

**SIMPLY MORE
MORE SIMPLY**



**GATEWAY TO THE WORLD.
ANCHOR FOR FREE THINKERS.
WE MAY NOT ALWAYS AGREE,
BUT WE ARE UNITED.
FIRST CLASS,
EVEN IN THE SECOND DIVISION.**

**WE BELONG HERE.
WE ARE ON TRACK HERE.**

**FOR THIS CITY. FOR THESE PEOPLE.
SOMETIMES EDGY, OFTEN RUGGED.
ALWAYS ON THE MOVE.**

**FOR NEW PERSPECTIVES.
DEEP CONNECTIONS.
SPANNING THE ELBE AND GETTING
CLOSER TO THE ALSTER.**

SIMPLY MORE, MORE SIMPLY.

**WAY UP NORTH. DEEPLY ROOTED.
HOME. HEART. HAMBURG.**

HOCHBAHN IN FIGURES

5,288 EMPLOYEES
PREVIOUS YEAR 4,996

537.4 MILLION
IN SALES
PREVIOUS YEAR € 525.1 MILLION

92.2 % COST COVERAGE
RATIO
PREVIOUS YEAR 92.9%

465.1 MILLION
PASSENGERS
PREVIOUS YEAR 455.8 MILLION

1,445 NUMBER
OF STOPS
PREVIOUS YEAR 1,420

EDITORIAL BY THE CHAIRMAN
OF THE SUPERVISORY BOARD

ENTERING AN EXCITING ERA OF MOBILITY

DEAR READERS,

Public transport is the backbone of mobility in our city. As an essential element of this backbone, HOCHBAHN keeps Hamburg moving with reliable bus and U-Bahn services day in, day out. I am delighted to have been elected Chairman of the Supervisory Board of HOCHBAHN and to be able to play such an active role in shaping the future of mobility in Hamburg.

Together we can look forward to exciting times ahead as we dedicate our efforts to expanding our bus and train services. We call this a service offensive, because only a strong and attractive local public transport system can ease the strain on road traffic, improve air quality and maintain the quality of life of a growing city like Hamburg.

I firmly believe that with a strong and attractive range of mobility services we can convince many people to leave their cars at home and opt for buses and trains to get from A to B. HOCHBAHN and its employees play their part in achieving this goal.

Even in 2018, HOCHBAHN has already reached important milestones on its way to the future of mobility – by extending U4 to Elbbrücken or completing the feasibility study for the middle section of the new U5 U-Bahn line. With the arrival of the first production-ready electric buses, we are now heading for emission-free local transport. We are also making ambitious progress in the area of hydrogen propulsion.

The U5 in particular will have a lasting impact on Hamburg. Compared with the bus services on these routes, the U-Bahn delivers a five to tenfold increase in capacity, depending on service frequency. Enabling more capacity, shorter journey times, more comfort and greater reliability, the U-Bahn extension offers enormous growth potential for environmentally friendly mobility. HOCHBAHN is the right partner for Hamburg when it comes to such multi-generational projects. Representing innovation, reliability and economic efficiency, it does its job for Hamburg. In 2018, the company once again achieved a very good cost coverage ratio of 92.2 percent.

I invite you all to join us in developing sustainable mobility strategies together. For Hamburg. For a city with a high quality of life. For all of us.

MICHAEL WESTHAGEMANN

Senator for the Economy, Transport and Innovation,
Free and Hanseatic City of Hamburg

Chairman of the Supervisory Board
of Hamburger Hochbahn AG

”

With a strong and attractive range of mobility services we are heading for emission-free local transport.

“

MICHAEL WESTHAGEMANN



KEEPING HAMBURG MOVING. TAKING RESPONSIBILITY.

CLIMATE CHANGE AFFECTS ALL OF US. IT IS ONE OF THE MOST CRITICAL GLOBAL RISKS OF OUR TIME. YET WE ALL CAN USE AN IMPORTANT LEVER TO HELP US REDUCE CARBON EMISSIONS AND REACH THE 1.5-DEGREE TARGET: URBAN MOBILITY.

HOCHBAHN is aware of its responsibility for this city. Making Hamburg fit for the future while conserving resources is our job. Doing this in a sustainable way is our mission.

Today, 22 percent of Hamburg's residents already use public transport every day, a rise of four percentage points since 2008. Our service offensive gives local residents an even greater incentive to leave their cars at home. Using 100 percent high-quality certified green electricity reduces our footprint by 83,000 tonnes of CO₂ – every year.

Instead of resting on our laurels, these successes spur us on. We want to take advantage of the major opportunities offered by digitalisation to make sustainable mobility in the Hamburg SmartCity even more attractive and efficient – always for and in partnership with people in Hamburg and in harmony with the environment.

Our corporate governance is conducted in accordance with the UN Global Compact, with its ten principles and Sustainable Development Goals (SDGs). These form an integral part of our HOCHBAHN#2030 corporate strategy in everything from strategic decision-making, the U5 planning process, ITS projects and our duty of care for the people in our supply chains to the issue of corporate citizenship. To promote the SDGs in a focused way, we bundle our sustainability activities together in our five top sustainable development targets:

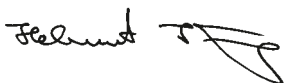
- Position HOCHBAHN as a sustainable mobility provider
- Minimise emissions arising from our business activities
- Take responsibility, both locally and globally
- Use resources efficiently and protect the environment
- Promote sustainable innovation.



HENRIK FALK
Management Board Chairman
Chief Executive Officer
Hamburger Hochbahn AG



CLAUDIA GÜSKEN
Management Board Member
Human Resources Director
Chief Operating Officer



HELMUT KÖNIG
Management Board Member
Chief Financial Officer



JENS-GÜNTER LANG
Management Board member
Chief Technology Officer

WE SUPPORT**OUR
FOCUS.**

On the following pages, you will learn how we are driving Hamburg's development. To do this, we focus on five goals of the UN Global Compact. Each of the logos shows you which of the objectives our work is supporting.



affordable and clean energy



decent work and economic growth



sustainable cities and communities



industry, innovation
and infrastructure



climate action



You can learn more about
the UN Global Compact and
its goals here:
www.unglobalcompact.org

We are also committed to the following issues:



good health and well-being



quality education



gender equality



responsible consumption
and production

MANAGEMENT REPORT

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1. Fundamental information about the company

1.1 The company's business model

Hamburger Hochbahn AG (HOCHBAHN) is one of the leading local public transport companies in Germany. Approximately 1.2 million passengers use the public transport provided by HOCHBAHN and its subsidiaries on four U-Bahn lines, 113 bus lines and several ferry services every day. HOCHBAHN thus provides approximately half of all public transport services within the Hamburg Public Transport Association (Hamburger Verkehrsverbund – HVV). With over 5,000 employees, this makes the company one of Hamburg's largest employers. Together with its many subsidiaries and investees, including those providing rolling stock maintenance, security and cleaning services, HOCHBAHN is an integral part of mobility in Hamburg.

On 24 November 2009, the Free and Hanseatic City of Hamburg officially entrusted HOCHBAHN with public service obligations regarding the operation of regular bus and U-Bahn services in Hamburg. These contracts stipulate that HOCHBAHN is officially entrusted with the operation of regular bus services until 2019 and regular U-Bahn services until 2032. Before the end of 2019, HOCHBAHN is scheduled to be directly awarded a new contract for the provision of regular bus and U-Bahn services.

