Subgroup Real Estate		0	0
	37.	636,985	682,580
Non-current liabilities			
Pension provisions	38.	325,141	300,664
Other non-current provisions	39.	56,092	50,096
Financial liabilities	40.	316,363	288,548
Deferred taxes	20.	13,029	11,686
		710,625	650,994
Current liabilities			
Current provisions	39.	18,854	18,502
Trade liabilities	41.	54,616	65,056
Liabilities to related parties	45.	66,329	68,709
Other financial liabilities	40.	66,077	63,144
Other liabilities	42.	33,596	41,960
Income tax liabilities	43.	3,417	21,510
		242,889	278,881
		1,590,499	1,612,455

Balance sheet HHLA subgroups

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

ASSETS	31.12.2009 Group	31.12.2009 Port Logistics	31.12.2009 Real Estate	31.12.2009 Consolidation
Non-current assets				
Intangible assets	82,334	82,305	30	0
Property, plant and equipment	916,772	893,700	5,284	17,787
Investment property	186,471	71,032	147,609	- 32,169
Associates accounted for using the equity method	1,487	1,487	0	0
Financial assets	8,062	6,780	1,282	0
Deferred taxes	29,812	33,890	152	- 4,230
	1,224,938	1,089,194	154,357	- 18,612
Current assets				
Inventories	20,379	20,298	81	0
Trade receivables	121,731	120,878	853	0
Receivables from related parties	6,660	16,867	902	- 11,109
Other financial receivables	2,356	2,333	23	0
Other assets	12,292	12,181	110	0
Income tax receivables	23,412	25,581	0	- 2,169
Cash and cash equivalents	173,531	173,313	218	0
Non-current assets held for sale	5,200	5,200	0	0
	365,561	376,651	2,187	- 13,278
	1,590,499	1,465,845	156,544	- 31,890
EQUITY AND LIABILITIES				
Equity				
Subscribed capital	72,680	69,975	2,705	0
Capital reserve	139,728	139,222	506	0
Retained earnings	291,805	280,300	23,610	- 12,105
Other comprehensive income	30,547	29,354	1,193	0
Minority interests in equity	102,225	102,225	0	0
	636,985	621,076	28,014	- 12,105
Non-current liabilities				
Pension provisions	325,141	319,512	5,629	0
Other non-current provisions	56,092	54,663	1,429	0
Financial liabilities	316,363	288,861	27,502	0
Deferred taxes	13,029	13,228	6,308	- 6,507
	710,625	676,264	40,868	- 6,507
Current liabilities				
Current provisions	18,854	17,768	1,086	0
Trade liabilities	54,616	52,733	1,883	0
Liabilities to related parties	66,329	1,723	75,715	- 11,109
Other financial liabilities	66,077	61,203	4,874	0
Other liabilities	33,596	33,273	323	0
Income tax liabilities	3,417	1,805	3,781	- 2,169
	242,889	168,505	87,662	- 13,278
	1,590,499	1,465,845	156,544	- 31,890

Balance sheet HHLA subgroups

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

	31.12.2008 Group	31.12.2008 Port Logistics	31.12.2008 Real Estate	31.12.2008 Consolidation
ASSETS				
Non-current assets				
Intangible assets	78,356	78,313	44	0
Property, plant and equipment	872,985	851,298	3,449	18,238
Investment property	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

Cash flow statement HHLA Group

IN € THOUSAND

	Notes	1 - 12 2009	1 - 12 2008
1. Cash flow from operating activities			
Earnings before interest and taxes (EBIT)		160,248	355,052
Depreciation, amortization, impairment and reversals on non-financial non-current assets	11./16.	117,017	99,489
Decrease in provisions		- 12,160	- 9,131
Gains/losses arising from the disposal of non-current assets		- 1,037	13,595
Decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		29,708	1,207
Decrease in trade payables and other liabilities not attributable to investing or financing activities		- 17,865	- 3,754
Interest received		5,112	16,993
Interest paid		- 20,288	- 28,748
Income tax paid		- 68,005	- 102,080
Exchange rate and other effects		483	- 716
Cash flow from operating activities		193,213	341,907
2. Cash flow from investing activities			
Proceeds from disposal of intangible assets and property, plant and equipment		3,702	1,387
Payments for investments in property, plant and equipment and investment property		- 151,450	- 229,384
Payments for investments in intangible assets	24.	- 7,524	- 14,139
Proceeds from disposal of non-current financial assets		192	0
Payments for investments in non-current financial assets		- 795	- 67
Payments for acquiring interests in consolidated companies and other business units	3.	- 7,145	- 23,357
Proceeds from the disposal of interests in consolidated companies and other business units	3.	5,703	0
Cash flow from investing activities		- 157,317	- 265,560
3. Cash flow from financing activities			
Proceeds from contributions to equity		0	1,398
Dividends paid to shareholders of the parent company	23.	- 72,680	- 62,138
Dividends paid to minority shareholders		- 42,619	- 34,428
Redemption of lease liabilities	44.	- 3,145	- 1,269
Proceeds from the issuance of bank loans		64,193	32,710
Payments for the redemption of bank loans		- 34,339	- 24,742
Cash flow from financing activities		- 88,590	- 88,469
4. Financial funds at the end of the period			
Change in financial funds (subtotals 1.-3.)		- 52,694	- 12,122
Change in financial funds due to exchange rates		689	2,441
Financial funds at the beginning of the period		231,161	240,842
Financial funds at the end of the period	47.	179,156	231,161

Cash flow statements HHLA subgroups

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

	1 - 12 2009 Group	1 - 12 2009 Port Logistics	1 - 12 2009 Real Estate	1 - 12 2009 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	160,248	147,650	12,302	296
Depreciation, amortization, impairment and reversals on non-financial non-current assets	117,017	113,175	4,138	- 296
Decrease in provisions	- 12,160	- 10,646	- 1,514	
Gains/losses arising from the disposal of non-current assets	- 1,037	- 1,072	35	
Decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	29,708	25,659	261	3,788
Decrease in trade payables and other liabilities not attributable to investing or financing activities	- 17,865	- 16,579	- 298	- 988
Interest received	5,112	5,125	132	- 145
Interest paid	- 20,288	- 15,272	- 5,161	145
Income tax paid	- 68,005	- 65,821	- 2,184	
Exchange rate and other effects	483	483	0	
Cash flow from operating activities	193,213	182,702	7,711	2,800
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets and property, plant and equipment	3,702	3,694	8	
Payments for investments in property, plant and equipment and investment property	- 151,450	- 147,006	- 4,444	
Payments for investments in intangible assets	- 7,524	- 7,524	0	
Proceeds from disposal of non-current financial assets	192	192	0	
Payments for investments in non-current financial assets	- 795	- 772	- 23	
Payments for acquiring interests in consolidated companies and other business units	- 7,145	- 7,145	0	
Proceeds from the disposal of interests in consolidated companies and other business units	5,703	5,703	0	
Cash flow from investing activities	- 157,317	- 152,858	- 4,459	0
3. Cash flow from financing activities				
Dividends paid to shareholders of the parent company	- 72,680	- 69,975	- 2,705	
Dividends paid to minority shareholders	- 42,619	- 42,619	0	
Redemption of lease liabilities	- 3,145	- 3,145	0	
Proceeds from the issuance of bank loans	64,193	64,193	0	
Payments for the redemption of bank loans	- 34,339	- 31,897	- 2,442	
Cash flow from financing activities	- 88,590	- 83,443	- 5,147	0
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.-3.)	- 52,694	- 53,599	- 1,895	2,800
Change in financial funds due to exchange rates	689	689	0	
Financial funds at the beginning of the period	231,161	236,448	- 2,487	- 2,800
Financial funds at the end of the period	179,156	183,538	- 4,382	0

Cash flow statements HHLA subgroups

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 property	- 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

Segment report HHLA Group

IN € THOUSAND; BUSINESS SEGMENTS; ANNEX TO THE NOTES

	Subgroup Port Logistics		
1 - 12 2009	Container	Intermodal	Logistics
Segment revenue			
Segment revenue from non-affiliated third parties	557,737	275,835	110,130
Inter-segment revenue	3,879	1,491	4,792
Total segment revenue	561,616	277,326	114,922
Earnings			
EBIT from continuing activities ¹	149,619	21,889	8,230
EBIT	149,619	4,401	8,230
EBITDA	225,522	31,550	14,042
EBITDA margin	40.2 %	11.4 %	12.2 %
Segment assets	834,096	256,724	113,271
Other segment information			
Investments			
Property, plant and equipment and investment property	89,515	35,586	19,572
Intangible assets	6,992	284	597
Depreciation of property, plant and equipment and investment property	71,727	15,084	5,582
Amortization of intangible assets	4,176	315	229
of which impairment			
Amortization and depreciation on non-current assets held for sale		11,749	
Non-cash items	12,656	5,199	4,137
Container throughput in thousand TEU	4,913		
Container transport⁴ in thousand TEU		1,500	
1 - 12 2008			
Segment revenue			
Segment revenue from non-affiliated third parties	790,285	367,845	121,200
Inter-segment revenue	1,983	1,824	5,714
Total segment revenue	792,268	369,669	126,914
Earnings			
EBIT from continuing activities ²	303,887	42,123	10,423
EBIT	303,887	39,256	10,423
EBITDA	376,775	53,048	17,922
EBITDA margin	47.6 %	14.4 %	14.1 %
Segment assets	814,177	251,856	94,630
Other segment information			
Investments			
Property, plant and equipment and investment property	134,601	55,790	19,055
Intangible assets	25,875	579	2,381
Depreciation of property, plant and equipment and investment property	68,718	12,483	4,919
Amortization of intangible assets	4,170	1,309	2,580
of which impairment		1,011	2,312
Non-cash items ³	26,697	3,287	3,508
Container throughput in thousand TEU	7,317		
Container transport⁴ in thousand TEU		1,841	

¹ EBIT from continuing activities does not contain of € - 3,394 thousand nor the result from CTL of € - 14,094 thousand, which include the loss of deconsolidation for combisped of € 2,997 thousand and € 3,697 thousand and from CTL of € - 6,564 thousand. ³ The values from the previous year which changed as a result of reporting in accordance with the new standard IFRS 8 *Operating Segments*

	Subgroup Real Estate	Total	Consolidation and reconciliation with Group	Group
Holding/Other	Real Estate			
16,840	30,201	990,743	0	990,743
114,859	2,517	127,538	- 127,538	0
131,699	32,718	1,118,281		
- 17,424	12,303	174,617	3,050	177,667
- 17,424	12,303	157,129	3,119	160,248
- 10,360	16,440	277,194	355	277,549
- 7.9 %	50.2 %			
176,873	156,150	1,537,114	53,385	1,590,499
3,389	4,445	152,507	- 350	152,157
466	0	8,339	- 815	7,524
6,434	4,124	102,951	- 1,083	101,868
630	14	5,364	- 1,681	3,683
		11,749	0	11,749
34,372	1,342	57,706	102	57,808
17,443	30,053	1,326,826	0	1,326,826
119,395	2,526	131,442	- 131,442	0
136,838	32,579	1,458,268		
- 14,630	13,661	355,464	2,361	357,825
- 14,630	13,661	352,597	2,455	355,052
- 7,898	17,588	457,435	- 619	456,816
- 5.8 %	54.0 %			
249,896	156,148	1,566,707	45,748	1,612,455
8,582	11,356	229,384	0	229,384
798	12	29,645	365	30,010
6,075	3,911	96,106	- 1,097	95,009
657	16	8,732	- 1,977	6,755
		3,323	0	3,323
18,615	1,688	53,795	- 530	53,265

and the impairment charges for CTL of € 11,749 thousand. ²In order to facilitate comparison, the previous year's values have been presented without the current result from combisped of were adjusted retrospectively. ⁴The transport volume was fully consolidated.

Statement of changes in equity HHLA Group

IN € THOUSAND

	Parent company					
	Subscribed capital		Capital reserve		Retained consolidated earnings	Reserve for translation
	A division	S division	A division	S division		
Balance as of 31.12.2007	69,920	2,705	137,879	506	213,480	115
Dividends paid					- 62,138	
Contributions to equity	55		1,343			
Total comprehensive income					160,351	- 15,663
Acquisition/disposal of minority interests in consolidated entities						
Other changes						
Balance as of 31.12.2008	69,975	2,705	139,222	506	311,693	- 15,548
Dividends paid					- 72,680	
Total comprehensive income					53,046	- 3,076
Acquisition/disposal of minority interests in consolidated entities						
Other changes					- 254	
Balance as of 31.12.2009	69,975	2,705	139,222	506	291,805	- 18,624

Other comprehensive income					Minority interests	Consolidated equity
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Other	Total	Total	Total
1,280	67,521	- 22,370	11,744	482,780	86,720	569,500
				- 62,138	- 34,428	- 96,566
				1,398	0	1,398
- 1,641	12,265	- 3,105	6	152,213	56,999	209,212
			- 164	- 164	- 827	- 991
			25	25	2	27
- 361	79,786	- 25,475	11,611	574,114	108,466	682,580
				- 72,680	- 42,619	- 115,299
- 508	- 23,625	7,667	75	33,579	35,903	69,482
				0	245	245
			1	- 253	230	- 23
- 869	56,161	- 17,808	11,687	534,760	102,225	636,985

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

IN € THOUSAND; ANNEX TO THE NOTES

	Parent company			
	Subscribed capital	Capital reserve	Retained consolidated earnings	Reserve for translation
Balance as of 31.12.2007	69,920	137,879	208,721	115
Dividends paid			- 59,432	
Contributions to equity	55	1,343		
Total comprehensive income subgroup			154,536	- 15,663
Acquisition/disposal of minority interests in consolidated entities				
Other changes				
Balance as of 31.12.2008	69,975	139,222	303,825	- 15,548
Dividends paid			- 69,975	
Total comprehensive income subgroup			46,705	- 3,076
Acquisition/disposal of minority interests in consolidated entities				
Other changes			- 254	
Balance as of 31.12.2009	69,975	139,222	280,300	- 18,624

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

IN € THOUSAND; ANNEX TO THE NOTES

	Subscribed capital
Balance as of 31.12.2007	2,705
Dividends paid	
Total comprehensive income subgroup	
Balance as of 31.12.2008	2,705
Plus income statement consolidation effect	
Less balance sheet consolidation effect	
Total effects of consolidation	
Balance as of 31.12.2008	2,705
Balance as of 31.12.2008	2,705
Dividends paid	
Total comprehensive income subgroup	
Balance as of 31.12.2009	2,705
Plus income statement consolidation effect	
Less balance sheet consolidation effect	
Total effects of consolidation	
Balance as of 31.12.2009	2,705

Other comprehensive income					Minority interests	Subgroup consolidated equity
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Other	Total	Total	Total
1,280	65,916	- 21,961	11,744	473,614	86,720	560,334
				- 59,432	- 34,428	- 93,860
				1,398	0	1,398
- 1,641	11,790	- 2,843	6	146,185	56,999	203,184
			- 164	- 164	- 827	- 991
			25	25	2	27
- 361	77,706	- 24,804	11,611	561,626	108,466	670,092
				- 69,975	- 42,619	- 112,594
- 508	- 23,306	7,564	75	27,454	35,903	63,357
				0	245	245
			1	- 253	230	- 23
- 869	54,400	- 17,240	11,687	518,851	102,225	621,076

Other comprehensive income				Subgroup consolidated equity
Capital reserve	Retained earnings	Actuarial gains/losses	Deferred taxes on changes recognized directly in equity	Total
506	17,350	1,605	- 409	21,757
	- 2,705			- 2,705
	5,578	475	- 262	5,791
506	20,223	2,080	- 671	24,843
	237			237
	- 12,591			- 12,591
	- 12,354			- 12,354
506	7,869	2,080	- 671	12,489
506	20,223	2,080	- 671	24,843
	- 2,705			- 2,705
	6,091	- 319	103	5,875
506	23,610	1,761	- 568	28,013
	250			250
	- 12,354			- 12,354
	- 12,105			- 12,105
506	11,505	1,761	- 568	15,909

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GENERAL INFORMATION

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, 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 revenue. 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 annex to these Notes contains the balance sheet, income statement, statement of comprehensive income, schedule of changes in equity and cash flow statement for both subgroups.