Hamburger Hochbahn AG is a company organised and managed according to private sector principles which is wholly-owned by the Free and Hanseatic City of Hamburg via HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV). The company is organised into four divisions:

Management Board			
Chairman Henrik Falk Claudia Güsken Helmut König Jens-Günter Lang			
Division Corporate Management Henrik Falk	Division Personnel and Operations Claudia Güsken	Division Finance Helmut König	Division Technical Jens-Günter Lang

The Corporate Management division is led by the Chief Executive Officer, Henrik Falk. In addition to System Development and Bid Planning, Marketing, Corporate Communications, Sales and Transport, this division also comprises several staff units (Politics and Strategy, Public Participation, Organisation, Auditing, Business Development). U-Bahn and Bus Services together with Personnel and Sustainable Development, Environmental Protection and Occupational Safety make up the Personnel and Operations division. The Finance division comprises Finance and Controlling, Purchasing, Information Management, Legal and Real Estate. The Technical division consists of Project Construction, Infrastructure, Bus Technology and Rail Rolling Stock as well as construction of the new U5 U-Bahn line.

HOCHBAHN's business model essentially follows the political guidelines issued by the transport authorities. In recent years, the positive development of the company has primarily been driven by the continuous rise in passenger numbers. In order to attract more passengers in the future, HOCHBAHN launched a joint service campaign with other transport companies in Hamburg in 2018. The aim of the campaign was to significantly expand suburban train and bus capacity with initiatives such as more frequent services, extended operating hours and the use of longer trains. With its switchh mobility platform, HOCHBAHN also offers its customers a flexible solution for supplementary mobility services at so-called switchh points. The City of Hamburg is supporting the creation of additional switchh points. This expanded multimodal mobility offering aims to make everyday life easier for Hamburg's residents. HOCHBAHN is also continually investing in its existing network and connecting new areas of the city to the network. In 2018, the company pressed ahead with its plans to extend the U4 line to Horner Geest and continued its integrated planning of the new U5 U-Bahn line. While construction began on the new Oldenfelde station (U1), the extension of the U4 line to Elbbrücken was successfully completed. In the bus business, the contract for the serial production of the first 30 electric buses was awarded. After spending several years undertaking practical testing of different vehicle technologies, HOCHBAHN

concluded that battery-powered electric buses that can be charged overnight were particularly suitable for use. In December 2018, the first two electric buses entered regular operation and eight charging points were put into service. From mid-2019, the Alsterdorf bus depot will be the first HOCHBAHN site equipped with a fleet of emission-free electric buses. However, HOCHBAHN is continuing to keep open the strategic option of using hydrogen technology in the form of range extenders. Other important projects in 2018 included the commissioning of additional new-generation DT5 U-Bahn rolling stock and its use in regular service and ongoing work to provide barrier-free access to U-Bahn stations.

1.2 Objectives and strategies

The HOCHBAHN#2030 company strategy is HOCHBAHN's response to the worldwide megatrend of digitalisation, which is triggering many changes in the mobility sector, bringing new players into the market and changing customer expectations. At the same time, however, digitalisation also offers major opportunities for HOCHBAHN to create intelligent, cooperative and forward-looking solutions for an integrated mobility experience. HOCHBAHN's long-term vision in this area is 'intelligent mobility for a future worth living in'. In Hamburg, 25% of the carbon footprint is attributable to mobility activities. At the same time, Hamburg offers a higher quality of life than most of the world's cities. The city is also growing – as are its mobility needs. Almost two million people are expected to be living in Hamburg by 2035¹. With its mission 'to provide sustainable mobility for the Hamburg SmartCity', HOCHBAHN reinforces the importance of sustainability and digitalisation as a strategic framework together with its commitment to creating innovative and sustainable value for its customers, employees and the City of Hamburg. HOCHBAHN declared its commitment to responsible corporate governance by joining the UN Global Compact in 2017. As part of its integrated Annual Report, the company regularly reports on its activities and measures in line with five focused sustainable mobility target areas, the Sustainable Development Goals (SDG) and the ten universal principles of the United Nations.

The mobility sector is in a process of profound transformation. This shift is driven by several factors that are expected to include strong traffic growth until 2030, new social, economic and technological trends, the realignment of many companies' business models as a result of digitalisation, changes in customer expectations, demographic developments and the entry of new market participants from areas outside local public transport. With significant help from digitalisation, new players are already surging into the mobility market and changing it. In addition to renowned automobile manufacturers and car sharing providers, companies from the digital economy are also entering the market, including platform providers in particular. This is resulting in new business models that could fundamentally alter the mobility market, primarily with regard to splitting the transport volume across different types of transportation (modal split), and thus place pressure on traditional local public transport. HOCHBAHN's success in reacting to the providers of these new business models, integrating these and entering into partnerships will be key for the future of the company.

1.3 Research and development

Back in November 2017, the German government launched an emergency programme entitled "Clean Air 2017–2020", and 30 grant applications from Hamburg have been approved as a result. Despite the high level of innovation usually observed in projects such as "check in/be out" or the test area for automated driving, these initiatives focus on actual implementation with the aim of reducing harmful emissions rather than being research activities in their own right. As the concepts developed can be easily transferred to other applications in the future, they help to further develop mobility in Hamburg.

¹ Source: Deschermeier, Philipp (2017): Bevölkerungsentwicklung in den deutschen Bundesländern bis 2035. In: Vierteljahresschrift zur empirischen Wirtschaftsforschung, vol. 44, p. 71.

The emergency programme promotes initiatives such as electric public buses. When it comes to charging infrastructure, assistance is limited to charging stations. Transformers and grid connections, which make up a substantial part of the costs, are not supported. A research and demonstration project for establishing charging infrastructure at the Alsterdorf (HOCHBAHN) and Bergedorf (VHH) bus depots was developed in order to test concepts for supplying power to entire bus fleets. As a result of its high level of innovation and its transferability to other bus depots, the project was supported by the German Ministry of Transport as part of the federal mobility and fuel strategy. The lifecycle of the charging infrastructure and the resulting greenhouse gas emissions and primary energy demand are also being investigated.

HOCHBAHN is also part of a federal working group that scientifically evaluates data on energy consumption, operational availability and other electric bus operating parameters. HOCHBAHN contributes its experience in developing electric buses to this process.

As part of the HEAT (Hamburg Electric Autonomous Transport) project promoted by the German Environment Ministry, HOCHBAHN is working with partners in the automotive industry and the Free and Hanseatic City of Hamburg to prepare for the use of autonomous minibuses on a circular route in the Hafencity. These autonomous vehicles are designed to be used without restrictions – that is, at the same speeds as current traffic – and without supervision (SAE Level 5). The research partners for the project include the German Aerospace Center in Braunschweig and the Institute for Climate Protection, Energy and Mobility in Berlin. In addition to addressing technical, operational and legal requirements, the project also deals with issues surrounding acceptance of the new offering among passengers and local residents and determines suitable areas of use and viable business models. The findings are expected to be presented at the ITS World Congress in Hamburg in 2021. The requirements for approving all phases of autonomous driving are currently being identified.

2. REPORT ON ECONOMIC POSITION

2.1 Sector-specific environment

Local public transport as a growth sector

The number of passengers using local public transport in Germany increased again in 2018. Local public transport passenger numbers rose by 0.6% to 10.4 billion people year-on-year in 2018. This growth in passenger numbers is attributable to the increase in rail-based local transport (+0.5%) and tram transport (+1.3%). Passenger numbers in the bus segment remained level year-on-year. Fare income grew by 1.3% to €12.95 billion, while transport performance rose by 0.5% to 95.2 billion passenger kilometres¹.

Provisional statistics

Local public transport passenger numbers according to statistics provided by the Association of German Transport Companies (Verbands Deutscher Verkehrsunternehmen – VDV) and changes from the previous year:

	2018 ²	2017	2016
Total public transport passenger numbers according to VDV statistics (million)			
(Total passengers, net)	10,400	10,320	10,180
Change from previous year (%)	0.6	1.4	1.8

¹ Charts of the annual press conference of the Association of German Transport Companies (VDV) and the Internet:

https://www.vdv.de/presse.aspx?id=fb3f9bb2-03d1-447e-9fcb-500d68baa928&mode=detail&coriander=V3_bd3fdd0c-c6bc-da65-3949-7aaff9b1638d

² provisional figures

2.2 Course of business

Demand in the HVV transport region is estimated to have grown by 1.2%¹ in 2018. As a result, the HVV region once again outperformed the national average and almost reached its prior-year growth rate of 1.3%. The continued increase in population and employment figures compensated for a cloudier consumer climate during the year. Longer-term construction work on the rapid transit (S-Bahn) network, central station (Hauptbahnhof) and U-Bahn had a dampening effect on demand. Bus services were also adversely affected by similarly extensive long-term construction work on the city's roads in 2018. However, this construction work also made switching to cars similarly unattractive to many passengers.

More than 465 million¹ passengers (including those changing means of transport) used HOCHBAHN's services in 2018 – representing a year-on-year increase of 0.8%¹. As in the region as a whole, this deviation from the original forecast of 1.8% growth in 2018 was attributable to the extreme summer weather, weakening consumer spending and the stronger impact of construction activity on demand. Work to upgrade U-Bahn stations to enable barrier-free access continued as planned. The completion of the Lübecker Straße station in March 2019 means that 72 of 92 stations (78%) are now accessible to passengers with disabilities. Before the launch of the Hamburg Senate's programme on 2011, only 37 of 89 stations (42%) were barrier-free. When carrying out many of these modifications, HOCHBAHN was not only faced with the challenge of preserving historic buildings but also had to tackle technical challenges such as tight curve angles. Most of the longer-term construction work that resulted from this was carried out on the Hauptbahnhof–Wandsbek-Gartenstadt section of the U1 U-Bahn line. Numerous construction sites on public streets had a negative effect on demand in the bus business. In particular, the construction work carried out in the Dammtor station over a period of several months adversely impacted the line with the highest demand, line 5, which noticeably dampened the development of demand across the entire bus business. As an attractive visitor destination, the Elbe Philharmonic Hall continues to have a positive effect on demand on the U3 U-Bahn line and corresponding bus lines. The new Elbbrücken station on the U4 U-Bahn line, which opened in December 2018, will make travelling on the Hafencity's local public transport even more attractive in the future.

HVV is forecasting a 0.3% rise in demand for 2019 compared to 2018. This forecast is primarily influenced by the positive effects of service improvements combined with the dampening effect of construction work, particularly the lengthy closure on the U3 U-Bahn line between the Baumwall and St. Pauli stations. In addition, lower levels of economic growth combined with rising inflation are expected to lead to restrained mobility spending, while the (fundamentally welcome) further increase in bicycle traffic in Hamburg is likely to have a negative impact on local and short journeys.

In 2018, the HVV's transport income rose by an expected 2.4%² compared to the previous year, once again exceeding the average rise in fares of +1.2% in January 2018. The further increase in the number of students in Hamburg and Lüneburg had a positive impact on income, while the number of pupils in general education in the region and the number of trainees across the entire HVV network fell and thus had a dampening effect. Sales of day and group tickets rose further, while season ticket figures no longer grew at the rates seen in previous years. Based on the data currently available, HOCHBAHN estimates an increase in income similar to that of HVV at 2.4%² for 2018.

¹ provisional figures

² HVV statement of account and information

HOCHBAHN transport performance

Number of passengers carried (in thousand)	2018 ¹	2017 ²	2016
U-Bahn	251,038	249,046	235,391
Bus	214,069	212,370	211,186
Total of both divisions (U-Bahn + bus)	465,107	461,416	446,577
Total number company-wide ³	395,341	392,203	379,590
Passenger kilometres (in thousand)			
U-Bahn	1,498,698	1,486,804	1,405,284
Bus	665,980	660,695	657,010
Total number company-wide	2,164,678	2,147,498	2,062,294
Specific CO ₂ emissions (in g/person-kilometre) ^{4,5}			
U-Bahn	38.68	38.84	42.72
Bus	80.60	80.64	80.19

¹ provisional figures

² updated figures

³ In the line entitled 'Total number company-wide', passengers changing from bus to underground and vice versa are only included once.

⁴ Related to the vehicle drive without considering the upstream chain

⁵ Emission factors for calculating the reduction of CO₂ emissions as part of the Hamburg Climate Plan. Made available by the Department of the Environment and Energy, Coordination Center for Climate Protection. Current as of: October 2017.

Reducing the carbon emissions arising from HOCHBAHN's business activities is one of the Group's five top sustainable development targets.

Both the bus fleet's specific CO₂ emissions of 80.6g per passenger kilometre from diesel consumption and the CO₂ emissions of 38.7g per passenger kilometre from the use of track power in the U-Bahn business remained virtually unchanged year-on-year in 2018. From the 2019 financial year onwards, specific carbon emissions in the U-Bahn business will fall to 0.0g per passenger kilometre as a result of purchasing high-quality certified green electricity. By contrast, the bus business is not expected to record any significant reduction in carbon emissions for the 2019 financial year. However, the gradual increase in the proportion of locally emission-free buses and the purchase of high-quality certified green electricity will have a beneficial effect on CO₂ emissions from the 2020 financial year onwards.

HOCHBAHN operating performance

U-Bahn	2018	2017	2016
Kilometres per unit in service ² (in thousand)	90,071	88,678	87,843
Kilometres per space ^{1,2} (in million)	8,556	8,529	8,465
Total track length ² (km)	105.8	104.4	104.4
Number of lines	4	4	4
Number of stations ²	92	91	91
Average travel speed (km/h) ²	33.3 ³	33.4 ⁴	33.3

¹ Allowance made for standing space of 0.25m² each

² Including Verkehrsgesellschaft Norderstedt mbH

³ Most popular line, U1: 35.1 km/h

⁴ Updated figure

Operating performance in the U-Bahn business improved year-on-year in 2018, with kilometres per unit in service rising by 1.6%. This is primarily due to the introduction and/or extension of services at five-minute intervals on the U2 and U3 U-Bahn lines as well as the extension of night services at ten-minute intervals on the U3 U-Bahn line. Kilometres per unit in service were expected to rise to 89,494 thousand in 2018. This target was exceeded by 0.6%. Kilometres per unit in service are predicted to increase to 95,718 thousand in 2019, primarily due to the planned use of additional long trains on the U1 and U2 U-Bahn lines.

Bus	2018	2017	2016
Kilometres per unit in service (in thousand)	50,797	50,476	50,298
Kilometres per space ¹ (in million)	3,976	3,950	3,920
Total track length ² (km)	938.0	921.6	924.6
Number of lines ²	113	110	111
Number of stations	1,353	1,329	1,327
Average travel speed (km/h)	18.7	18.8	18.6

¹ Allowance made for standing space of 0.25m² each

² Regular services as per Section 42 of the German Public Transport Act (Personenbeförderungsgesetz – PBefG), Line 380 (Arena Shuttle) not included

Operating performance in the bus business improved slightly year-on-year in 2018. During the previous year, kilometres per unit in service were expected to rise by 0.6% to 51,213 thousand in 2018. This forecast was based on planned service improvements and rapid transit replacement services. The fact that the actual kilometres per unit in service for 2018 were below the original forecast was primarily due to fewer S-Bahn replacement services. Kilometres per unit in service are predicted to increase to 51,875 thousand in 2019, primarily as a result of plans for more frequent services on various bus lines.