HHLA's consolidated financial statements for the financial year 2009 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 of 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 2009 were approved by the Executive Board on 5 March 2010 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 2010.

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, until its sale on 1 September 2009, connected the Baltic region with the Port of Hamburg via the land route Hamburg–Lübeck and the Container Terminal Lübeck (CTL). For more information, please refer to Note 3.

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. These include 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 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 unrecognized 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 the item minority interests in equity.

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 inter-company profits (elimination of inter-company 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.

3. 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 2009	32	5	37
Acquired	2	2	4
Disposals	1	0	1
Reclassifications	0	0	0
31 December 2009	33	7	40
Companies consolidated pro rata			
1 January 2009	5	1	6
Acquired	1	0	1
Disposals	0	0	0
Reclassifications	0	0	0
31 December 2009	6	1	7
Companies reported using the equity method			
1 January 2009	1	0	1
Acquired	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
31 December 2009	1	0	1
Total	40	8	48

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 45.

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 2009 and 31 December 2008 is as follows:

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IN € THOUSAND	31.12.2009	31.12.2008
Current assets	19,916	23,995
Non-current assets	16,484	16,820
	36,400	40,815
Current liabilities	20,552	23,016
Non-current liabilities	4,821	5,772
	25,373	28,788
Income	138,514	179,282
Expenses	135,548	175,255

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. 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 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.

The following table shows the relevant posts of balance sheet and income statement of the company accounted for using the equity method in line with the shareholding in the company:

IN € THOUSAND	31.12.2009	31.12.2008
Balance sheet information		
Assets	2,832	3,045
Liabilities	1,434	1,882
Income statement information	2009	2008
Revenue	3,183	3,128
Earnings from associates for using the equity method	164	108

PURCHASE AND SALE OF SHARES IN SUBSIDIARIES

On 27 October 2008, HHLA Intermodal GmbH, Hamburg (HHLA Intermodal), established HHLA Intermodal Polska Sp. z o.o., Warsaw/Poland (HHLA Intermodal Polska), by notarized deed and acquired 99 % of the shares. The remaining shares were acquired by HHLA Intermodal as of 20 January 2009 at a nominal share value of 500 Polish Zloty (PLN). The nominal capital amounts to 50,000 PLN. The purpose of the company is to purchase, sell and manage property, and to provide maritime, road and rail logistics services. The company was included in the group of consolidated companies when it began operating activities in the second quarter of 2009. It has been assigned to the Intermodal segment. Due to its start-up costs HHLA Intermodal Polska's result to date is € - 646 thousand.

UNIKAI Hafenbetrieb GmbH, Hamburg (UNIKAI), acquired a shelf company by way of a notarial certification on 6 February 2009. After this company was acquired, a capital increase from the previous €25 thousand to now €500 thousand was carried out together with a co-shareholder, so that in a further stage, the name of the shelf company could be changed to HCC Hanseatic Cruise Centers GmbH, Hamburg (HCC). Since the change of name was entered in the commercial register on 18 March 2009, UNIKAI has held 51 % of the shares in HCC. UNIKAI paid for its proportion of the nominal capital in the form of a contribution in kind amounting to €230 thousand. The purpose of the new company is the operation of cruise ship terminals. Before HCC was founded, this business was operated by UNIKAI. The objective of the merger is to strengthen Hamburg as a cruise location. In March 2009, HCC was consolidated for the first time in the Logistics segment when it commenced business. HCC's profit after tax has

totalled €90 thousand since being acquired and for the period from 1 January 2009. Revenue since 1 January 2009 amounts to €2,279 thousand.

By notarial certification dated 24 March 2009, HHLA Container Terminals GmbH, Hamburg (HHCT), acquired 66 % of the shares in a shelf company for their nominal value as of 23 March 2009. The company's total, fully paid-in nominal capital is €25 thousand. Following the acquisition, the Shareholders' Meeting, also held on 23 March 2009, passed a resolution changing the name of the shelf company to FLZ Hamburger Feeder Logistik Zentrale GmbH, Hamburg (FLZ). The purpose of the new company is operating a feeder logistics centre to optimize shipping movements in the Port of Hamburg. Since being acquired, FLZ's profit after tax has totalled €0 thousand. The new company has been assigned to the Container segment and was consolidated for the first time pro rata in the second quarter to reflect its joint management.

Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg (HHLA), changed the name of HHLA Intermodal Verwaltung Gesellschaft mit beschränkter Haftung, Hamburg, to HHLA Energiehandels-gesellschaft mbH, Hamburg (HHLA Energie), by way of a notarial certification on 25 June 2009. HHLA is the sole shareholder of this company. The company's total, fully paid-in nominal capital is €25 thousand. The purpose of the new company is purchasing electrical energy and other energy products and distributing them. The company is also responsible for generating, purchasing and distributing useful energy in the Port of Hamburg and operating energy distribution networks. HHLA Energie has been assigned to the HHLA Holding division. HHLA Energie's profit after tax since commencing business totalled € -3 thousand as of 1 October 2009.

The companies mentioned above had no significant assets at the time they were first consolidated.

The Czech subsidiary METRANS a.s., Prague/Czech Republic, acquired 100 % of the shares in SDM-Depo a.s., Prague/Czech Republic, on 14 October 2009. The aim of the acquisition is to secure strategic options with regard to the expansion of existing terminal areas. The purpose of the company is to acquire, trade and lease land and buildings. The acquisition costs for this company amounted to €6,580 thousand. The value of the acquired land and buildings came to €7,733 thousand, the value of the acquired liabilities to €1,153 thousand at the time the company was first consolidated. This transaction did not result in any differences. The company has been assigned to the Intermodal

segment. Since being acquired, the company's profit after tax has totalled €13 thousand. Information regarding the result and revenue of the company between 1 January 2009 and the time of acquisition is not available due to impracticability as defined by IFRS 3.70.

The shares in combisped Hanseatische Spedition GmbH, Lübeck (combisped), were sold in the second quarter of 2009 under conditions precedent as of 1 September 2009. The assets sold, principally land and buildings, were written down to their realizable value as of 30 June 2009 due to the intent to sell. The company was deconsolidated as of 1 September 2009. The deconsolidation loss of €2,997 thousand, including write-downs on the expected sale price, which resulted, was recognized with effect on net income under other operating expenses (see Note 15).

4. Foreign currency translation

Monetary assets and liabilities in separate financial statements for the consolidated companies which are prepared in a foreign currency are converted to local currency at the rate applicable on the balance sheet date. The resulting 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.

Exchange rate gains and losses recognized in the income statement on foreign currency items resulted in a profit of €958 thousand in the financial year (previous year: €2,830 thousand).

The concept of functional currency according to IAS 21 is applied when translating all annual financial statements of foreign affiliates prepared in foreign currency. As the subsidiaries in question are generally independent in terms of their financial, economic and organizational activities, the functional currency is the respective national currency. As of the balance sheet date, the assets and liabilities of these subsidiaries are converted to euros at the rate prevailing on the reporting date. Income and expenses are translated at the weighted average rate for the financial year. Equity components are converted at their respective historical rates. Any

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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 associated translation difference is reversed through profit and loss.

The functional currency for the foreign subsidiary METRANS a.s. was changed in the first quarter of 2009, since the expansion of business activity has led to the bulk of transactions being conducted in euros and the company being financed by an increasing number of loans raised in euros. The company's previous functional currency, the Czech koruna (CZK), was replaced by the euro (€).

HHLA did not apply the regulations of IAS 29 because no transactions were conducted in high-inflation economies.

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

Currency	ISO Code	Spot rate on = 1 euro		Average annual rate = 1 euro	
		31.12.2009	31.12.2008	2009	2008
Czech crowns	ČZK	26.473	26.630	26.521	25.133
Polish zloty	PLN	4.104	4.175	4.333	3.539
Slovakian crowns ¹	SKK	-	30.126	-	31.322
Ukrainian hryvnia	UAH	11.449	10.732	10.863	7.841

¹ Due to the introduction of the euro as the official currency on 1 January 2009, information on the exchange rate as of 31 December 2009 has been omitted.

5. 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.

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

The accounting and valuation principles applied are explained in Note 7. Material assumptions and estimates affect the following issues:

GOODWILL

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 carrying amount as of 31 December 2009 came to €44,245 thousand (previous year: €44,241 thousand). For more information, please refer to Note 24.

PENSION PROVISIONS

Actuarial opinions are commissioned annually to determine pension obligation costs. These calculations include assumptions about demographic changes, salary and pension increases, and interest, inflation and fluctuation rates. Because these assumptions are long-term in nature, the observations are assumed to be characterized by material uncertainties. The present value of pension obligations as of 31 December 2009 came to €323,824 thousand (previous year: €299,862 thousand). More detailed information is available in Note 38.

PROVISIONS FOR PHASED EARLY RETIREMENT

All employees who have signed or are expected to sign an agreement are taken into consideration when recognizing and measuring provisions for phased early retirement. The number of employees expected to sign is an estimate. The appraisal reports are also based on actuarial assumptions. The present value of obligations as of 31 December 2009 came to €21,304 thousand (previous year: €13,755 thousand). For more information, please refer to Note 39.

BUSINESS COMBINATIONS

The fair value of the assets acquired and liabilities and contingent liabilities assumed as a result of business combinations must be estimated. For this purpose HHLA makes use of opinions from independent external actuaries or calculates the fair value internally using suitable calculation models. These are normally based on discounted cash flows. Depending on the nature of the assets or the availability of information, market price, capital value and cost-oriented valuation methods are applied. Details regarding the companies acquired in the reporting year are available in Note 3.

INTERNAL DEVELOPMENT ACTIVITIES

These activities relate to the development of software within the Group, which are capitalized as soon as the recognition requirements pursuant to IAS 38.57 are fulfilled. HHLA amortizes the software over the expected useful life of three to five years from the point that the software comes into use. As of 31 December 2009, the carrying amount of intangible assets resulting from internal development activities came to €24,023 thousand (previous year: €21,303 thousand). For more information, please refer to Note 24.

INVESTMENT PROPERTIES

To determine the fair value of this property, HHLA obtains expert opinions or carries out its own calculations. Industry-standard discounted cash flow methods are applied. The opinions and calculations are based on assumptions about applicable interest rates and the amount and time-frame of expected future cash flows which these assets can generate. As of 31 December 2009, the carrying amount came to €186,471 thousand (previous year: €193,715 thousand). Detailed information is available in Note 26.

OTHER ASSUMPTIONS AND ESTIMATES

Assumptions and estimates are also made for value adjustments on doubtful receivables, for determining the duration of depreciation or amortization for intangible assets and property, plant and equipment, respectively, for determining other provisions and for the application of deferred taxes to tax loss carry-forwards.

6. Effects of new accounting standards

The following revised and new IASB/IFRIC standards and interpretations were mandatory for the first time as of 1 January 2009:

IFRS 8	Operating Segments
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to IFRS 4 and IFRS 7	Insurance Contracts and Financial Instruments: Disclosures
Amendments to IAS 1	Presentation of Financial Statements (revised 2007)
Amendments to IAS 23	Borrowing Costs (revised 2007)
Amendments to IAS 32 and IAS 1	Financial Instruments: Presentation
Amendments to IAS 39 and IFRS 7	Reclassification of Financial Assets – Effective Date and Transition
Amendments to IFRIC 9 and IAS 39	IFRIC 9: Reassessment of Embedded Derivatives IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Various	Improvements to IFRS (May 2008)

The following amendments to standards and interpretations are voluntary for the financial year 2009:

IFRS 1 (revised)	First-time Adoption of IFRS
IFRS 3 (revised)	Business Combinations
Amendments to IAS 27	Consolidated and Separate Financial Statements
Amendments to IAS 32	Financial Instruments: Presentation
IAS 39	Eligible Hedged Items – Amendments to IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

The following IASB standards and interpretations have not yet been adopted by the EU and have not been applied:

Amendments to IFRS 1	Additional Exemptions for First-time Adopters (July 2009)
Amendments to IFRS 1	First-time Adoption of IFRS (November 2009)
Amendments to IFRS 2	Group Cash-settled Share-based Payment Transactions
IFRS 9	Financial Instruments
Amendments to IAS 24	Related Party Disclosures
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Various	Improvements to IFRS (April 2009)

The individual effects of the amendments are as follows:

MANDATORY STANDARDS AND INTERPRETATIONS

IFRS 8 Operating Segments

As from 1 January 2009, the HHLA Group's segment report is being prepared for the first time in accordance with the provisions of IFRS 8 *Operating Segments*. This new standard replaces the previous standard IAS 14 *Segment Reporting*. According to the new standard the so-called "management approach" is used for segment identification and assessment. IFRS 8 requires an entity to disclose the information used internally to make decisions about the allocation of resources to segments and to assess their performance. The first-time application of the standard had no impact on the existing structure of HHLA's segments subject to reporting requirements. The new standard led merely to additional disclosure requirements and the addition of further comparative data to the previous year's figures. The segmentation principles and the assessment basis for the segment result remain unchanged.

Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

This amendment makes it easier to determine the acquisition costs of shares in subsidiaries, joint ventures or associated companies in separate financial statements when adopting international financial reporting standards for the first time. In the future it will also only be possible to use one indicator-based impairment test as part of the subsequent valuation of the shares. The standard also regulates the

carrying amount of a previous parent company after a group is formed in a reorganization. Previous parent companies can be assessed at either fair value or acquisition cost. This regulation is only relevant for individual financial statements prepared in accordance with IFRS.

Amendments to IFRS 2 *Share-based Payment, Vesting Conditions and Cancellations*

In January 2008, the IASB adopted IFRS 2 *Share-based Payment, Vesting Conditions and Cancellations*. The amendment stipulates 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. Adopting this standard for the first time had no impact on HHLA's consolidated financial statements.