HOCHBAHN rolling stock

U-Bahn		2018		2017		2016	
Type	Years built	Carriages	Units	Carriages	Units	Carriages	Units
DT1 ¹	1958–59	6	3	6	3	6	3
DT2	1962–66	2	1	2	1	2	1
DT3	1968–71	123	42	180	60	207	69
DT4 ²	1988–2005	504	126	504	126	504	126
DT5	2012–2018	291	97	237	79	171	57
Total rolling stock held ²	Number	926	269	929	269	890	256
	Spaces ³		85,421		85,695		82,712
Total ready for operation		872	249	848	241	839	238

¹ One DT1 unit, with two carriages, is the Hanseat saloon carriage.

² Including 2 units (8 carriages) from Verkehrsgesellschaft Norderstedt mbH

³ Allowance made for standing space of 0.25m² each

Bus	2018	2017	2016
City and express buses ^{1,2}	607	507	484
Articulated buses ^{1,2}	329	289	272
Double articulated buses ^{1,2}	1	14	25
Diesel hybrid articulated buses ¹	15	15	15
Fuel cell battery articulated buses ¹	2	2	2
Fuel cell/hybrid/plug-in buses ¹	22	22	22
Battery-powered buses ¹	4	0	0
All buses			
Number ²	980	849	820
Spaces ^{2,3}	78,141	68,810	67,133

¹ Low-floor buses

² In 2018, 6 articulated buses and 78 city buses were acquired from subsidiaries.

³ Allowance made for standing space of 0.25m² each

2.3 Net assets, financial position and results of operations

2.3.1 Results of operations

In 2018, HOCHBAHN's transport income rose by €12.2 million year-on-year to €452.6 million. This increase was partly due to the positive rise in demand and partly to the increase in HVV fares effective 1 January 2018. In the final calculation of the distribution of HVV income for 2017, HOCHBAHN's proportional share was set at 48.95%. This rate is also applied to the current reporting period. Revenue from charging on vehicle, personnel and material costs totalled €61.0 million, thus exceeding the prior-year figure by €0.6 million.

Own work capitalised in the 2018 financial year amounted to €22.6 million, up €2.3 million year-on-year. Income from subsidy payments for 2018 was markedly higher than the previous year at €22.8 million (2017: €16.1 million). This was primarily due to higher subsidies for planning services associated with expansion of the U-Bahn network.

Gross revenue improved during the 2018 financial year, increasing by €16.8 million to €589.3 million.

In cost of materials, diesel costs increased by €2.4 million to €20.2 million, due among other things to more kilometres being driven by the HOCHBAHN buses and a change in the bus fleet structure as well as the increase of €0.10 per litre in the average price of diesel.

In personnel expenses, additional expenses were incurred compared to the previous year due to collective wage increases and the employment of additional staff, primarily as a result of the expansion of services. Overall, personnel expenses rose by €13.3 million year-on-year to €266.4 million.

Other operating expenses rose by €3.4 million in 2018. In addition to a general rise in costs, this was caused by factors such as higher costs for training bus drivers and repairing accident damage.

Operating profitability increased mainly due to the rise in personnel costs and other operating expenses. As a result, EBITDA (earnings before loss absorption, net interest income, taxes, depreciation and amortisation) fell by €4.3 million year-on-year to €50.4 million. Despite the €16.8 million increase in gross revenue, the net loss before loss absorption for 2018 rose by €6.1 million year-on-year to €51.0 million (+13.6%).

In 2018, HOCHBAHN's cost coverage ratio fell by 0.7 percentage points year-on-year, from 92.9% to 92.2%. This still represents one of the highest levels achieved in Germany and internationally.

Net loss for the financial year (€ million)	2018	2017	2016
Net loss for the financial year	51.0	44.9	50.9

Cost coverage ratio (%)	2018	2017	2016
Cost coverage ratio	92.2	92.9	91.6

2.3.2 Financial position

The condensed cash flow statement below shows the source and use of financing resources during the 2018 financial year and is presented in line with DRS 21. The subsidy payments agreed by HOCHBAHN are included in cash flow from investing activities on a net basis.

Cash funds as at 1.1.2018	€7.5 million
Cash flows from operating activities	+€2.8 million
Cash flows from investing activities	-€242.1 million
Cash flows from financing activities	+€242.4 million
Cash funds as at 31.12.2018	€10.6 million

The cash funds as at 31 December 2018 consist of liquid funds.

In order to finance investments totalling €292.3 million before subsidies and make scheduled repayments on old loans amounting to €55.5 million, HOCHBAHN took out six long-term loans with a total volume of €219.5 million as part of its financing activities in 2018.

Loan liabilities at the end of the financial year were €814.0 million, representing a year-on-year increase of €163.9 million or 25.2%.

Durable capital goods that cannot be covered by internal financing are generally financed by long-term bank loans. HOCHBAHN had committed credit lines at German banks with a total volume of €20.0 million. These credit lines can be used freely as part of the company's ordinary business activities and were partially drawn down in the amount of €4.1 million.

Short-term financing needs are funded from the cash pool of the HGV Group. HOCHBAHN expects HGV to continue providing it with sufficient access to finance in future.

HOCHBAHN was able to meet its payment obligations at all times during 2018.

Capital expenditures

In the 2018 financial year, HOCHBAHN incurred gross capital expenditures (before deduction of subsidies) totalling €292.3 million. Comprising 69.4% of total capital expenditures during the reporting year, the company's investing activities once again focused on U-Bahn operations, including infrastructure, with a total of €202.6 million. Of this amount, €87.6 million was attributable to the procurement of DT5 units, €20.6 million to measures for new U-Bahn construction (construction of a loop line and siding complex, extension of the U4 to the bridges over the Elbe, connection structure between Elbbrücken station and S-Bahn, extension of the U4 line to Horner Geest), €20.3 million to the conversion of U-Bahn stations to enable barrier-free access, €17.3 million to above-ground construction, €12.6 million to the construction of the new Billstedt U-Bahn workshop, €5.1 million to the full upgrading DT3 rolling stock, and €4.8 million to the construction the Oldenfelde U-Bahn station. Further investments in the U-Bahn system involved the refurbishment and extension of existing rolling stock and facilities.

A total of €74.8 million was invested in the bus system, including €44.4 million for the purchase of new buses, €20.5 million for the construction of the Alsterdorf bus depot, and €7.1 million for the electrification of bus depots.

Investments in common facilities totalled €4.8 million, including full electronic ticketing services (€1.2 million), the replacement of ticket machines (€0.7 million), and the extension of the Steinstraße space (€0.3 million).

Investments in financial assets mainly related to additions to the capital reserves of HOCHBAHN Beteiligungsgesellschaft mbH & Co. KG, Hamburg, totalling €9.3 million.

The following table shows a summary over several years:

Capital expenditures	2018 € million	2018 % share	2017 € million	2016 € million
U-Bahn division				
New rolling stock and facilities				
- DT5	87.6	30.0	77.6	114.1
- Construction of new U4 U-Bahn line	20.6	7.1	23.0	25.9
Existing rolling stock and facilities				
- Tracks, trackside equipment, safety installations, construction projects and rolling stock	94.4	32.3	71.6	47.9
U-Bahn subtotal	202.6	69.4	172.2	187.9
Bus division				
Rolling stock, fixtures and fittings, facilities and installations at bus depots	74.8	25.6	57.1	27.3
Shared facilities	4.8	1.6	4.1	3.1
Long-term financial assets	10.1	3.4	10.3	6.9
Total capital expenditures	292.3	100.0	243.7	225.2

2.3.3 Net assets

As at 31 December 2018, HOCHBAHN's total assets increased by €182.9 million or 15.8% year-on-year to €1,339.5 million. This rise is primarily due to the increase in tangible fixed assets on the assets side of the balance sheet largely caused by the procurement of new DT5 generation U-Bahn rolling stock. At the same time, liabilities to banks on the liabilities side of the balance sheet increased as a result of taking out new loans to finance investments in these tangible fixed assets.