Amendments to IFRS 4 *Insurance Contracts* and IFRS 7 *Financial Instruments: Disclosures*

The aim of these amendments is to improve and expand disclosures regarding fair-value assessments and the liquidity risk posed by financial instruments. One of the alterations is the introduction of a three-level model to determine fair value. Related amendments were also made to IFRS 4 affecting the disclosures required in the notes for insurance contracts which fall within the scope of IFRS 7. This amendment does not affect the consolidated financial statements and merely lead to changed disclosures in the Notes.

Amendments to IAS 1 *Presentation of Financial Statements (revised 2007)*

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 analyzing and comparing annual financial statements for users. IAS 1 governs the principles for presenting and structuring financial statements. Adoption of this standard caused HHLA's consolidated financial statement to be presented differently.

Amendments to IAS 23 *Borrowing Costs (revised 2007)*

In March 2007, the IASB published the revision of IAS 23 *Borrowing Costs*. Rather than containing an option to either capitalize borrowing costs or recognize them as an expense, the revised

version prescribes their capitalization. According to the revision, capitalization must be carried out when the borrowing costs are directly attributable to the acquisition or production of a qualified asset. The revised standard's first-time application is prospective. In the past financial year, the prospective application of the amendments led to immaterial changes in the capitalization of fixed assets.

Amendments to IAS 32 and IAS 1 *Financial Instruments: Presentation*

These amendments introduced regulations regarding the differentiation of equity capital and borrowed capital. According to these regulations, certain puttable financial instruments will be classified as equity capital rather than borrowed capital, provided these instruments meet specific criteria. The disclosure requirements were also expanded. The application of these amendments had no impact on HHLA's consolidated financial statements.

Amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets – Effective Date and Transition*

The amendments to IAS 39 and IFRS 7 provide information about the effective date and transitional regulations for the amendments to these standards, which the IASB published on 13 October 2008. The amendments had no impact on HHLA's consolidated financial statements.

Amendments to IFRIC 9 and IAS 39

IFRIC 9: Reassessment of Embedded Derivatives

IAS 39 Financial Instruments: Recognition and Measurement

The amendments clarify how to treat embedded derivatives if a combined contract is reclassified from the category "at fair value through profit or loss". According to the European Commission, the application of this amendment is not mandatory until financial years beginning on or after 1 January 2009. The amendments had no impact on HHLA's consolidated financial statements.

IFRIC 13 *Customer Loyalty Programmes*

This interpretation regulates how companies should account for customers loyalty award credits awarded to customers when buying goods or services. According to the interpretation, credits granted as part of a customer loyalty programme should be treated as a future sales transaction (differentiation from liability) separate to the underlying transaction (current sales transaction). Customer loyalty

programmes are considered multiple component transactions according to IAS 18.13. The application of this interpretation has no impact on these consolidated financial statements.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

These interpretations clarify how to measure assets in defined benefit retirement plans when there is a minimum funding requirement. A defined benefit asset exists if the fair value of the plan asset exceeds the present value of the defined liability. Application of this interpretation resulted in no changes in financial year 2009.

Various improvements to IFRS (May 2008)

This combined standard contains 35 amendments to 20 existing IFRS. The amendments are broken down into two parts. Part I contains amendments to presentation, recognition and measurement issues. Part II contains eleven terminology changes and other changes to the wording which are expected to have a minimal effect on accounting. Applying these improvements led to no material changes in these consolidated financial statements.

VOLUNTARY STANDARDS AND INTERPRETATIONS

IFRS 1 (revised) *First-time Adoption of IFRS*

IFRS 1 has been restructured to make it easier to understand. The new structure will also make it easier to take future changes into account. The restructuring of IFRS 1 also included removing some outdated temporary guidelines and making minor textual changes. The standard was adopted by the EU on 25 November 2009, making it mandatory to apply this standard for financial years that begin on or after 1 January 2010. According to IASB, the standard applies for financial years beginning after 1 July 2009 and may be applied earlier voluntarily. The revision of this standard has no impact on HHLA's consolidated financial statements.

IFRS 3 (revised) *Business Combinations* and amendments to IAS 27 *Consolidated and Separate Financial Statements*

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 non-controlling 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 of the shares held as of the time when control was transferred. The revaluation takes account of the fair value at the time of acquisition of the additional shares. 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. HHLA did not apply the regulations of the amended standard in 2009.

Amendments to IAS 32 *Financial Instruments: Presentation*

These amendments clarify how to account for certain rights issues, options and option warrants if the issued instruments are not in the functional currency of the issuer. If such instruments are offered to the current owners proportionately at a fixed amount, they should be classified as equity instruments if the currency of their rights issue is different from the functional currency of the issuer. The current practice of accounting for such cases as derivative liabilities will be abolished in the future. The amendments must initially be applied for financial years that begin on or after 1 February 2010. This amendment is unlikely to have any effects for HHLA.

IAS 39 *Eligible Hedged Items – Amendments to*

IAS 39 *Financial Instruments: Recognition and Measurement*

These amendments clarify the procedure for recognizing transactions used to hedge the inflation risk of financial instruments and options used as hedging instruments. The amendment applies for financial years beginning after 1 July 2009 and may be applied earlier voluntarily. Applying these amendments had no material impact on these consolidated financial statements.

IFRIC 12 *Service Concession Arrangements*

IFRIC 12 deals with the issue of how private companies should recognize rights and obligations arising from contracts with public infrastructure facilities. A contractual agreement can stipulate that a private company construct or improve public sector assets and operate and maintain this facility. IFRIC 12 also clarifies how to account for payment received by the operator of this facility. The interpretation must be applied for financial years beginning on or after 1 January 2010 at the latest. The application of this interpretation has no effect for HHLA.

IFRIC 15 *Agreements for the Construction of Real Estate*

These agreements cover the recognition of revenue by real estate developers for sales of apartments or houses before construction is complete. According to the European Commission, IFRIC 15 is to be applied for financial years beginning after 31 December 2009. The application of this interpretation has no effect for HHLA.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 clarifies how to recognize hedges of exchange rate risk for net investments in a foreign operation. Only foreign exchange differences arising from a difference between an entity's own functional currency and that of its foreign operation can be designated as a hedged risk. The net assets of the foreign operation recognized in the consolidated financial statements may be hedged. The aforementioned hedging instruments can be held by any company within the group except the company for which the exchange rate risk resulting from the net investment is being hedged. IFRIC 16 clarifies that IAS 39.102 must be applied to determine the amounts that need to be reclassified to profit or loss from the foreign currency translation reserve when the foreign operation is sold. The amount of the cumulative foreign exchange gains or losses can be determined using the direct or the step-by-step method of consolidation. According to an EU directive, IFRIC 16 must be applied for financial years beginning after 30 June 2009. However, the IASB has stated that the first-time adoption of IFRIC 16 is mandatory for financial years beginning after 1 October 2008. The application of this interpretation has no impact on the consolidated financial statements.

IFRIC 17 *Distributions of Non-Cash Assets to Owners*

IFRIC 17 clarifies how to recognize dividends distributed to owners in the form of non-cash assets rather than cash and cash equivalents. A dividend payable should be recognized when the dividend

has been appropriately authorized by a management body and is no longer at the discretion of the entity. The dividend payable to owners should be measured at the fair value of the net assets to be distributed. Entities should recognize the difference between the dividend paid and the carrying amount of the dividend payable with effect on net income. IFRS 5 was amended at the same time as IFRIC 17 coming into effect. These amendments concern non-current assets held for sale intended for use in dividend distributions. According to EU directive, the regulations of IFRIC 17 apply for financial years beginning after 31 October 2009. HHLA did not apply this interpretation to these consolidated financial statements. HHLA does not currently expect this interpretation to have an effect on future consolidated financial statements.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 is mainly relevant for the energy sector. It clarifies agreements in which a company receives from a customer an item of property, plant and equipment that the company must then use to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. IFRIC 18 also covers cases in which the company receives cash from a customer that must be used only to acquire or construct the aforementioned assets. This IFRIC had no impact on these consolidated financial statements.

STANDARDS AND INTERPRETATIONS WHICH HAVE NOT YET BEEN ADOPTED BY THE EU

Amendments to IFRS 1 (July 2009) *Additional Exemptions for First-time Adopters*

The amendments published in July 2009 concerned the retrospective application of IFRS in particular situations and are intended to ensure that companies do not incur disproportionately high costs when switching to IFRS. These alterations concern companies in the oil and gas industry as well as companies with existing leasing contracts which have to apply IFRIC 4 for the first time to classify these contracts. These alterations are to apply for annual financial statements for financial years beginning on or after 1 January 2010. The amendments to IFRS 1 (July 2009) will not have an effect on HHLA's future consolidated financial statements.

Amendments to IFRS 1 (November 2009) *First-time Adoption of IFRS*

This amendment will make it possible for first-time adopters (as defined by IFRS 1) to apply transitional provisions for the application of IFRS 7 *Financial Instruments: Disclosures*. This affects all disclosures resulting from the first-time adoption of the alterations to IFRS 7 published in March 2009. First-time adopters will be exempted from providing comparative disclosures for one year after adoption. This is aimed at preventing companies from incurring disproportionately high additional costs as a result of only having a short time period before first-time adoption. The amendment will apply for all first-time adopters effective for financial years beginning on 1 January 2010. The amendments to IFRS 1 (November 2009) will not have an effect on HHLA's future consolidated financial statements.

Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*

In June 2009, the IASB published amendments to IFRS 2 *Share-based Payment*. IFRS 2 stipulates that a company which receives goods or services as part of a share-based payment agreement must account for these goods or services in accordance with IFRS 2. It is of no relevance which company within the group settles the liability with the supplier or employee, or whether the liability is settled by the issuance of shares or cash. The amendments to IFRS 2 render IFRIC 8 and IFRIC 11 obsolete, as IFRS 2 now incorporates guidance previously included in these interpretations. The aforementioned amendments to IFRS 2 apply to financial years beginning on or after 1 January 2010. The amendments to IFRS 2 are not expected to have an effect on HHLA's future consolidated financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 was published in November 2009 as the first part of the project to replace the existing IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments have now introduced new requirements for classifying and measuring financial assets. IFRS 9 divides all financial assets into two classifications (those measured at amortized cost and those measured at fair value). It also includes simplified regulations for options regarding the measurement of financial assets. Reclassification options were also altered. This standard must be applied for financial years that begin on or after 1 January 2013. The amendments to IFRS 9 are not expected to have any material effect on HHLA's future consolidated financial statements.

Amendments to IAS 24 Related Party Disclosures

The amendments published in November 2009 affect clarifications for companies controlled by governments. The previous obligations to make extensive disclosures regarding transactions with companies controlled by the same government have been simplified. Now, only transactions that are significant for the financial recipients must be disclosed. The amendment to IAS 24 also clarifies the definition of a related party. The amended standard applies for financial years that begin on or after 1 January 2011. The amendments will lead to additional disclosures in the Notes.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendments concern occasions where companies make voluntary prepaid contributions to comply with minimum funding requirements. The amendments allow affected companies to recognize the benefits resulting from these payments as assets. The application of the revised version of IFRIC 14 will be mandatory for financial years that begin after 1 January 2011. The amendments to IFRIC 14 are not expected to have any effect on HHLA's future consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 addresses what is required if a company and a creditor renegotiate the conditions of a financial liability and the creditor accepts shares or other equity instruments belonging to the company to extinguish all or part of a financial liability. IFRIC 19 states the following:

- The company's equity instruments are to be considered part of the "consideration paid" to extinguish the financial liability.
- The equity instruments issued to the creditor should be measured at fair value. If fair value cannot be reliably determined, the equity instruments issued are measured at the fair value of the liability extinguished.
- The difference between the carrying amount of the financial liability extinguished and the measurement of the equity instruments issued is recognized in the current income statement of the company.

The interpretation applies for financial years that begin on or after 1 July 2010. The amendments to IFRIC 19 are not expected to have any effect on HHLA's future consolidated financial statements.

7. Accounting and valuation principles

The annual 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:

	2009	2008
Software	3–5 years	3–5 years

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at historical cost less depreciation and accumulated impairment losses. These costs also include 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 is carried out on a straight-line basis over an asset's useful life. The following table shows the principal useful lives which are assumed:

	2009	2008
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

BORROWING COSTS

According to IAS 23, borrowing costs which can be directly attributed to the acquisition or production of a qualifying asset are capitalized as a component of the acquisition or production cost of the asset in question. Borrowing costs which cannot be directly attributed to a qualifying asset are recognized as an expense at the time 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 expenditures 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 disclosed separately in the Notes 26.

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 2009 the interest rate for discounting was between 8.4 % and 9.5 % p.a. (previous year: 8.3 % to 10.3 % p.a.). The cash flow forecasts in the Group's current plans for the next five years were extrapolated to determine future cash flows. Growth factors of 1 % were applied. 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 the 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 or amortization, 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 or amortization must be adjusted in

subsequent periods in order to write down 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 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 purchase or production cost. 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 finan-

cial 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.

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

Pension obligations

Pensions and similar obligations 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. Actuarial gains and losses are recognized in equity without effect on profit and loss, after accounting for deferred taxes. The option of using the corridor method has not been applied. 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.

Phased early retirement obligations

The compensation to be paid in the release phase of the so-called block model are recognized as provisions for phased early retirement. It is recognized pro rata over the working period over which the entitlements accrue. The supplementary contributions to be paid over the entire phased early retirement period are recognized as provisions for phased early retirement.

Actuarial opinions are commissioned on a regular basis to measure compensation obligations in the release phase of the block model and supplementary amounts.

If payment obligations do not become payable until after 12 months' time, because of entitlements in the block model or supplementary amounts, they are recognized at their present value.

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 from dividends, except regarding companies accounted for using the equity method, is recognized in profit and loss when the Group has a legal right to payment (see Note 3).

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 carry-forwards.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused tax loss carry-forwards proportionate to the probability that taxable income will be available to offset against the deductible temporary differences and the unused tax loss carry-forwards.

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 the 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, as well as 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.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The income statement has been prepared using the total expenditure format.

8. Revenue

The following tables show Group revenue by segment.

IN € THOUSAND	2009	2008
Container	557,737	790,285
Intermodal	275,835	367,845
Logistics	110,130	121,200
Holding/Other	16,840	17,443
Real Estate	30,201	30,053
	990,743	1,326,826

Revenue by region:

IN € THOUSAND	2009	2008
Germany	805,054	1,075,150
EU	140,018	179,133
Outside EU	45,671	72,543
	990,743	1,326,826

9. Changes in inventories

The changes in the inventories of finished and unfinished products and service work in progress are as follows:

IN € THOUSAND	2009	2008
Changes in the inventories of finished and unfinished products and service work in progress	360	7

10. Own work capitalized

Own work capitalized results mainly from technical work capitalized in the course of construction work and development activities. Of the total, €7,778 thousand (previous year: €11,009 thousand) relates to HHLA's Container segment, €399 thousand (previous year: €772 thousand) to Holding/Other and €101 thousand (previous year: €0 thousand) to Intermodal. There was no own work capitalized in the Logistics segment in the reporting year (previous year: €450 thousand).

11. Other operating income

IN € THOUSAND	2009	2008
Income from other accounting periods	7,427	3,078
Income from reversal of provisions	5,521	1,375
Income from exchange rate differences	3,957	9,939
Reimbursements	2,849	1,341
Compensation	2,026	2,966
Proceeds on disposal of property, plant and equipment	1,687	1,580
Income from write-backs	284	2,275
Expenses passed on to third parties	14	3
Other operating income	5,473	6,983
	29,238	29,540

Income from other accounting periods consists of unclaimed reimbursements for customers and uninvoiced construction services totalling €4,459 thousand (previous year: €2,500 thousand).

12. Cost of materials

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

IN € THOUSAND	2009	2008
Raw materials, consumables and supplies	54,626	82,551
External staff	25,221	41,891
Purchased services	266,266	360,304
	346,113	484,746

13. Personnel expenses

Personnel expenses in the financial year were as follows:

IN € THOUSAND	2009	2008
Wages and salaries	233,716	232,668
Social security contributions and benefits	46,565	43,780
Current service expense	3,804	3,785
Other retirement benefit expenses	656	512
	284,741	280,745

In the reporting year, expenses for wages and salaries from terminating employments amounted to €1,806 thousand.

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 and payments to the German pension insurance scheme are included in social security contributions. The short-time working hours implemented in the second half of the reporting year resulted in a claim for reimbursement of employer's social security contributions from the German Federal Employment Agency. The reimbursements paid were recognized with effect on profit and loss in expenses for social security contributions according to the equity method, and amounted to €462 thousand.

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

	2009	2008
Fully consolidated companies		
Employees receiving wages	2,451	2,261
Salaried staff	2,034	2,217
Trainees	137	138
	4,622	4,616
Proportionately consolidated companies		
Employees receiving wages	83	66
Salaried staff	129	173
Trainees	1	1
	213	240
	4,835	4,856

14. Employee stock purchase plan

HHLA did not carry out an employee stock purchase plan in 2009.

The 2008 employee stock purchase plan resulted in personnel expenses of €920 thousand. For more information, please refer to Note 37.

15. Other operating expenses

The following table shows other operating expenses:

IN € THOUSAND	2009	2008
Leasing	39,992	38,612
External maintenance services	25,823	30,630
Consultancy, services, insurance and auditing expenses	25,624	31,794
Expenses from exchange rate differences	3,253	5,832
Losses from deconsolidation	2,997	13,500
Venture expenses	1,864	1,747
Other taxes	1,760	1,169
Losses on the disposal of property, plant and equipment	650	1,117
Other	18,253	21,896
	120,216	146,297

See Note 44 for further details of leasing expenses.

16. Depreciation and amortization

Depreciation and amortization in the financial year was as follows:

IN € THOUSAND	2009	2008
Intangible assets	3,683	6,755
Property, plant and equipment	91,492	84,102
Investment property	10,377	10,907
Non-current assets held for sale	11,749	0
	117,301	101,764

A classification of the depreciation and amortization by asset category is shown in the consolidated fixed asset movement schedule. Unscheduled write-downs were carried out in the reporting year (see Notes 26 and 30).

17. Earnings from associates accounted for using the equity method

The pro rata earnings from companies consolidated at equity amounting to € 164 thousand (previous year: € 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 2009. The company's annual financial statements to 31 December 2009 were not available when the consolidated financial statements were being prepared.

18. Financial result

The financial result in the reporting period was as follows:

IN € THOUSAND	2009	2008
Income from other equity investments	423	250
Depreciations of financial assets and non-current financial receivables	348	0
Expenses from transfer of losses	194	57
Other financial result	- 119	193
Interest income from bank balances	2,924	7,662
Income from exchange rate effects	908	2,939
Interest income from non-affiliated companies	810	1,081
Income from interest rate hedges	663	1,848
Interest income from non-consolidated affiliated companies	337	3,162
Income from lending of financial assets	2	0
Other interest and similar income	5,644	16,692
Interest portion of pension provisions	16,949	16,392
Interest expenses on bank borrowing	12,820	14,425
Interest expenses from non-consolidated affiliated companies	3,008	3,146
Interest portion of other provisions	2,398	2,702
Interest expenses from non-affiliated companies	1,832	2,997
Expenses from interest rate hedges	1,322	2,938
Interest included in lease payments	950	1,083
Expenses from exchange rate differences	654	4,216
Interest and similar expenses	39,933	47,899
Net interest	- 34,289	- 31,207
Financial result	- 34,408	- 31,014

The exchange rate differences which arose in 2009 primarily relate to HPC Ukraina. While in the previous year, this information related to METRANS Group and HPC Ukraina. Essentially, these were exchange rate effects arising from bank deposits and loans that were taken up. The declining trend in exchange rate effects is due to METRANS a.s. switching their functional currency from the Czech koruna (CZK) to the euro (€) as of 1 January 2009 (see also Note 4).

19. Research and development costs

In the 2009 financial year research and development costs of €1,532 thousand (previous year: €958 thousand) were recognized as an expense. These primarily related to software development.

20. 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 2009 and 2008 are as follows:

IN € THOUSAND	2009	2008
Consolidated income statement		
Deferred taxes on temporary differences	- 2,860	836
Deferred taxes on losses carried forward	748	- 177
	- 2,112	659
Current income tax expense	38,980	105,986
Income tax expense recognized in the income statement	36,868	106,645

Current income tax expenses include tax income from other accounting periods amounting to €2,406 thousand (previous year: expenses of €3,276 thousand).

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards as follows:

IN € THOUSAND	Deferred tax		Deferred tax liabilities	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Intangible assets	1,459	1,944	1,070	1,530
Property, plant and equipment and finance leases	4,534	6,243	13,943	12,625
Investment property	0	0	13,725	15,069
Financial assets	756	746	404	2
Inventories	18	114	143	31
Receivables and other assets	673	1,223	879	1,948
Pension and other provisions	38,966	28,754	1,506	1,611
Liabilities	1,379	1,076	82	13
Derivative financial instruments	0	0	0	66
Tax losses carried forward	750	1,498	0	0
Interest carried forward	0	164	0	0
	48,535	41,762	31,752	32,895
Netted amounts	- 18,723	- 21,209	- 18,723	- 21,209
Balance sheet items	29,812	20,553	13,029	11,686

NOTES

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 2009 and 2008 are as follows:

IN € THOUSAND	2009	2008
Profit before tax	126,004	324,146
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	40,674	104,634
Adjustment in current income taxes for prior years	- 3,518	4,159
Effect of tax rate changes	157	166
Tax-free income	- 137	- 300
Non-deductible expenses	3,119	5,239
Trade tax additions and reductions	1,059	1,544
Differences in tax rates	- 4,221	- 7,428
Other tax effects	- 265	- 1,369
	36,868	106,645

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 2008 and 2009. 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 generally do not pay trade tax. Trade tax no longer reduces the amount of a company's profits on which trade tax is payable; neither does it lessen the amount on which corporation tax is paid. Due to rules on minimum taxation, tax loss carry-forwards are only partially usable in Germany. Tax losses of up to €1 million can be set off against taxable profits without restriction, and higher tax losses up to a maximum of 60 %.

The tax income for previous years results largely from the adjustment of income tax expenses recognized in the previous year as a result of a tax audit, as well as the subsequent impact from tax assessments in previous years amounting to € - 2,406 thousand.

The impact on non-deductible expenses is accounted for primarily by the effect under tax law of the deconsolidation loss from the sale of the shares in combisped Hanseatische Spedition GmbH, Lübeck. Retained earnings of domestic subsidiaries amounting to €24,971 thousand (previous year: €0 thousand) are to be distributed in 2010. The tax expense incurred by the distribution of €403 thou-

sand (previous year: €0 thousand) was recognized as a deferred tax liability. The resulting effect under tax law was recorded as a non-deductible expense.

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 carry-forwards and temporary differences if it is sufficiently certain that they can be realized in the near future. The Group has corporation tax loss carry-forwards of €4,735 thousand (previous year: €7,760 thousand) and trade tax loss carry-forwards of €5 thousand (previous year: €1,641 thousand) which it can use without restriction to set off against future taxable profits in the companies in which the losses were incurred. The interest carried forward came to €0 thousand (previous year: €1,036 thousand) due to an increased deductibility allowance for interest expenses. No deferred tax assets were recognized for corporation tax loss carry-forwards of €611 thousand (previous year: €532 thousand) and trade tax loss carry-forwards of €804 thousand (previous year: €375 thousand). Under current legislation, the tax losses and interest can be carried forward in Germany without restriction.

Deferred tax assets of €403 thousand (previous year: €159 thousand) and deferred tax liabilities of €18,169 thousand (previous year: €25,691 thousand) recognized directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions and cash flow hedges.

The income tax recognized in the consolidated statement of comprehensive income is made up as follows:

IN € THOUSAND	2009			2008		
	Gross	Taxes	Net	Gross	Taxes	Net
Actuarial profits/losses	- 23,640	7,636	- 16,004	12,273	- 3,686	8,587
Cash flow hedges	- 800	153	- 647	- 1,845	622	- 1,223
Differences from foreign currency translation	71	- 23	48	0	0	0
	- 24,369	7,766	- 16,603	10,428	- 3,064	7,364

21. Share of results attributable to other shareholders

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

The decrease in the share of results attributable to other shareholders is a result of the overall negative results trend.

22. 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 for basic earnings per share:

	2009	2008
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	53,046	160,351
Number of common shares in circulation (weighted average)	72,679,826	72,629,045
Basic earnings per share in €	0.73	2.21

The basic earnings per share for 2009 were calculated for the subgroups as follows:

	Port Logistics	Real Estate
Share of consolidated net profit 2009 attributable to shareholders of the parent company in € thousand	46,705	6,341
Number of common shares in circulation (weighted average)	69,975,326	2,704,500
Basic earnings per share in €	0.67	2.34

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.

23. Dividends distributed and proposed

A resolution was passed at the Annual General Meeting held on 4 June 2009 to distribute a dividend of € 72,680 thousand to holders of common shares for the financial year 2008. At the time of the distribution, the number of shares entitled to dividends amounted to 72,679,826, of which 69,975,326 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 € 1.00 per Class A share and € 1.00 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2010, dividends of € 27,990 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 € 0.40 for the subgroup Port Logistics and € 1.00 for the subgroup Real Estate.

NOTES TO THE CONSOLIDATED BALANCE SHEET

24. Intangible assets

The following table show the changes in intangible assets in 2009:

Intangible assets 2009

IN € THOUSAND

	Goodwill	Software	Internally developed software	Other intangible assets	Payments on account	2009 Total
Cost						
1 January 2009	47,564	33,635	21,378	1,399	9,919	113,895
Additions	4	1,465	3,806	0	2,249	7,524
Disposals	0	- 105	- 5	0	0	- 110
Reclassifications	0	2,268	0	0	- 2,025	243
Changes in group of consolidated companies	0	- 20	0	0	0	- 20
Exchange rate effects	0	- 84	0	0	0	- 84
31 December 2009	47,568	37,159	25,179	1,399	10,143	121,448
Accumulated amortization and impairment losses						
1 January 2009	3,323	30,742	75	1,399	0	35,539
Additions	0	2,602	1,081	0	0	3,683
Disposals	0	- 43	0	0	0	- 43
Changes in group of consolidated companies	0	- 20	0	0	0	- 20
Exchange rate effects	0	- 45	0	0	0	- 45
31 December 2009	3,323	33,236	1,156	1,399	0	39,114
Net carrying amount	44,245	3,923	24,023	0	10,143	82,334

Of the internally developed software shown, €15,535 thousand was not yet completed as of the balance sheet date.

Of the payments on account, €8,075 thousand relate to the development and expansion of software for management, scheduling and migration systems belonging to HHLA Container Terminal Burchardkai GmbH, Hamburg.

Reclassifications totalled €243 thousand and relate to software being taken out of the category of property, plant and equipment (see Note 25).

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

IN € THOUSAND	31.12.2009	31.12.2008
Container (Rosshafen)	30,929	30,929
Intermodal	6,821	6,821
Container (HHCT)	6,493	6,489
Other	2	2
	44,245	44,241

The goodwill of €30,929 thousand disclosed as of 31 December 2009 relates to the 100 % stake in HHLA Rosshafen Terminal GmbH, Hamburg, acquired by HHLA in 2006. The acquired 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. This goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites let by the Company.

The following table shows the changes in intangible assets in 2008:

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
Reclassifications	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
Additions	3,323	3,357	75	0	0	6,755
Disposals	0	- 774	0	0	0	- 774
Reclassifications	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

The changes in goodwill disclosed in the previous year related to the following issues:

BULCOTRANS Lagerei- und Umschlagsgesellschaft mbH, Hamburg, was acquired in 2008 and then sold again in the same year. This led to a deconsolidation loss of €13.5 million. Furthermore, the goodwill generated by the gradual share purchases in HHLA Logistics Altenwerder GmbH & Co. KG amounting to €2,312 thousand is recognized in additions. In the course of impairment testing, the need for an impairment in the amount of the goodwill was identified; this was recorded in 2008 as an unscheduled write-down.

25. Property, plant and equipment

The following tables show the changes in property, plant and equipment in 2009 as follows:

Property, plant and equipment 2009

IN € THOUSAND

	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Plant under construction	2009 Total
Cost					
1 January 2009	514,794	598,437	321,962	146,772	1,581,965
Additions	58,327	9,353	26,598	55,348	149,626
Disposals	- 6,565	- 9,438	- 10,501	- 484	- 26,988
Reclassifications	50,631	33,227	3,369	- 87,836	- 609
Changes in group of consolidated companies	7,762	0	- 1,853	- 37	5,872
Reclassification on non-current assets held for sale	- 13,445	- 9,002	- 47	0	- 22,494
Exchange rate effects	- 330	- 1,610	- 51	- 155	- 2,146
31 December 2009	611,174	620,967	339,477	113,608	1,685,226
Accumulated depreciation and impairment losses					
1 January 2009	241,153	310,533	157,274	20	708,980
Additions	20,309	39,202	31,981	0	91,492
Disposals	- 4,404	- 9,189	- 10,823	- 20	- 24,436
Changes in group of consolidated companies	0	0	- 1,780	0	- 1,780
Reclassifications on non-current assets held for sale	- 2,599	- 2,916	- 30	0	- 5,545
Exchange rate effects	- 23	- 203	- 31	0	- 257
31 December 2009	254,436	337,427	176,591	0	768,454
Net carrying amount	356,738	283,540	162,886	113,608	916,772
of which finance leases	43	3,004	19,347	0	22,394

In 2008, property, plant and equipment developed as follows:

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
Reclassifications	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
Additions	19,897	36,024	28,157	24	84,102
Disposals	- 1,472	- 792	- 6,585	0	- 8,849
Reclassifications	2,018	0	- 9	0	2,009
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

The plant under construction portfolio recognized in the reporting year primarily relates to terminal expansions in the form of berth and storage area expansions and payments for container gantry cranes.