Equity amounted to €167.4 million as at the balance sheet date and increased by €25.0 million as a result of a contribution by HGV to the capital reserves of HOCHBAHN. Due to the increase in total assets, the capital increase had only a minor impact on the equity ratio, which improved by 0.2 percentage points to 12.5% year-on-year.

	2018 € million	2018 % share	2017 € million
Assets			
Tangible and intangible fixed assets	1,070.5	79.9	915.7
Long-term financial assets	163.4	12.2	153.4
Inventories	23.5	1.8	19.8
Trade receivables	20.6	1.5	14.6
Cash	10.6	0.8	7.5
Other current assets and prepaid expenses	50.9	3.8	45.6
Total assets	1,339.5	100.0	1,156.6
	2018 € million	2018 % share	2017 € million
Equity and liabilities			
Equity	167.4	12.5	142.4
Pension provisions	77.1	5.8	70.9
Liabilities to banks	816.7	61.0	652.4
Other provisions	145.1	10.8	148.5
Trade payables	52.3	3.9	33.9
Other liabilities and deferred income	80.9	6.0	108.5
Total equity and liabilities	1,339.5	100.0	1,156.6

2.4 Financial and non-financial performance indicators

HOCHBAHN uses various performance indicators for the internal management of its corporate goals. From a financial perspective, the company focuses on the earnings before loss absorption, EBITDA and cost coverage ratio performance indicators.

However, as a transport company, HOCHBAHN's success is not measured using economic indicators alone. Non-financial performance indicators also play an important role in HOCHBAHN's long-term development. The key non-financial performance indicators include operating performance, development of passenger numbers and carbon emissions. HOCHBAHN's operating performance is reflected in the number of kilometres per unit in service. It includes the distance travelled when providing transport services, excluding kilometres travelled while empty.

2.5 HOCHBAHN employees

As at 31 December 2018, the number of people employed by HOCHBAHN increased by 205 employees year-on-year.

	31.12.2018	31.12.2017	31.12.2016
Full-time employees	4,682	4,536	4,442
Part-time employees	471	421	408
Management Board members	4	4	4
Trainees	131	122	142
Total employees	5,288	5,083	4,996

The year-on-year increase in the number of employees was primarily attributable to the expansion of services and the associated rise in demand for bus and U-Bahn drivers. Additional staff were also required in several different areas in connection with the expansion of the U-Bahn network.

Collective wage agreement

The collective wage agreement was terminated by the ver.di trade union with effect from 30 April 2018. The HOCHBAHN and ver.di negotiating committees agreed to increase remuneration in two stages, first by 3.3% and then by 3.2% at 14-month intervals, in the second round of negotiations that took place on 4 June 2018. The two committees also agreed a rise in the 'ver.di Bonus' from the current figure of €150 to €500.

Work-study programmes/vocational training

The proportion of women among the 43 newly-hired trainees and participants in work-study programmes ("dual students") was 40% and 32% in technical areas in 2018. HOCHBAHN successfully introduced a new dialogue marketing specialist apprenticeship on a part-time basis with four positions starting during this training year. A technical/industrial internship specialising in device and systems electronics was also introduced for the first time on a part-time basis. The qualified driver apprenticeship will continue for another three years starting with the 2018 training year. In autumn 2018, the range of work-study programmes was expanded to include a position specialising in civil engineering at hochschule 21 in Buxtehude.

Integration of refugees

After the refugee programme was successfully launched in partnership with DEKRA and the Jobcenter in 2017, with HOCHBAHN taking on 11 of the 16 refugees as bus drivers, these training courses were continued in the year under review. Thirty-one refugees – including the programme's first woman – began two courses in 2018. Thirty-two apprenticeship places for refugees are planned for 2019.

Diversity

On 12 December 2016, the HOCHBAHN Supervisory Board agreed target percentage of at least 37.5% for women on the Supervisory Board and at least 25% on the Management Board. At the Supervisory Board meeting on 2 March 2017, it was retrospectively determined that these quotas should apply until December 31, 2020. As at 31 December 2018, the share of female Supervisory Board members was 31.25%, below the Company's target. The proportion of women on the Management Board met the target at 25%.

Occupational health management: Corporate Health Award

In 2018, HOCHBAHN was presented with the Corporate Health Award for its internal occupational health management efforts. Of 270 companies in 13 sectors to have completed the multi-stage audit, HOCHBAHN came first in the Transport/Logistics category. This prize is only awarded to companies that demonstrate an exceptional level of commitment to the health of their own employees and who both structurally and strategically integrate and promote occupational health management into their corporate processes.

Basic principles of the remuneration system for Management Board members

The remuneration structure determined by the Supervisory Board is governed by the director's contracts of individual Management Board members. The remuneration is divided into non-performance-related and performance-related components.

The non-performance-related components primarily consists of the base salary. Other benefits are also included in non-performance-related components. They include the taxable monetary value of non-cash benefits such as the private use of company cars as well as reduced-price travel for the spouses and children.

The variable portion of remuneration is paid on a performance-related basis, and its components are determined by the Supervisory Board. Variable performance-related remuneration agreements are concluded with Management Board members each year.

3. REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

3.1 Report on expected developments

U4 line extension

The extension of the U4 U-Bahn line is necessary in light of the ongoing development of the eastern part of HafenCity. As part of this project, the existing U4 track is being extended by approximately 1.3 kilometres. This track extension includes a turning loop and sidings in the immediate vicinity of the existing HafenCity Universität station as well as an additional station at Elbbrücken (the bridges over the Elbe), where passengers can change to the rapid transit (S-Bahn) network. The total budget for this programme is €178.2 million, which will be fully financed by a grant from the Free and Hanseatic City of Hamburg and funds made available by the Federal Government under the Local Authority Public Transport Finance Law (Gemeindeverkehrsfinanzierungsgesetz – GVFG).

The turning loop and sidings became operational back in October 2017. Work on the tunnel and trough section as well as in the new Elbbrücken station was also largely completed. The connecting structure (skywalk) linking the new Elbbrücken U-Bahn station with the S-Bahn station currently under construction is also nearing completion. With work proceeding according to plan, the test runs of the U-Bahn began in mid-November 2018 as scheduled. Regular passenger services to the new Elbbrücken terminus on the U4 line began on 7 December 2018. Only a few minor tasks are still being carried out in 2019 as part of this construction project. As a result of more favourable contract placements and because foundation risks did not materialise, the project is expected to be approximately €33 million under budget (€145 million instead of €178 million).

Barrier-free upgrading of U-Bahn stations

Providing people with limited mobility with access to local public transport is of particular concern for the Senate of the Free and Hanseatic City of Hamburg and HOCHBAHN. In the first stage of the accelerated upgrade programme, a total of 21 stations have already been upgraded to allow barrier-free access by the end of 2016. Another five stops were equipped with barrier-free access in further expansion stages from 2016 until the end of 2017.

In 2018, seven stations (Merkenstraße, Langenhorn Nord, Hoheluftbrücke, Habichtstraße, Umlandstraße, Meindorfer Weg, Hagendeel) became barrier-free. Construction work also began in 2018 to make a further six stations (Lohmühlenstraße, Ritterstraße, Wandsbeker Chaussee, Alter Teichweg, Straßburger Straße, Lübecker Straße) accessible to passengers with disabilities. With these six stations, as well as the U-Bahn station at Joachim-Mähl-Straße, a total of seven stations were under construction at the turn of the year 2018/2019. Of this total, six stations are expected to be completed in 2019. Only the construction work at the Straßburger Straße station is expected to last until spring 2020.