Reclassifications came in total to €609 thousand and relate to a reclassification of €243 thousand (see Note 24) in property, plant and equipment to intangible assets as well as transfers of €366 thousand for the purpose of reclassification as investment property according to IAS 40 (see Note 26).

Detailed information about the non-current assets held for sale is available in Note 30.

Buildings, surfacing and movable fixed assets with a carrying amount of €80,231 thousand (previous year: €41,872 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 €26,299 thousand (previous year: €23,648 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 44.

In the reporting year, borrowings costs of €707 thousand went towards the capitalization of buildings and components of buildings. The borrowing costs rates were between 1.86 % and 4.89 % p.a.

26. Investment property

The following tables show the changes in investment properties in 2009 and 2008:

thousand. When calculating the fair value, 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 %.

IN € THOUSAND	2009			2008	
	Investment property	Payments on account and plant under construction	Total	Investment property	Total
Cost					
1 January	257,675	0	257,675	238,922	238,922
Additions	2,066	464	2,530	9,026	9,026
Disposals	- 377	0	- 377	0	0
Reclassifications	56	310	366	9,727	9,727
31 December	259,420	774	260,194	257,675	257,675
Accumulated depreciation and impairment losses					
1 January	63,960	0	63,960	57,337	57,337
Additions	10,377	0	10,377	10,907	10,907
Disposals	- 330	0	- 330	0	0
Write-ups	- 284	0	- 284	- 2,275	- 2,275
Reclassifications	0	0	0	- 2,009	- 2,009
31 December	73,723	0	73,723	63,960	63,960
Net carrying amount					
1 January	193,715	0	193,715	181,585	181,585
31 December	185,697	774	186,471	193,715	193,715

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 € 47,353 thousand (previous year: € 41,333 thousand). The direct operating expenses for the investment properties amounted to € 19,458 thousand (previous year: € 13,694 thousand) in the reporting year.

Changed assumptions regarding lease payment flows led to a write-up requirement of € 284 thousand in 2009 (previous year: € 2,275 thousand), which is recorded in other operating income in the Container segment, as well as an unscheduled write-down amounting to € 1,550 thousand (previous year: € 2,062 thousand), which was also recorded in the Container segment, under depreciation of investment properties.

The fair value of the investment properties totalled € 397,863 thousand (previous year: € 399,452 thousand). A valuation by an external assessor exists for properties with a fair value of € 60,400

The other fair values were determined without the help of an external assessor by the Group's real estate department. The values arrived at by HHLA's own calculations as of 31 December 2009 were not significantly different to those produced by the external valuation in 2007. The fair values from the 2007 valuations were reviewed in the financial year on the basis of HHLA's own calculations and amended as necessary.

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 of 10 years or up to the end of the useful lives of properties with a remaining useful life of less than 10 years.

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 consistently using standard market interest rates of 6.34 % to 8.92 % p.a. Property-specific fair value is determined on the basis of property-specific measurement criteria.

Regarding 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, see explanatory remarks on the lease agreements in Note 44.

Investment properties with a residual carrying amount of € 90,379 thousand (previous year: € 90,518 thousand) relate to buildings in the Speicherstadt historical warehouse district. Thereof, payments on account and plants under construction amount to € 774 thousand. As these buildings are designated as historical landmarks, extensive refurbishment work must comply with the relevant statutory restrictions.

27. Associates accounted for using the equity method

CuxPort GmbH, Cuxhaven, is recognized under shares in associated companies.

IN € THOUSAND	31.12.2009	31.12.2008
Shares in associated companies	1,487	1,424

28. Financial assets

The following table shows the changes in financial assets:

IN € THOUSAND	31.12.2009	31.12.2008
Securities	4,800	4,213
Shares in affiliated companies	1,634	1,458
Other equity investments	257	296
Other financial assets	1,371	1,158
	8,062	7,125

The securities primarily relate to insolvency insurance for phased early retirement entitlements amounting to € 2,854 thousand (previous year: € 2,934 thousand) and retroactive allocations paid into the deposit facilities of the working lifetime accounts by HHLA, which came to € 1,606 thousand (previous year: € 866 thousand). The securities for insolvency insurance for phased early retirement entitlements are pledged as collateral or assigned as hedges. In the

reporting year, appreciation of € 49 thousand was reversed following € 110 thousand in write-ups in the previous year.

The retroactive allocations for the working lifetime accounts were made in the form of payments made by HHLA into the deposit facilities of the working lifetime accounts. These payments do 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.

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 € 541 thousand and receivables from the Hamburg Port Authority AöR, Hamburg, amounting to € 423 thousand.

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

29. Inventories

Inventories are made up as follows:

IN € THOUSAND	31.12.2009	31.12.2008
Raw materials, consumables and supplies	16,859	16,766
Work in progress	2,905	2,863
Finished products and merchandise	615	290
	20,379	19,919

Impairment losses on inventories recognized as an expense amount to € 870 thousand (previous year: € 1,053 thousand). This expense is included in the cost of materials (see Note 12).

30. Non-current assets held for sale

The non-current assets held for sale are mainly land plots, buildings, container gantry cranes and railway sidings owned by the HHLA Intermodal segment amounting to € 5,200 thousand (previous year: € 3,500 thousand) which are expected to be sold within the coming financial year. Unscheduled write-downs of € 11,749 thousand were recognized in financial year 2009, to report the assets at fair value less selling costs. These write-downs are recognized under depreciation and amortization (see Note 16) in the income statement.

31. Other financial receivables

IN € THOUSAND	31.12.2009	31.12.2008
Current receivables from employees	271	1,665
Current reimbursement claims against insurers	163	182
Positive fair values of interest rate caps	43	9
Positive fair values of interest rate swaps	0	8
Other current financial receivables	1,879	14,370
	2,356	16,234

In the reporting year, other current financial receivables mainly include receivables due from other shareholders. In 2008, other current financial receivables included 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.

32. Trade receivables

Trade receivables of €121,731 thousand (previous year: €138,572 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 €1,755 thousand (previous year: €1,566 thousand). In 2009 impairment allowances of €975 thousand (previous year: €616 thousand) were recognized as an expense. Payments of €296 thousand (previous year: €200 thousand) were received on written-down trade receivables. Written-down trade receivables of €490 thousand (previous year: €322 thousand) were taken out of the books. Receivables totalling €14,944 thousand (previous year: €28,325 thousand) were assigned as collateral for financial liabilities. Collateral for trade receivables is only held to a minor extent (e.g. rental guarantees).

33. Receivables from related parties

Receivables from related parties are made up as follows:

IN € THOUSAND	31.12.2009	31.12.2008
Receivables from the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	4,203	5,228
Receivables from the Free and Hanseatic City of Hamburg (FHH)	350	1,092
Receivables from related parties and joint ventures	2,107	959
	6,660	7,279

Of the receivables from HGV, €4,200 thousand (previous year: €5,200 thousand) relate to receivables from Group clearing, which pay standard market interest.

34. Other assets

IN € THOUSAND	31.12.2009	31.12.2008
Current tax credits	4,767	9,950
Payments on account	723	363
Other	6,802	5,265
	12,292	15,578

The short-time working hours implemented in the second half of the reporting year resulted in a claim for reimbursement of employer's social security contributions from the German Federal Employment Agency totalling €293 thousand, which is included in the miscellaneous other assets.

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

35. Income tax receivables

IN € THOUSAND	31.12.2009	31.12.2008
Income tax receivables	23,412	11,254

Income tax receivables result from offsettable taxes paid on investment income and advance tax payments.

36. Cash and cash equivalents

IN € THOUSAND	31.12.2009	31.12.2008
Short-term deposits	68,232	145,248
Bank balances and cash in hand	105,299	80,713
	173,531	225,961

Cash and cash equivalents are made up of cash in hand and various bank balances in different currencies. Cash of €11,785 thousand (previous year: €5,282 thousand) is subject to foreign exchange outflow restrictions.

As of 31 December 2009, the Group had unused lines of credit amounting to €30,535 thousand (previous year: €10,535 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 0.0 % and 5.18 % (previous year: 0.1 % and 5.2 %). The fair value of cash and cash equivalents is largely equivalent to their book value.

37. 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 re-divided 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 of association 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 2008, 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 Class A 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 drawn up voluntarily 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 and liquid funds, interest expenses and interest income

are 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.

As per the voting rights notification of 9 October 2009, Lone Pine Capital LLC, Greenwich/Connecticut, USA, fell short of the threshold of 3 % of the voting rights on 30 September 2009 and held 2.89 % 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 excluded. 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).

The Executive Board shall be authorized, with the consent of the Supervisory Board, to specify the further details of the implementation of the capital increases out of authorized capital I, in particular the additional rights embodied in share certificates and the 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). The holders of Class S shares are to be given subscription rights; the subscription rights of holders of Class A shares are excluded.

The Executive Board shall be authorized, with the consent of the Supervisory Board, to specify the further details of the implementation of the capital increases out of authorized capital II, in particular the additional rights embodied in a share certificate and the 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 financial year 2007, the capital reserve contained the premium of €30,000 thousand paid by shareholders as determined at the 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 in 2007 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 (previous year: €139,728 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).

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) changes in the time value of the working lifetime accounts 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.

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.

38. Pension provisions**PENSION OBLIGATIONS****DEFINED BENEFIT OBLIGATIONS**

The Group has set up defined benefit pension plans 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 labour 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 labour agreement for German seaports.

NOTES

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 dependants' 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 developed in the reporting and over the last 4 years as follows:

IN € THOUSAND	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Present value of pension obligations	323,824	299,862	311,873	377,077	383,993
Obligations from working lifetime accounts	1,317	802	482	289	–
	325,141	300,664	312,355	377,366	383,993

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

IN € THOUSAND	2009	2008
Present value of pension obligations as of 01.01	299,862	311,873
Current service expense (recognized in income statement)	3,321	3,414
Interest expenses (recognized in income statement)	16,787	16,366
Actuarial gains (-) and losses (+)	23,612	- 12,273
Pension payments	- 19,758	- 19,518
Present value of pension obligations as of 31.12	323,824	299,862

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	2009	2008
Balance sheet amounts as of 01.01	299,862	311,873
Expense recognized in the income statement	20,108	19,780
Pension payments	- 19,758	- 19,518
Actuarial gains (-) and losses (+)	23,612	- 12,273
Balance sheet amounts as of 31.12	323,824	299,862

The gains and losses offset in equity changed as follows:

IN € THOUSAND	2009	2008
Actuarial gains as of 01.01	- 79,865	- 67,592
Change in financial year	23,612	- 12,273
Actuarial gains as of 31.12	- 56,253	- 79,865

The following actuarial assumptions are used to determine pension provisions:

IN %	31.12.2009	31.12.2008
Discount rate	4.75	5.60
Forecast increase in pay	3.00	3.00
Forecast increase in pensions (without BRTV)	2.00	2.30
Forecast increase in pensions (monthly pensions under BRTV)	1.00	0.80
Fluctuation rate	1.30	1.30

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

The discount rate (4.75 %) results from the current yield for industry obligations in December 2009 less a reduction for higher credit standings. If a discount rate of 5.10 % (previous year: 5.00%) were applied, the present value of the pension obligations as of 31 December 2009 would be €310 million (previous year: €320 million).

OBLIGATIONS FROM WORKING LIFETIME ACCOUNTS

In 2006, the companies in the Group undertook to set up working lifetime accounts due to 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 allocation of benefit commitments has changed as follows over the last 4 years:

IN € THOUSAND	31.12. 2009	31.12. 2008	31.12. 2007	31.12. 2006
Present value of obligations	5,029	2,635	1,894	850
Present value of plan assets (fund shares)	- 3,712	- 1,833	- 1,412	- 561
Uncovered allocations	1,317	802	482	289

The present value of the obligations developed as follows:

IN € THOUSAND	2009	2008
Present value of the obligations as of 01.01	2,635	1,894
Current service expense	1,942	721
Interest expenses (recognized in income statement)	161	26
Actuarial losses	77	0
Capital payments	- 41	- 2
Other	255	- 4
Present value of the obligations as of 31.12	5,029	2,635

The present value of the plan assets developed as follows:

IN € THOUSAND	2009	2008
Present value of the plan assets as of 01.01	1,833	1,412
Expected income from the plan assets	157	26
Inpayment	1,459	350
Actuarial losses	49	0
Capital payments	- 41	- 2
Other	255	47
Present value of the plan assets as of 31.12	3,712	1,833

The plan assets consist solely of shares in money market and investment funds. The expected return on the plan assets is 4.75 %. Gains of € 177 thousand (previous year: loss of € 194 thousand) were recorded on the plan assets in the financial year.

The following figures were recognized in the income statement:

IN € THOUSAND	2009	2008
Current service expense including salary conversion	1,942	721
thereof gathered at costs as uncovered part	483	371
thereof gathered at plan assets as covered part	1,459	350
Interest expenses	161	26
Expected income from the plan assets	- 157	- 26
	1,946	721

The amount from current service costs that is taken into account in the income statement is restricted to the uncovered part, which amounts to € 483 thousand (previous year: € 371 thousand).

The gains and losses offset in equity changed as follows:

IN € THOUSAND	2009	2008
Actuarial losses as of 01.01	10	10
Changes in the financial year	28	0
Actuarial losses as of 31.12	38	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 €372 thousand in the reporting year (previous year: €629 thousand).

In 2009, HHLA paid €20,701 thousand (previous year: €20,633 thousand) into the state pension system as its employer's contribution.

39. Other non-current and current provisions

The following table shows significant other non-current and current provisions in the reporting years 2009 and 2008:

IN € THOUSAND	31.12.2009			31.12.2008		
	Total	Thereof current	Thereof non-current	Total	Thereof current	Thereof non-current
Demolition obligations	34,018	0	34,018	30,772	0	30,772
Phased early retirement	21,304	5,497	15,807	13,755	3,636	10,119
Bonuses and single payments	5,943	5,943	0	5,243	5,243	0
Anniversaries	2,350	0	2,350	2,079	0	2,079
Other	11,331	7,414	3,917	16,749	9,623	7,126
	74,946	18,854	56,092	68,598	18,502	50,096

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 buildings designated as historical landmarks. The demolition obligations relate to HHLA's Container, Real Estate and Logistics segments and are discounted at a rate of 4.5 % p.a. as in the previous year. An outflow of resources is expected in the period 2025–2036.