Construction work will begin at three further stations (Landungsbrücken, Klein Borstel, Fuhlsbüttel Nord) in 2019. In addition, approval planning is currently underway for four U-Bahn stations (Steinstraße, Messberg, Jungfernstieg, Rathaus) where refurbishment is expected to start in 2020. The planning application for the Mönckebergstraße station was submitted in December 2018, with construction also planned to start in 2020.

Barrier-free access upgrade work at the remaining four U-Bahn stations is scheduled to take place steadily over the next decade. The Sternschanze station is no longer included in the programme of work to enable barrier-free access. HOCHBAHN will aim to rebuild this station in the second half of the next decade.

U-Bahn network expansion

Hamburg is aiming to develop its local public transport network primarily by expanding the existing rapid transit and regional rail network. A concept study concluded at the end of 2014 produced the following U-Bahn network expansion measures:

- Construction of a U1 station at Oldenfelde
- Expansion of the U4 line to Horner Geest
- Construction of a new U5 line from Bramfeld to Osdorfer Born (in different sections)

As part of the construction of the new Oldenfelde station, railway embankment widening works and structural work on the first phase of construction for the entrance building were carried out in 2018. Track construction work was also carried out for the new track leading to Volksdorf. The steel structure of the platform roof was assembled in March 2019. Completion of the structural work for the second stage of construction is planned for June 2019. Work on the exterior facade and the platform roof is being carried out until early May, followed by upgrade work and the technical fit-out. The station is expected to open in December 2019.

The planning documents for the project to extend the U4 line to Horner Geest were submitted to the city's municipal legal office (Rechtsamt) in June 2018. The objection period ended in mid-October 2018. The public hearing for the planning approval process is being held in April 2019. A decision on this planning application could be made in summer 2019. The aim is to obtain a decision on financing at the Hamburg Parliament meeting in mid-June 2019 and receive a grant based on this decision. HOCHBAHN is currently seeking to obtain proportionate funding from the Federal Government for these measures. Construction is scheduled to start in 2019.

Plans for the construction of the new U5 U-Bahn line are also being developed further. Design planning for the U5 East (Bramfeld – City Nord) planning segment was completed at the end of 2018. The supporting documents for construction and costing will be prepared on this basis by mid-2019. There are also plans to submit planning documents in the first half of 2019. Additional planning services are expected to be provided in parallel with this. Construction is scheduled to start at the end of 2021.

The feasibility study for the U5 Central (City Nord – Innenstadt – Siemersplatz/Stellingen) planning segment was completed with positive results in the 2018 reporting year. These results are being investigated further and outlined in greater depth in the subsequent preliminary planning stage. This stage is expected to be concluded in mid-2020.

A concept study for the Hamburg West (Stellingen and/or Diebsteich – Lurup – Osdorfer Born) planning segment was concluded at the end of 2016 with a preferred option for both the S-Bahn and U-Bahn. A feasibility study will be drafted in cooperation with Hamburg S-Bahn by the end of the first quarter of 2019. On this basis, the HVV will be in charge of a comparison of variants for further political decision-making.

Citizen participation is one of the primary objectives during the expansion of the U-Bahn network. On 15 January 2019, the U5 Central project was presented by Hamburg's First Mayor, Dr. Peter Tschentscher, as part of the State Press Conference. The schneller-durch-hamburg.de website went live at the same time. This site, which provides information on all projects relating to the U-Bahn network expansion, had already been visited 70,000 times by mid-March 2019, with 850 contributions and questions published and answered. Eight events were also held in the first quarter of 2019 at four hubs across Hamburg (UKE, Uni Hamburg, Kampnagel, City/Hühnerposten) at the start of the public participation phase for the U5 line, with around 10,000 people receiving information via interactive modules and direct conversations at these events. During this process, it became evident that Hamburg's residents are in favour of the U5 U-Bahn line.

Direct awarding of contracts for bus and U-Bahn services

On 19 August 2014, the Senate Commission for Public Organisations agreed to invite HOCHBAHN and Verkehrsbetriebe Hamburg-Holstein GmbH (VHH) to create the preconditions required to directly award contracts for bus services. Under this proposal, transport companies were encouraged to develop initiatives such as inter-company optimisation of the route network and bus cycles and benchmarking instruments involving other suitable transport operators.

After the transport companies had met the requirements of the Senate Commission, BWVI announced plans for the planned direct awarding of contracts for transport services for the VHH in the EU Official Journal in late 2015. The contract was then directly awarded to the VHH by a Senate decision at the end of 2016.

Advance information had not yet been published for HOCHBAHN at that time as not all the statutory conditions had been fulfilled. According to the existing legal framework, contracts may only be directly awarded when the company is not committed outside of its home market either directly or through its shareholdings. This means that HOCHBAHN had to find a solution for BeNEX GmbH (BeNEX) within the scope of the EU directive before the contract could be directly awarded.

At the end of 2018, the Department of Economic Affairs, Transport and Innovation published its plans to directly award transport services, including those for HOCHBAHN, in the EU Official Journal. As a result of the planned network expansion (U5, U4 Horner Geest), the advance information now includes the awarding of U-Bahn services in addition to bus services.

At the end of March 2019, an agreement was signed for the disposal of HOCHBAHN's equity interest in BeNEX and limited partnership interest in agilis E. The sale will not become effective until various closing conditions have been met and, as is usual in such a case, the Federal Cartel Office has formally reviewed the agreement. This agreement marks a key milestone for meeting all of the conditions set out in the EU directive, which would enable the services to be directly awarded to HOCHBAHN by a Senate decision at the end of 2019.

switchh project

The switchh project was launched for a two-year pilot phase on 31 May 2013. switchh enables HOCHBAHN to link local public transport with supplementary mobility services such as car sharing on an online mobility platform. The user can access these mobility services at convenient locations, so-called switchh points. The aim of switchh is to persuade people that they do not need their own car by intelligently networking all publicly available mobility options, to improve traffic conditions, living quality and environmental conditions in Hamburg. The two-year pilot phase was replaced by a so-called transition phase after a participation procedure aimed at recruiting new cooperation partners was completed in summer 2015. This expansion of the partner network is intended to give customers access to a more diverse selection of vehicles, enabling them to become even less reliant on their own cars. Hamburg is on track to become a model city for environmentally-friendly and intelligent transport concepts. Local public transport is being expanded and connected with supplementary offerings such as car, bike and scooter sharing, taxis and innovative shuttle services. This, combined with quiet, low-emission drive systems, should make the city less noisy and improve its air quality. The aim of providing a digital infrastructure or platform that networks all publicly available mobility offerings is to make these offerings more straightforward, convenient and attractive. The current plan is to offer this platform to people in Hamburg from autumn 2019 onwards before gradually expanding it to include all relevant mobility offerings. In addition to creating a digital infrastructure, HOCHBAHN is also building additional switchh points. These will be built both at rapid transit hubs as well as in densely populated areas away from these hubs. There are plans to equip switchh points at municipal railway stations with charging infrastructure for the planned future electrification of a significant share of the vehicle fleets provided by car sharing firms. Efforts to coordinate these plans have already been stepped up with all key partners.

E-bus system

The City of Hamburg gave HOCHBAHN and all other Hamburg transport companies the political remit of acquiring only locally emission-free buses from 2020 onwards. The aim of this measure is to update the City of Hamburg's clean air programme and leverage the environmental benefit of local public transport compared to individual transport using conventional drive technology. The plan is to convert the entire fleet by the early 2030s.