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. In addition to current phased early retirement contracts, provisions were also made for all employees who have applied for phased early retirement

and for employees offered phased early retirement who will fulfil the requirements in the future. In the past, phased early retirement was based on the collective labour agreement regarding phased early retirement dated 1 July 2001, which only included the so-called block model and stipulated that a maximum of 5 % of the workforce would be entitled to make use of phased early retirement. The collective labour agreement regarding phased early retirement dated 4 August 2009 repealed this 5 % limit. The Group organized employee meetings in the financial year 2009, and made each employee who fulfils the conditions of taking phased early retirement in accordance with the collective labour agreement a binding verbal offer. A corresponding provision was formed for all employees who

have already signed an agreement or received an offer in writing. Another provision was formed for employees who are expected to make use of the existing opportunity to conclude a phased early retirement agreement. The number of employees expected to do so is based on discussions conducted with employees and past experience. Due to the attractive nature of the offer, the Executive Board expects a high proportion of those eligible to make use of the offer. The amount of the provision was determined using an interest rate of 4.75 % p.a. (previous year: 5.6 % p.a.).

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 4.75 % p.a. (previous year: 5.6 % 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 €2,830 thousand (previous year: €4,154 thousand), for insurance excesses of €1,539 thousand

(previous year: €1,759 thousand), legal fees and litigation expenses of €1,308 thousand (previous year: €1,467 thousand), for guarantees of €617 thousand (previous year: €1,065 thousand), for benefits to retired and former employees of €318 thousand (previous year: €378 thousand), and miscellaneous other provisions totalling €4,719 thousand (previous year: €7,926 thousand).

The following provisions schedule shows changes in other non-current and current provisions:

IN €THOUSAND	01.01.2009	Additions	Accrued interest	Used	Reversed	31.12.2009
Demolition obligations	30,772	2,800	1,513	298	769	34,018
Phased early retirement	13,755	10,365	765	3,581	0	21,304
Bonuses and single payments	5,243	5,951	0	4,929	322	5,943
Anniversaries	2,079	163	110	2	0	2,350
Other	16,749	7,171	10	8,169	4,430	11,331
	68,598	26,450	2,398	16,979	5,521	74,946

40. 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 €3,697 thousand (previous year: €4,058 thousand) accrued up to the balance sheet date and bank overdraft facilities totalling €23 thousand (previous year: €0.4 thousand).

IN €THOUSAND	31.12.2009			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities from bank loans	33,055	146,680	150,250	329,985
Finance lease liabilities	3,755	12,671	939	17,365
Liabilities towards employees	9,897	0	0	9,897
Negative fair values of exchange and interest rate hedges	1,535	1,529	0	3,064
Other loans	0	1,341	0	1,341
Other financial liabilities	17,835	1,934	1,019	20,788
	66,077	164,155	152,208	382,440

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

NOTES

The liabilities towards employees consist primarily of wages and salaries and holiday entitlement.

The other financial liabilities include, in particular, reimbursements for customers and liabilities to shareholders outside the Group.

The following table shows the terms of the liabilities from bank loans:

have been pledged as collateral for interest-bearing loans and finance lease agreements. 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.

Currency	Interest condition	Remaining fixed interest period	Interest rate	Nominal value	Carrying amount as of 31.12.2009 in € thousand
€ thousand	fixed	2019	3.66 %	20,000	20,000
€ thousand	fixed	2018	3.79–3.84 %	7,811	3,905
€ thousand	fixed	2017	5.67 %	3,579	1,432
€ thousand	fixed	2016	5.61 %	30,000	21,000
€ thousand	fixed	2015	4.23 %	25,000	25,000
€ thousand	fixed	2012	5.15–5.55 %	83,624	55,086
€ thousand	fixed	2011	4.60–5.31 %	54,881	32,012
€ thousand	fixed	2010	4.45–5.66 %	24,542	20,155
CZK thousand	fixed	2010	4.00 %	35,000	65
€ thousand	floating	2010	floating + margin	169,979	143,411
CZK thousand	floating	2010	floating + margin	113,900	4,200
					326,266

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 the carrying amount are as follows:

IN € THOUSAND	31.12.2009		31.12.2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed interest-bearing loans	178,654	182,202	175,534	179,422

Interest rates of 2.3 % to 4.6 % p.a. (previous year: 3.8 % to 4.8 % 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 44 on finance leases.

Buildings, surfacing and movable items of non-current assets carried at €80,231 thousand (previous year: €41,872 thousand)

Other bank loans amounting to €26,299 thousand (previous year: €23,648 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 a result of borrowing, individual affiliates have covenants linked to key balance sheet figures. Violating these covenants would authorize the lender to demand additional collateral, a change to the conditions or the repayment of the loan. In order to prevent such measures from being taken, HHLA constantly monitors compliance with the covenants and implements the measures required to ensure that the conditions of the loan are met. As of 31 December 2009, corresponding borrowings totalled €94 million. The covenants were met at all agreed audit points throughout the reporting year.

41. 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.

42. Other liabilities

Other liabilities are made up as follows:

IN € THOUSAND	31.12.2009	31.12.2008
Public subsidies	11,216	13,598
Tax liabilities	6,119	8,605
Custom duties	4,718	3,230
Employer's accident liability insurance	3,105	3,722
Payments received on account	2,414	2,545
Port funds	1,039	1,978
Social security liabilities	433	90
Other debts	4,552	8,192
	33,596	41,960

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

The public subsidies related to 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 €25,881 thousand which was paid to HHLA in the period between 2001 and 2009. 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 5 to 20 years, observe certain operating criteria and provide the subsidizing body with evidence for the use of the funds.

The HHLA Group received public subsidies totalling €7,353 thousand (previous year: €10,163 thousand) in the reporting year.

43. Income tax liabilities

Income tax liabilities, to the extent that they exist, result from expected 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	31.12.2009	31.12.2008
Income tax liabilities	3,417	21,510

44. 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 5 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 development 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 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 1 to 7 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

IN € THOUSAND	31.12.2009	31.12.2008
Within one year	28,982	40,115
Between one and five years	104,519	118,101
Over five years	728,422	783,159
	861,923	941,375

obligations exist under uncancellable operating leases:

In the financial year, expenses of €39,992 thousand (previous year: €38,612 thousand) were incurred for leases, of which €1,376 thousand (previous year: €742 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 3 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	31.12.2009	31.12.2008
Within one year	31,321	31,338
Between one and five years	64,575	54,572
Over five years	32,406	33,352
	128,302	119,262

In the financial year income of €51,007 thousand (previous year: €48,607 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, among other things, lifting and ground handling vehicles, container-carrying vehicles and chassis, a light warehouse and IT hardware. For the most part, the contracts include renewal options and, in some cases, a right to offer the item for sale. The renewal options are always for the lessee; the right to sell the item may, in some cases, be exercised by the respective lessor. 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	31.12.2009	31.12.2008
Within one year	4,566	5,068
Between one and five years	13,759	15,825
Over five years	922	2,829
Total minimum lease payments	19,247	23,722
Within one year	3,755	4,286
Between one and five years	12,671	13,434
Over five years	939	2,790
Present value of minimum lease payments	17,365	20,510
Interest expenses from discounting	1,882	3,212

LITIGATION

In the course of carrying out their business activities, companies in the HHLA Group are involved in several court and arbitration proceedings as of 31 December 2009. 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 at the Group company concerned, 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 €3,715 thousand (previous year: €899 thousand) from guarantees and of €1,850 thousand (previous year: €1,600 thousand) from comfort letters.

Of these guarantees, proportionately consolidated joint ventures account for €401 thousand (previous year: €327 thousand) and the associate accounted for using the equity method for €492 thousand (previous year: €572 thousand).

OTHER FINANCIAL OBLIGATIONS

At the balance sheet date the Group had obligations of €50,762 thousand (previous year: €130,224 thousand) from purchase commitments, €1,343,122 thousand (previous year: €941,375 thousand) from miscellaneous other obligations, and obligations from bills of exchange amounting to €8,777 thousand (previous year: €12,973 thousand).

Of the obligations from outstanding purchase commitments, €47,833 thousand is attributable to capitalization of property, plant and equipment.

Of miscellaneous other obligations, proportionately consolidated joint ventures account for €3,066 thousand (previous year: €40,056 thousand).

Please refer to Note 44 (Section 1) for details of the obligations from operating leases included here and listed separately.

45. 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 HHLA Group, or over which the HHLA 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 Executive 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	31.12.2009	31.12.2008
Companies with control over the Group		
Income from related parties	5,954	8,354
Expenses with related parties	5,730	2,703
Receivables from related parties	5,830	6,320
Liabilities to related parties	65,506	65,303
Non-consolidated subsidiaries		
Income from related parties	0	18
Expenses with related parties	0	0
Receivables from related parties	132	0
Liabilities to related parties	175	103
Joint ventures		
Income from related parties	4,176	4,947
Expenses with related parties	3,173	6,417
Receivables from related parties	668	713
Liabilities to related parties	603	693
Associated companies		
Income from related parties	176	119
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	1,075	1,523
Expenses with related parties	27,322	26,511
Receivables from related parties	30	246
Liabilities to related parties	45	2,610
Total		
Income from related parties	11,381	14,961
Expenses with related parties	36,225	35,631
Receivables from related parties	6,660	7,279
Liabilities to related parties	66,329	68,709

NOTES

Receivables from companies with control over the Group are principally receivables of €4,200 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 0.27 % and 2.12 % p.a. in the reporting year (previous year: 2.08 % and 4.38 % 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 of 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 as well as 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 about €188.0 million (previous year: €168.0 million), of which approx. €158.3 million plus interest was still outstanding on 31 December 2009 (previous year: €146.6 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

AS OF 31 DECEMBER 2009

Company name and headquarters				Share of capital		Equity	Annual profit	
				direct	indirect		year	€ thousand
				%	%			
PORT LOGISTICS								
Segment Container								
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)	100.0		111,410	2009	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg	1)	2)	3)		100.0	1,909	2009	0
LZU Leercontainer Zentrum Unikai GmbH, Hamburg	1)				65.0	2,300	2009	2,000
HHLA Container Terminal Tollerort GmbH, Hamburg	1)	2)	3)		100.0	32,669	2009	0
HHLA Rosshafen Terminal GmbH, Hamburg	1)				100.0	17,907	2009	2,568
CTT Besitzgesellschaft mbH, Hamburg	1)				100.0	72	2009	112
UNIKAI Hafenbetrieb GmbH, Hamburg	1)	2)	3)		100.0	3,500	2009	0
HHLA Container-Terminal Altenwerder GmbH, Hamburg	1)				74.9	123,967	2009	49,942
SCA Service Center Altenwerder GmbH, Hamburg	1)	2)	3)		74.9	600	2009	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg	4)				37.5	52	2009	2
HHLA CTA Besitzgesellschaft mbH, Hamburg	1)				74.9	6,125	2009	891
CuxPort GmbH, Cuxhaven	6)				25.1	5,379	2009	460
FLZ Hamburger Feeder Logistik Zentrale GmbH, Hamburg	4)	7)			66.0	25	2009	0
HHLA Container Terminal Burchardkai GmbH, Hamburg	1)	2)	3)	100.0		74,938	2009	0
Service Center Burchardkai GmbH, Hamburg	1)	2)	3)		100.0	26	2009	0
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven	5)			50.0		- 14	2009	6
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven	5)			50.0		30	2009	0
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg	5)			23.0	17.4	1,281	2009	546
SC HPC Ukraina, Odessa/Ukraine	1)				100.0	42,677	2009	14,638
Segment Intermodal								
HHLA Intermodal GmbH, Hamburg	1)	2)	3)	100.0		29,039	2009	0
CTD Container-Transport-Dienst GmbH, Hamburg	1)	2)	3)		100.0	256	2009	0
CTL Container Terminal Lübeck GmbH, Lübeck	1)	2)	3)		100.0	4,755	2009	0
HHLA Intermodal Polska sp. zo. o., Warsaw/Poland	1)	7)			100.0	28	2009	- 22
HHLA Intermodal Polska Terminals sp. zo. o., Warsaw/Poland	1)	5)			100.0	11	2009	- 2
METRANS a.s., Prague/Czech Republic	1)				51.5	87,808	2009	14,473
METRANS (Danubia) a.s., Dunajska Streda/Slovakia	1)				51.5	13,798	2009	1,374
METRANS (Deutschland) GmbH, Hamburg	1)	5)			51.5	106	2008	0
METRANS (Danubia) Kft., Gyor/Hungary	1)	5)			51.5	182	2009	- 108
METRANS Adria D.O.O., Koper/Slovenia	1)	5)			51.5	52	2009	- 33
METRANS Plzen a.s., Pankrac, Nyrany/Czech Republic	1)	5)			51.5	75	2009	- 1
UMSP Property a.s., Prague/Czech Republic	1)				51.5	73	2009	- 2
IBZ Pankrac a.s., Nyrany/Czech Republic	1)	5)			48.1	199	2009	- 8
DYKO, spol. s.r.o., Kolin/Czech Republic	1)				51.5	2,208	2009	196
SDM-Depo a.s., Prague/Czech Republic	1)	7)			51.5	5,542	2009	25
Railtransport s.r.o., Sokolov/Czech Republic	1)	5)			25.8	-	2009	-
TFG Transfracht Internationale Gesellschaft für kombinierten Güterverkehr mbH & Co. KG, Frankfurt/Main	4)				50.0	3,250	2009	- 650
TFG Verwaltungs GmbH, Frankfurt/Main	5)				50.0	127	2009	0
POLZUG Intermodal GmbH, Hamburg	4)				33.3	6,402	2009	381
POLZUG Intermodal Polska sp. zo.o., Warsaw/Poland	4)				33.3	5,321	2009	60
Silk Road Express Georgia LLC, Poti/Georgia	5)				24.9	110	2008	4

Breakdown of HHLA's equity investments into segments

AS OF 31 DECEMBER 2009

Company name and headquarters				Share of capital		Equity	Annual profit	
				direct	indirect		year	€ thousand
				%	%			
Segment Logistics								
HPC Hamburg Port Consulting GmbH, Hamburg	1)	2)	3)	100.0		1,023	2009	0
HPTI Hamburg Port Training Institute GmbH, Hamburg	1)	2)	3)		100.0	102	2009	0
Uniconsult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)		100.0	100	2009	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg	1)			51.0		4,378	2009	1,413
ARS-UNIKAI GmbH, Hamburg	4)				25.5	290	2009	48
HCC Hanseatic Cruise Centers GmbH, Hamburg	1)	7)			51.0	671	2009	172
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg	1)			51.0		14,258	2009	511
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg	1)			51.0		707	2009	553
HHLA Logistics GmbH, Hamburg	1)	2)		100.0		- 1,237	2009	0
HHLA Logistics Altenwerder GmbH & Co. KG, Hamburg	1)			100.0		179	2009	- 895
HHLA Logistics Altenwerder Verwaltungsgesellschaft mbH, Hamburg	1)	5)		100.0		48	2009	0
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg	3)	4)		49.0		-	2009	-
Holding/Other								
GHL Erste Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg	1)	2)	3)	100.0		2,556	2009	0
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg	1)	2)	3)	100.0		526	2009	0
HHLA-Personal-Service-Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)	100.0		45	2009	0
HHLA Energiehandelsgesellschaft mbH, Hamburg	1)	7)		100.0		17	2009	- 5
HCCR Erste Beteiligungsgesellschaft mbH, Hamburg	1)	5)			100.0	34	2009	0
REAL ESTATE								
Segment Real Estate								
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg	1)	2)	3)	100.0		3,491	2009	0
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block D mbH, Hamburg	1)	2)	3)	100.0		8,184	2009	0
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Bei St. Annen mbH, Hamburg	1)			100.0		8,748	2009	880
GHL Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung Block T mbH, Hamburg	1)	2)	3)	100.0		1,327	2009	0

1) Controlled company. 2) Profit and loss transfer agreements existed with these companies in 2009. 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 significance, these companies are not included in the consolidated financial statement or, as associated companies, they are not measured using the equity method, but instead are shown as participations. 6) Associates accounted for using the equity method. 7) Consolidation for the first time in 2009.

COMPENSATION FOR KEY MANAGEMENT PERSONNEL

The relevant group of people includes the current and former members of the Executive Board and their surviving dependants.

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. 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 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 consolidated earnings before taxes 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 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 5 or 8 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 upon leaving the Executive Board, transitional pay will apply for a limited period based on the annual basic salary. This rule is 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.

The following remuneration was paid to the members of the Executive Board in 2009 (previous year):

IN € THOUSAND

Performance-unrelated remuneration		Performance-related remuneration	Total
Base salary	Other benefits		
1,519	75	1,005	2,599
(1,450)	(64)	(2,063)	(3,577)

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 2008.

Benefits totalling € 751 thousand (previous year: € 520 thousand) were paid to former members of the Executive Board and their surviving dependants. Provisions of € 3,625 thousand (previous year: € 6,063 thousand) have been made for pension commitments to active Executive Board members and provisions of € 11,639 thousand (previous year: € 6,438 thousand) have been made for pension commitments to former Executive Board members and their surviving dependants. The change in the level of provisions is primarily due to the first-time consideration of two former board members.

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 is paid one and a half times the basic 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 financial year, while the Chairman of the committee receives € 5,000. How-

ever, the total may not exceed € 10,000. Furthermore, Supervisory Board members receive a meeting attendance fee of €250 for each meeting of the Supervisory Board or one of its committees.

Remuneration to the Supervisory Board totalled €287 thousand in 2009 (previous year: €290 thousand).

46. 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 derivative 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. 77 % (previous year: 88 %) of the Group's borrowing was at fixed interest rates, including an amount of €71,933 thousand (previous year: €86,203 thousand) covered by interest rate swaps. Interest rate caps were also in place for a further €9,648 thousand (previous year: €3,000 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 of 31 December 2009, interest expenses arising from floating-rate loans would have been €738 thousand p.a. higher, interest income from overnight deposits and time deposit investments would have been €864 thousand p.a. higher, and income from interest rate hedges would have been €360 thousand p.a. higher. The fair value of the interest rate hedges would rise by €1,493 thousand. Of this, €992 thousand would be recorded directly in equity and €501 thousand would be recognized in the income statement, whose result would increase by a total of €987 thousand before tax.

EXCHANGE RATE RISK

Due to its investments in countries outside the euro zone, 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 no currency futures contracts. As of 31 December 2008, the Group held currency futures contracts with a nominal volume of €800 thousand and a market value of €-71 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 2008.

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 an ongoing basis and impairment allowances are made if risks are identified, such 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	31.12.2009	31.12.2008
Receivables not due for payment and not written down	90,919	104,549
Overdue receivables not written down	30,812	34,023
- thereof up to 30 days	23,749	27,281
- thereof 31 to 90 days	5,186	5,320
- thereof 91 days to 1 year	1,427	1,319
- thereof over 1 year	450	103
	121,731	138,572

Please refer to the comments on impairment allowances for trade receivables in Note 32.

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 as a rule 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 44.

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. If covenants have been agreed for individual loans, they are monitored on an ongoing basis to make sure they are being complied with. HHLA will introduce measures it deems necessary to ensure that the covenants are met.

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 40.

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The following outflows of liquidity are expected for future interest payments:

IN € THOUSAND	31.12.2009		
	Up to 1 year	1 to 5 years	Over 5 years
Outflow of liquidity for future interest payments on fixed-interest loans	8,410	26,773	24,942
Outflow of liquidity for future interest payments on floating-rate loans	2,816	7,435	1,302
	11,226	34,208	26,244

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

The interest rate swaps as of 31 December 2009 are expected to result in interest outflows totalling €2,018 thousand within 1 year and interest outflows of €3,810 thousand within a period of 1 to 5 years. Interest outflows of €1,020 thousand are expected within a period exceeding 5 years. An interest outflow is considered to be the difference between the amount to be paid and the amount to be received. The interest rate caps did not result in interest outflows.

FINANCIAL INSTRUMENTS

FAIR VALUE

With the exception of the non-current financial liabilities described in Note 40, there are no significant differences between the carrying amounts and fair values of financial instruments.

The following tables show the carrying amounts for the financial assets and liabilities according to the categories defined by IAS 39 for the financial years 2009 and 2008:

Financial assets 31.12.2009

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	1,371			4,800	1,891	8,062
Trade receivables	121,731					121,731
Receivables from related parties	6,660					6,660
Other financial receivables	2,313	43	0			2,356
Cash and cash equivalents	173,531					173,531
	305,606	43	0	4,800	1,891	

Financial liabilities 31.12.2009

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	
Non-current and current financial liabilities	1,779	1,285	362,011	17,365	382,440
Accounts payable			54,616		54,616
Liabilities towards related parties			66,329		66,329
	1,779	1,285	482,956	17,365	

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	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

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	
Non-current and current 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	

The fair value of available-for-sale financial assets is determined on the basis of market prices. Accordingly, these assets are assigned to level 1 according to IFRS 7.27(a). An appreciation in value of €49 thousand (previous year: €110 thousand) was recorded in the reporting year.

Financial assets at fair value held for trading, financial liabilities held for trading and financial liabilities held as effective hedging instruments are derivative financial instruments, for which no market price is available. These are measured using standard market methods (valuation

NOTES

methods) on the basis of instrument-specific market parameters. They are also assigned to level 2 in accordance with IFRS 7.27 (a). The market values are calculated with present value and option pricing models to determine the fair value. These models use the relevant market prices and interest rates observed at the balance sheet date, obtained from recognized sources, as input parameters.

In the reporting year, gains of € 130 thousand (previous year: € 1,902 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.

In the reporting year, changes of € - 800 thousand (previous year: € -1,845 thousand) in the fair value of financial instruments designated as hedging instruments (interest rate swaps) were recognized directly in equity. In the reporting year, the term of a few interest swaps expired as scheduled. The change in value which had been recognized in equity without effect on profit and loss until the expiration, was liquidated with effect on profit and loss, totalling in profits of € 126 thousand. Value changes of current swaps without effect on profit and loss amounted to € - 926 thousand.

Please refer to the table on the financial result in Note 18 for interest income and interest expenses.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used in the HHLA Group to reduce interest rate risks and, to a minor extent, to reduce currency and commodity price risks. The financial derivatives held in the consolidated financial statements are carried at fair value. Resulting gains and losses are recognized through profit and loss in the financial result unless the derivative financial instrument is part of a designated cash flow hedging relationship. The effective portion of unrealized gains and losses on cash flow hedges is recognized in equity without effect on profit and loss.

The following table shows the terms and maturities of the interest rate derivatives held on the balance sheet date:

The remaining maturity of the interest rate derivatives is between seven months and 9 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, as of the balance sheet date financial instruments covering an amount of € 27,843 thousand (previous year: € 33,610 thousand) with a market value of € -1,285 thousand (previous year: € -469 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 9 years. The amount covered by interest rate swaps is adjusted in line with the anticipated repayment of the loan over the term of the derivative.

In the financial year 2009, and the previous year losses of € 800 thousand (previous year: losses of € 1,845 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 of 31 December 2009, the value of the interest rate hedges recorded under other financial receivables would have increased by € 28 thousand, and the value of the interest rate hedges listed under other financial liabilities would have decreased by € 1,465 thousand. As a result of this change in value, € 992 thousand would be recorded directly in equity and € 501 thousand in the income statement (before taxes).

	Fixed interest rate	Floating rate	Amount covered	Market values 31.12.2009		Market values 31.12.2008	
				positive	negative	positive	negative
			€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Interest rate swaps	2.44 % to 5.83 %	1M to 6MEURIBOR	71,933	0	- 3,064	8	- 2,091
Interest rate caps	3.50 % to 4.25 %	6MEURIBOR	9,648	43	0	9	0
			81,581	43	- 3,064	17	- 2,091

47. 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 the balance sheet date is made up as follows:

IN € THOUSAND	31.12.2009	31.12.2008
Short-term deposits	68,232	145,248
Cash in hand and bank balances	105,299	80,713
Receivables HGV	4,200	5,200
Receivables cash pool	1,448	0
Bank overdraft facilities	- 23	0
	179,156	231,161

Receivables from HGV are overnight deposits available on demand.

48. Segment reporting

As from 1 January 2009, the HHLA Group's segment report is being prepared for the first time in accordance with the provisions of IFRS 8 *Operating Segments* and requires reporting on the basis of the internal reports to the Executive Board for the purpose of controlling the commercial activities. The first-time application of the standard had no impact on the structure of the segments subject to reporting requirements and led merely to additional disclosure requirements. Further comparative data was added to the previous year's figures and retrospectively adjusted where necessary. The segmentation principles and the assessment basis for the segment result remain unchanged.

The segment performance indicator used is the internationally customary key figure EBIT (earnings before interest and taxes), which serves to measure the success in each segment and therefore aids the internal control function. In the second quarter of 2009, internal reporting was extended to include EBIT from continuing activities. This excludes the result of non-current assets held for sale. This consists of the result for combisped and CTL, as well as the impairment charges included therein. As of the third quarter of

2009, the figure also includes the result of deconsolidating combisped. To facilitate comparison, the figures for last year have been adjusted accordingly.

The accounting and valuation principles applied for internal reporting comply with the principles applied by the HHLA Group described in Note 7 "Accounting and valuation principles" in this annual report.

The segment information is reported on the basis of the internal control function, which is consistent with external reporting and continues to be classified in accordance with the distinct activities of the HHLA Group's business segments. These are organized and managed autonomously in accordance with the type of services being offered.

The HHLA Group operates in the following four segments:

CONTAINER

This segment encompasses services relating to containers and ship handling. With its high-performance container terminals, HHLA maintains the Port of Hamburg's outstanding importance as a logistics hub for general cargo traffic.

INTERMODAL

The companies allocated to HHLA's Intermodal segment provide a comprehensive transport network encompassing rail, road and sea which links the German seaports with their hinterland in Europe.

LOGISTICS

This segment combines a wide range of services – including special handling, contract logistics and advisory 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. These include properties in the Speicherstadt historical warehouse district and the fish market area on the northern banks of the river Elbe.

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.

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Due to the structure of the HHLA Group, it is necessary to issue a large number of invoices for inter-segmental services. These predominantly relate to the use of real estate, the maintenance of handling equipment, IT services, administrative services and staff provided by the holding company. Wherever possible, these services are valued at market prices. If it is impossible to make a direct comparison with market prices, benchmarks are used to ensure market conformity. The charges for staff provided by the holding company are usually based on the actual cost.

The following table gives the details of the reconciliation of the segment variables with the corresponding Group variables:

EARNINGS

The reconciliation of the segment variable EBIT from continuing activities with consolidated earnings before taxes (EBT) incorporates the result of non-current assets held for sale, which amounts to € - 17,488 thousand. This contains the result from combisped of € - 3,394 thousand and the result from CTL of € - 14,094 thousand, including the deconsolidation loss for combisped of € - 2,997 thousand and the unscheduled write-down on CTL of € - 11,749 thousand. This also incorporates transactions between the segments and the subgroups for which consolidation is mandatory, as well as the proportion of companies accounted for using the equity method, net interest income and other financial result.

Reconciliation of the segment variable EBIT from continuing activities with consolidated earnings before taxes (EBT)

IN € THOUSAND	2009	2008
Total segment earnings (EBIT from continuing activities)	174,617	355,464
EBIT incl. impairment and deconsolidation loss of non-current assets held for sale	- 17,488	- 2,867
Total segment earnings (EBIT)	157,129	352,597
Elimination of business relations between segments and subgroups	3,119	2,455
Group	160,248	355,052
Earnings from associates accounted for using the equity method	164	108
Net interest	- 34,289	- 31,207
Other financial result	- 119	193
Earnings before tax (EBT)	126,004	324,146

SEGMENT ASSETS

The reconciliation of segment assets with Group assets incorporates not only items and financial investments for which consolidation is mandatory, but also claims arising from current and deferred income taxes and financial funds which are not to be assigned to segment assets.

Reconciliation of segment assets with Group assets

IN € THOUSAND	31.12. 2009	31.12. 2008
Total segment assets	1,537,114	1,566,707
Elimination of business relations between segments and subgroups	- 572,076	- 514,088
Current assets before consolidation	394,982	298,608
Financial assets	3,724	3,460
Deferred tax	29,812	20,553
Income tax receivables	23,412	11,254
Cash and cash equivalents	173,531	225,961
Group assets	1,590,499	1,612,455

OTHER SEGMENT INFORMATION

The reconciliation with Group investments totalling € - 1,165 thousand (previous year: € 365 thousand) contains the elimination of internal invoices for inter-segmental services relating to the generation of intangible assets and property plant and equipment.

In relation to the reconciliation of amortization and depreciation amounting to € - 2,764 thousand (previous year: € - 3,074 thousand), the entire amount is attributable to the elimination of inter-company profits between the segments and the subgroups.

The reconciliation of non-cash items amounting to € 102 thousand (previous year: € - 530 thousand) contains items for which consolidation is mandatory between the segments and the subgroups.

INFORMATION ABOUT GEOGRAPHICAL REGIONS

IN € THOUSAND	1 – 12 2009					
	Germany	EU	Outside EU	Total	Consolidation	Group
Segment revenues	805,054	140,018	45,671	990,743	0	990,743
Non-current segment assets	985,314	176,004	30,255	1,191,573	398,926	1,590,499
Investment in non-current segment assets	119,449	35,560	4,672	159,681	0	159,681

IN € THOUSAND	1 – 12 2008					
	Germany	EU	Outside EU	Total	Consolidation	Group
Segment revenues	1,075,150	179,133	72,543	1,326,826	0	1,326,826
Non-current segment assets ¹	972,232	147,672	30,428	1,150,332	462,123	1,612,455
Investment in non-current segment assets ¹	179,082	54,609	25,703	259,394	0	259,394

¹ The values of the previous year affected by changes associated with the according reporting of the new standard IFRS 8 *Operating Segments* have been adjusted retrospectively.