The first local emission-free buses to roll off the production line are battery-powered buses. At the start of 2019, the first four vehicles (two Evobuses and two Solaris buses) entered service with HOCHBAHN. The remaining 26 buses will be delivered in 2019. HOCHBAHN plans to order additional buses in mid-2019. A tender will then be prepared for the buses to be procured from 2021 onwards.

Developments in battery technology and the resulting range of vehicles are the biggest challenges for vehicle procurement in the future. The experience HOCHBAHN has gained by testing hybrid fuel cell buses and battery-power buses with fuel cells as range extenders has led the company to conclude that fuel cell technology and with it the use of hydrogen could provide an option for significantly extending the range of electric buses. The first battery-powered buses with fuel cells as range extenders are expected to roll off the production line in 2022. Fuel cell technology remains a key option for HOCHBAHN in achieving its objective of completely converting its fleet of vehicles.

In addition to vehicles, the infrastructure also needs to be equipped for a fleet comprising only electric-powered buses. Initial measures such as constructing charging facilities for e-buses, creating specialist roles in the workshop and providing staff with the necessary qualifications have already been implemented at the Hummelsbüttel depot. Construction of the new Alsterdorf depot has fulfilled another important prerequisite for acquiring, servicing and supplying locally emission-free buses. The existing capacity available at Hummelsbüttel will be expanded during this decade, with the remaining depots then following in the 2020s. The bus depots will be equipped to enable retrofitting buses with fuel cell technology.

The development and enhancement of the digital infrastructure will also be an important component of smooth and efficient passenger operations. As part of these efforts, the existing depot management system (DMS) will be converted into an e-DMS that enables the bus control centre to manage the depots and coordinate the electrified fleet. In addition, a load and charge management system was developed to coordinate and optimise the electricity supply and charging processes. The systems are scheduled to be integrated into HOCHBAHN's digital infrastructure by the time the Alsterdorf depot commences operations.

The aforementioned changes will also affect the staff required for the bus system, including drivers as well as operations and workshop employees. Existing employees need to be trained accordingly and new recruitment conditions defined for new staff.

An interdisciplinary project management system capable of cross-departmental project organisation was installed at HOCHBAHN to enable the company to fulfil the mandate given to it by the City in a targeted manner.

Expected future development of earnings at HOCHBAHN

A net loss of €59.5 million, EBITDA of €47.0 million and a cost coverage ratio of 91.0% were expected for the 2018 financial year. The net loss was reduced to €51.0 million in the updated guidance issued in 2018, which also called for EBITDA of €54.6 million and a cost coverage ratio of 92.2%. In fact, HOCHBAHN reported a net loss of €51.0 million and a cost coverage ratio of 92.2% for 2018, while EBITDA totalled €50.4 million. Both the net loss and the cost coverage ratio thus met the updated guidance. EBITDA fell €4.2 million short of the guidance due to the lower share of the cost of capital in the net loss.

The company generated a net loss of €44.9 million in 2017, together with an EBITDA of €54.7 million and a cost coverage ratio of 92.9%. Compared to this loss, earnings deteriorated by €6.1 million in 2018 as the increase in expenses for the year under review could not be fully offset by rises in HVV pool income. This increase in expenses resulted from rising capital costs on the one hand. Externally-financed investments in vehicle procurement led to higher depreciation and amortisation and an increase in interest expenses. On the other hand, personnel and energy costs have also risen. Personnel costs were higher because of the 3.3% wage increase as of 1 May 2018 and the higher number of staff required due to the expanded operating performance. Increased procurement prices and higher consumption caused by extended operating hours led to a rise in energy costs.

A net loss of €67.8 million is projected for 2019. This corresponds to EBITDA of €40.9 million and a cost coverage ratio of 90.1%. The year-on-year expansion of the net loss in 2019 is primarily attributable to rising capital costs mainly triggered by the procurement of DT5 rolling stock, the full upgrading of DT3 rolling stock, and bus procurement. Depreciation and amortisation is also higher as a result of the construction of the new Alsterdorf bus depot and sales projects such as the procurement of ticket machines and e-ticketing. The 3.3% rise in collectively agreed wages as of 1 May 2018 for the entire year as well as the additional 3.2% rise in collectively agreed wages as of 1 July 2019 will lead to a further increase in personnel expenses. There are also greater staffing requirements in 2019 due to the extensive service campaign. Energy costs are also forecast to rise due to higher prices and increased consumption. Revenue growth will only partially offset these additional costs. A rise in demand of 0.3% is forecast for the HVV for 2019. As a result of these effects, earnings in 2019 will deteriorate significantly compared with 2018.

3.2 Report on risks and opportunities

Risk and opportunity management

The procedure for the identification, assessment, management and communication of risks and opportunities arising from the company's business activities is regulated by HOCHBAHN's risk and opportunity management (ROM) system.

To enable focused risk and opportunity management, the key principles are defined by the Management Board of HOCHBAHN, taking into account statutory requirements, and implemented throughout the Group. These are set out in the ROM Manual and regularly reviewed to determine whether they are still up-to-date. The Management and Supervisory Boards are regularly informed about the results of ROM inventories.

The goal of risk management is to recognize essential and existence-threatening risks at an early stage and to control them effectively.

The ROM Manual defines risks and opportunities as follows: "Potential future trends or events that might result in a departure from forecasts or goals that is negative (risk) or positive (opportunity) for the entity."

According to this, risks include the occurrence of an economic loss or a disadvantage as well as the negative deviation from the approved budget. Conversely, opportunities can lead to an economic gain or advantage and thus to a positive deviation from the budget. The net approach is used for the assessment of risks and opportunities.

To the extent this is possible, the same instruments and processes are used for the treatment of risks and opportunities during the ROM inventory process. The risks recorded in the overall report are categorised and classified according to their probability of occurrence. However, differentiated rules and regulations apply depending on whether the occurrence of an event is expected in the short or the medium term. As a rule, any offsetting of opportunities and risks is excluded.

Risks

Various material risks for HOCHBAHN are presented below. The overall risk position of the company is also explained and assessed:

Insufficient increase in HVV fare

When the HVV as the transport authority updates the fare structure in the region, insufficient consideration for actual increases in personnel and energy costs, for example, could cause HOCHBAHN's net loss to increase. These cost increases cannot be offset with savings.

Based on consultation between the HVV and the transport companies, any fare updates are currently geared towards actual increases in specific expense items.

Impact of construction work

Increased construction activity is expected across the HVV network over the next few years. This includes both new construction and upgrade works as well as comprehensive maintenance work. The assessment of the impact of construction work on the company's own building sites and those of other transport companies for its own traffic are included in the demand forecast. Demand-related risks primarily arise from delays in construction progress, an inability to provide replacement buses as planned, or where customer behaviour generally develops differently than hoped. As a result, the allocation of fare revenues by the public transport authorities would be lower than planned.

Personnel risks

The labour market is currently experiencing a rise in employment and falling unemployment. The increasing shortage of labour across all sectors in Germany means it is becoming increasingly difficult to fill vacancies with qualified individuals. HOCHBAHN is tackling this problem with measures tailored to specific target groups with the aim of further improving its appeal as an employer. For example, HOCHBAHN is specifically targeting experienced older candidates when filling driver roles and expanding its human resources marketing efforts, particularly at universities.

Interest rate changes

The Federal Government and leading economic research institutes anticipate a rise in interest rates in the medium term. A rate hike will have no impact on existing loans as HOCHBAHN has secured a fixed interest rate in many cases.