For the information by region, the revenue and disclosures on segment assets are segmented in accordance with the affiliates' respective locations. Due to the disproportionately high costs involved, the required segmentation of revenue broken down by the place where clients have their registered office is not possible. In addition to items between the segments for which consolidation is mandatory, the reconciliation to Group assets primarily contains current assets, financial investments and claims arising from current and deferred income taxes.

INFORMATION ABOUT KEY CLIENTS

In the HHLA Group there is no customer with which more than 10 % of the entire consolidated revenue was generated.

49. Members of Company boards Supervisory Board

The members of the board and their mandates are shown on p. 56 f.

50. German Corporate Governance Code

HHLA has based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code as published on 18 June 2009, 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 45 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2009, and on 15 December 2009 issued the declaration 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).

51. 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	2009	2008
Audit of financial statements	761	663
Other certification and valuation services	315	365
Tax advisory services	15	52
Other services provided for HHLA parent company or subsidiaries	226	380
	1,317	1,460

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 Hamburger Hafen und Logistik Aktiengesellschaft and its domestic subsidiaries. In 2009 and the previous year, fees for other certification and valuation services related predominantly to the qualified review of interim financial statements. The other services were predominantly connected with project support related to the implementation of SAP BI in the receivables management system as well as support for the project concerned with revising the SAP authorization plan.

52. Events after the balance sheet date

In January 2010, Company management entered into talks with employee representatives about continuing the “Securing the Future” project. These talks focus on reorganizing workflow and labour management at the HHLA Container Terminal Buchardkai GmbH, Hamburg (CTB) and optimizing productivity and capacity management between CTB and the HHLA Container Terminal Tollerort GmbH, Hamburg.

Also in January, the HHLA and EUROGATE port logistics groups announced that they were establishing full-service hinterland terminals and depots for container traffic from and to German seaports in a joint venture by their German intermodal subsidiaries. This was authorized by the German Federal Cartel Office. The aim of the joint venture is to sustainably improve the framework for hinterland maritime transport and logistics chains.

Apart from this, there were no significant events after the balance sheet date.

Hamburg, 5 March 2010

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

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

ANNUAL FINANCIAL STATEMENT

Income statement

IN €; FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2009

	2009	2009	2008	2008
1. Revenue		137,690,767.29		143,807,246.82
2. Decrease/Increase in work in progress		-1,059,795.50		1,287,854.72
3. Own work capitalized		333,173.31		481,499.93
4. Other operating income		7,971,695.61		4,050,811.79
5. Cost of materials and services				
a) Expenses for raw materials, consumables, supplies and purchased merchandise	3,779,732.12		4,951,342.29	
b) Expenses for purchased services	1,485,676.80	5,265,408.92	1,611,105.34	6,562,447.63
6. Personnel expenses				
a) Wages and salaries	92,119,762.00		95,158,785.37	
b) Social security contributions and expenses for pension and similar benefits of which for pensions € 17,367,821.19 (previous year: € 9,597,836.29)	33,131,328.16	125,251,090.16	25,614,946.61	120,773,731.98
7. Depreciation and amortization on intangible fixed assets and property, plant and equipment		6,261,184.27		5,913,849.75
8. Other operating expenses		29,153,293.92		34,898,007.50
9. Income from profit transfer agreements		96,570,147.61		163,205,889.34
10. Income from equity participations of which from affiliated companies € 1,378,304.69 (previous year: € 2,397,554.29)		4,045,729.69		5,558,063.29
11. Other interest and similar income of which from affiliated companies € 4,385,330.85 (previous year: € 10,508,586.82)		7,476,552.31		18,041,732.37
12. Amortization and impairment losses in financial statements		5,737,030.00		92,750.00
13. Expenses from assumed losses		23,979,670.07		7,848,169.83
14. Interest and similar expenses of which to affiliated companies € 3,973,088.75 (previous year: € 6,813,595.62)		4,184,641.43		7,513,029.42
15. Result from ordinary income		53,195,951.55		152,831,112.15
16. Income taxes		1,555,989.78		43,581,086.36
17. Other taxes		494,705.59		343,257.51
18. Net profit for the year		51,145,256.18		108,906,768.28
19. Profit carried forward from the previous year		58,754,658.92		22,527,716.64
20. Distributable profit		109,899,915.10		131,434,484.92

The annual financial statement and report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the financial year 2009 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 2009, and the balance sheet as of 31 December 2009, are presented on this and the following pages.

Balance sheet

IN €; AS OF 31 DECEMBER 2009

	31.12.2009	31.12.2009	31.12.2008	31.12.2008
ASSETS				
A. Non-current assets				
I. Intangible assets				
1. Software	940,104.38		1,129,671.14	
2. Payments made on account	55,000.00	995,104.38	89,429.06	1,219,100.20
II. Property, plant and equipment				
1. Land, equivalent land rights and buildings, including buildings on leased land	74,679,949.81		74,249,850.53	
2. Technical equipment and machinery	2,854,913.64		2,367,273.76	
3. Other plant, operating and office equipment	3,705,941.03		4,589,196.41	
4. Payments made on account and plant under construction	1,147,492.55	82,388,297.03	1,215,207.23	82,421,527.93
III. Financial assets				
1. Interests in affiliated companies	225,037,545.57		230,024,575.57	
2. Equity investments	2,618,861.54		2,618,861.54	
3. Non-current securities	1,600,092.39	229,256,499.50	962,771.63	233,606,208.74
		312,639,900.91		317,246,836.87
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	149,955.05		105,983.13	
2. Work in progress	4,762,758.31	4,912,713.36	5,822,553.81	5,928,536.94
II. Receivables and other assets				
1. Trade receivables	1,253,508.43		1,172,787.50	
2. Receivables from the Free and Hanseatic City of Hamburg of which with a residual term of more than one year €422,612.82 (previous year: €361,205.90)	448,367.41		368,622.21	
3. Receivables from affiliated companies	354,044,080.39		339,005,422.60	
4. Receivables from investee companies	229,574.66		720,194.03	
5. Other assets of which with a residual term of more than one year €253,026.66 (previous year: €0.00)	28,009,951.00	383,985,481.89	19,543,282.78	360,810,309.12
III. Cash and cash equivalents		148,558,240.09		210,679,916.89
		537,456,435.34		577,418,762.95
C. Accruals and deferrals		446,867.37		396,199.62
		850,543,203.62		895,061,799.44

Balance sheet

IN €; AS OF 31 DECEMBER 2009

	31.12.2009	31.12.2009	31.12.2008	31.12.2008
EQUITY AND LIABILITIES				
A. Equity				
I. Subscribed capital				
1. Port Logistics	69,975,326.00		69,975,326.00	
2. Real Estate	2,704,500.00	72,679,826.00	2,704,500.00	72,679,826.00
II. Capital reserve				
1. Port Logistics	134,915,393.63		134,915,393.63	
2. Real Estate	506,206.26	135,421,599.89	506,206.26	135,421,599.89
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	53,900,570.01		19,519,460.81	
2. Real Estate	4,854,088.91	58,754,658.92	3,008,255.83	22,527,716.64
V. Net profit for the year				
1. Port Logistics	45,705,627.19		104,356,435.20	
2. Real Estate	5,439,628.99	51,145,256.18	4,550,333.08	108,906,768.28
		339,634,975.30		361,169,545.12
B. Provisions				
1. Provisions for pensions and similar obligations		297,070,034.69		301,878,782.00
2. Tax provisions		1,579,580.15		10,613,459.67
3. Other provisions		36,467,818.07		34,936,496.97
		335,117,432.91		347,428,738.64
C. Liabilities				
1. Payments on account		5,004,218.31		6,080,292.51
2. Accounts payable		1,587,804.09		2,471,635.55
3. Liabilities towards the Free and Hanseatic City of Hamburg		2,210.02		9,918.80
4. Liabilities towards HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH		61,273,639.86		60,048,963.89
5. Liabilities towards affiliated companies		97,994,019.84		108,756,948.32
6. Liabilities towards investee companies		214,244.14		763,997.12
7. Other liabilities of which from taxes €2,732,875.08 (previous year: €3,121,627.32) of which for social security €2,804,657.21 (previous year: €1,447,885.24)		9,002,571.16		7,429,651.19
		175,078,707.42		185,561,407.38
D. Accruals and deferrals		712,087.99		902,108.30
		850,543,203.62		895,061,799.44

AUDITOR'S REPORT

“We have audited the consolidated financial statements prepared by the Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, comprising Group balance sheet, Group income statement, Group statement of comprehensive income, Group statement of changes in equity, Group cash flow statement and notes of the Group, together with the group management report for the business year from January 1, 2009 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch “German Commercial Code”] and supplementary provisions of the articles of incorporation are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). 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 the applicable financial reporting framework 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 consolidated financial statements and the group management report are examined prima-

rily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and 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 IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. 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, 5 March 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ditting	Retzlaff
Wirtschaftsprüfer	Wirtschaftsprüferin

ASSURANCE OF THE LEGAL REPRESENTATIVES

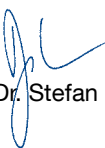
We hereby give our assurance that – to the best of our knowledge – the consolidated financial statements convey a true and fair view of the assets, financial position and profit situation of the Group in accordance with the applicable accounting principles. Furthermore, we hereby certify that the Group 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, 5 March 2010

Hamburger Hafen und Logistik AG
The Executive Board



Klaus-Dieter Peters



Dr. Stefan Behn



Heinz Brandt



Dr. Sebastian Uürgens



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.

Tandem (Twin-Forty) gantry cranes: New type of container gantry crane that in one single move can carry two 40-ft. or four 20-ft. 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 cranes, and in rail cargo handling, >> rail gantry cranes.

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, on to a ship

Standard container: see TEU

Storage gantry crane: see RMG

Straddle carrier (also van-carrier): A vehicle used for moving containers around terminals. The van-carrier driver is seated at the controls above the container, lifting and stacking it on one of up to four layers.

Terminal: In maritime logistics this means a transshipment 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-ft. container is normally 20 ft. / 6.06 m long and 8 ft. / 2.44 m wide, and just as high.

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) Assets held for sale are not part of the average operating assets.

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

EBIT from continuing activities: EBIT without one-off restructuring expense and the operating result of affiliated companies, which have been classified as discontinued

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; ROCE of the year 2009 is calculated by using EBIT from continuing activities. Assets held for sale are not part of the operating assets.

Revenue: Sales derived from selling, letting or leasing and from services provided by the Group, less sales deductions and turnover tax

FINANCIAL CALENDAR

31 March 2010

**FULL YEAR 2009 REPORT
ANNUAL PRESS CONFERENCE
ANALYSTS' CONFERENCE**

12 May 2010

INTERIM REPORT JANUARY – MARCH 2010

16 June 2010

ANNUAL GENERAL MEETING

13 August 2010

INTERIM REPORT JANUARY – JUNE 2010

12 November 2010

INTERIM REPORT JANUARY – SEPTEMBER 2010

IMPRINT

**HAMBURGER HAFEN UND LOGISTIK
AKTIENGESELLSCHAFT**

Bei St. Annen 1, 20457 Hamburg, Germany
Tel.: +49-40-3088-0, Fax: +49-40-3088-3355
www.hhla.de, info@hhla.de

CORPORATE COMMUNICATIONS

Tel.: +49-40-3088-3446, Fax: +49-40-3088-3355
unternehmenskommunikation@hhla.de

INVESTOR RELATIONS

Tel.: +49-40-3088-3100, Fax: +49-40-3088-55-3100
investor-relations@hhla.de



The Hamburger Hafen und Logistik Aktiengesellschaft annual report 2009 is a translation of the original German Hamburger Hafen und Logistik Aktiengesellschaft Geschäftsbericht 2009. Please note that only the German version is legally binding.

HHLA Multi-year overview

		2005 ¹	2006 ¹	2007	2008	2009
Revenue						
Subgroup Port Logistics ²	€ million	-	-	1,152.4	1,299.2	962.9
Subgroup Real Estate ²	€ million	-	-	30.8	32.6	32.7
Consolidation	€ million	-	-	- 3.2	- 5.0	- 4.9
HHLA Group	€ million	832.9	1,017.4	1,180.0	1,326.8	990.7
EBITDA						
Subgroup Port Logistics ²	€ million	-	-	364.6	439.4	261.1
Subgroup Real Estate ²	€ million	-	-	14.1	17.6	16.4
Consolidation	€ million	-	-	0	- 0.2	0
HHLA Group	€ million	210.2	296.4	378.7	456.8	277.5
EBITDA margin	%	25.2	29.1	32.1	34.4	28.0
EBIT						
Subgroup Port Logistics ²	€ million	-	-	277.0	341.3	147.7
Subgroup Real Estate ²	€ million	-	-	10.3	13.7	12.3
Consolidation	€ million	-	-	0.3	0.1	0.2
HHLA Group	€ million	146.6	218.1	287.6	355.1³	160.2³
EBIT margin	%	17.6	21.4	24.4	26.8	16.2
Profit after tax	€ million	69.4	116.9	152.0	217.5	89.1
Profit after tax and minority interests	€ million	57.2	97.1	111.3	160.4	53.0
Cash flow/investments/ depreciation and amortization						
Cash flow from operating activities	€ million	160.7	199.7	246.7	341.9	193.2
Cash flow from investing activities	€ million	- 101.2	- 248.9	- 174.7	- 265.6	- 157.3
Cash flow from financing activities	€ million	9.8	- 19.7	131.9	- 88.5	- 88.6
Investments	€ million	117.4	205.2	194.8	259.4	159.7
Depreciation and amortization	€ million	63.6	78.3	91.0	101.8	117.3
Assets and liabilities						
Non-current assets	€ million	796.6	977.7	1,042.9	1,174.2	1,224.9
Current assets	€ million	249.2	221.9	440.9	438.3	365.6
Equity	€ million	151.9	258.7	569.5	682.6	637.0
Equity ratio	%	14.5	21.6	38.4	42.3	40.0
Pension provisions	€ million	384.0	377.4	312.4	300.7	325.1
Other non-current assets	€ million	342.3	359.0	342.4	350.3	385.5
Current liabilities	€ million	167.6	204.5	259.5	278.9	242.9
Gearing ratio	%	3.9	2.5	0.8	0.6	0.8
Total assets	€ million	1,045.8	1,199.6	1,483.8	1,612.5	1,590.5
Employees						
Employees at year-end	#	3,869	4,215	4,565	5,001	4,760
Performance data						
Container throughput	million TEU	5.6	6.5	7.2	7.3	4.9
Container transport ⁴	million TEU	1.3	1.5	1.7	1.8	1.5

¹Change to IFRS reporting in 2006 with comparative figures for 2005. ²Reorganization into subgroup Port Logistics and subgroup Real Estate in 2007. ³EBIT from continuing activities € 357.8 million in 2008 and € 177.7 million in 2009. ⁴Transport volume was fully consolidated.

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

Bei St. Annen 1, 20457 Hamburg, Germany. Tel: +49-40-3088-0, Fax: +49-40-3088-3355, www.hhla.de, info@hhla.de