A rise in interest rates for short-term funds and new long-term loans could lead to additional costs and an increased net loss in light of the infrastructure measures planned.

European Directive on the disclosure of public-sector data

The revision of the European Public Sector Information (PSI) Directive means that, in addition to government agencies, public companies are also obliged to make large volumes of their operational data available to the public for the first time. As a result, information such as customer or traffic data and real-time operational data could be used by third parties in future to provide similar mobility services or develop apps to help manage relationships with and influence HOCHBAHN customers, for example.

Risk reporting relating to the use of financial instruments

HOCHBAHN holds shares in numerous companies. It is exposed to a default risk with regard to the intrinsic value of these investments as well as the risk of cash flow fluctuations from investment income. HOCHBAHN addresses these risks by actively managing its equity investments as part of its investment controlling process and by way of regular reporting. Members of HOCHBAHN's Management Board are also members of the management and supervisory bodies of the company's equity investments.

HOCHBAHN is influenced by interest rate fluctuations. However, the risk of rising interest rates has no impact on existing loan liabilities, as HOCHBAHN has secured loans with long-term fixed interest rates. As a result, rising interest rates only pose a risk to new loans and could have a negative impact on earnings. The risk of interest rate fluctuations is taken into account using a conservative planning approach.

Summary of risk position

In 2018, two regular risk and opportunity management (ROM) inventories were conducted within the Group. There were no ad-hoc announcements relating to the unexpected emergence of significant risks. In the year-end RCM inventory, HOCHBAHN identified 84 risks. Of these, 24 were associated with counterparty risk (customers and suppliers), ten with market risk, 19 were attributable to general conditions, 24 were connected with technology and organisation and seven related to the Group.

The medium-term risk position of HOCHBAHN is significantly influenced by passenger numbers and the revenues they generate. In particular, risks arise as a result of planned construction work and the difficulty in assessing the development of passenger numbers. An insufficient update of the fare structure on the part of the transport authorities could also contribute to lower income and an increased net loss. The company's low equity ratio and various technical and organisational risks also determine the overall risk exposure. However, the company's overall risk position has improved year-on-year due to the elimination of risks.

The relevant risks identified do not threaten the continued existence of HOCHBAHN either individually or as a whole. From today's perspective, there are also no developments discernible that pose going-concern risks in the medium term, either.

The risks represent a snapshot of the current position and are an excerpt from the ROM inventory conducted as of 31 December 2018.

Opportunities

The main opportunities for HOCHBAHN are listed below:

Strategic opportunities

Increasing digitalisation represents both a challenge and an opportunity for many companies. Digitalisation offers HOCHBAHN the opportunity to win new customers and retain existing ones with innovative services. In the future, digital solutions based on smart use of data will make it possible to identify customer needs more accurately and offer more tailor-made services based on this information. Electronic media already make it easier for customers to access HOCHBAHN's transport services and help the company to tap into new user groups.

In the longer term, autonomous driving will revolutionise both individual motorised travel and local public transport. This radical shift in mobility culture could also increasingly help sharing models to spread further. Against this backdrop, HOCHBAHN has the opportunity to penetrate new lines of business and thus further develop its strategic mission to become the "driver of sustainable mobility in the Hamburg SmartCity". The aim of HOCHBAHN's HEAT research project is to test autonomous electric minibuses and thus lead the way in this field together with its renowned partners in German industry.

The driving bans in place since May 2018 because of non-compliance with air pollution targets show how big the pressure is on the City of Hamburg to reduce emission from the transport sector that is harmful to the environment and climate. By committing to acquire only locally emission-free buses from 2020 onwards, HOCHBAHN is making a significant contribution to achieving Hamburg's political climate protection goals. HOCHBAHN is taking the opportunity to present itself even more clearly as a 'problem solver' and position itself well to share increasingly scarce public resources. In addition, an attractive local public transport service helps to ensure that more of Hamburg's residents leave their cars at home and switch to buses, trains and car sharing services, freeing up additional space in parking areas and on the roads. Ultimately, this also helps to improve quality of life in Hamburg.

Market opportunities

Thanks to the steady influx of new residents into the Hamburg metropolitan area, HOCHBAHN benefits from the positive overall development of the market and the advantageous conditions for expanding and improving its transport services.

The Senate's aim to significantly increase residential construction in Hamburg is driven by this population growth and makes it essential for HOCHBAHN to link these new residential and commercial districts to the local public transport network. This enables the company to acquire new passengers and customers and test new mobility concepts. The extension of the U4 U-Bahn line to both Elbbrücken and Horner Geest, together with the planned construction of the new U5 U-Bahn line, will open up new neighbourhoods with high demand potential and make them quicker and easier to reach.

The growing metropolis is also placing increasing strain on the city's limited space for road traffic and parking. Traffic jams and a growing shortage of parking spaces are making individual motorised travel increasingly unappealing. By providing an attractive offering, HOCHBAHN can benefit from a further increase in demand for local public transport services and associated mobility services. Introducing and expanding the number of decentralised switchh points enables HOCHBAHN to get even closer to its customers and their neighbourhoods and offer them an appealing and diverse selection of transport options.

Hamburg, 29 March 2019

Hamburger Hochbahn Aktiengesellschaft

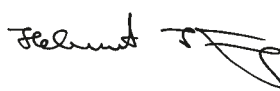
The Management Board



Henrik Falk



Claudia Güsken



Helmut König



Jens-Günter Lang

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Income Statement

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT
for the period from 1 January to 31 December 2018

(€)	Note	2018	2017
1. Sales	(7)	537,355,451.65	525,081,751.84
2. Other own work capitalised		22,633,906.44	20,357,171.03
3. Other operating income	(8)	29,335,896.88	27,082,768.46
4. Gross revenue		589,325,254.97	572,521,691.33
5. Cost of materials			
a) Cost of consumables and supplies, and of purchased merchandise		-58,723,970.58	-57,804,246.18
b) Cost of purchased services		-179,396,341.20	-173,860,977.59
		-238,120,311.78	-231,665,223.77
6. Personnel expenses	(9)		
a) Wages and salaries		-218,604,145.07	-207,511,828.81
b) Social security, post-employment and other employee benefit costs		-47,811,292.32	-45,634,658.97
		-266,415,437.39	-253,146,487.78
7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	(10)	-77,416,178.17	-75,067,861.85
8. Other operating expenses	(11)	-48,104,002.56	-44,741,789.89
9. Investment income	(12)	14,093,738.60	8,555,189.23
10. Net interest income	(13)	-23,969,588.55	-20,947,558.37
11. Earnings after taxes		-50,606,524.88	-44,492,041.10
12. Other taxes		-403,886.64	-401,052.69
13. Income from loss absorption		51,010,411.52	44,893,093.79
14. Net income/loss for the financial year		0.00	0.00

Balance sheet

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT
as at 31 December 2018

ASSETS (€)	Note	31.12.2018	31.12.2017
A. Fixed assets	(1)		
I. Intangible fixed assets			
1. Purchased concessions, industrial and similar rights and assets		1,356,900.00	1,687,502.00
2. Prepayments		3,957,157.31	692,019.31
		5,314,057.31	2,379,521.31
II. Tangible fixed assets			
1. Land, land rights and buildings, including buildings on third-party land		108,009,625.88	109,099,503.43
2. Technical equipment and machinery		770,371,718.23	678,759,833.23
3. Other equipment, operating and office equipment		18,482,916.70	19,122,564.70
4. Prepayments and assets under construction		168,342,851.51	106,333,739.39
		1,065,207,112.32	913,315,640.75
III. Long-term financial assets			
1. Shares in affiliated companies		144,430,473.00	135,130,473.00
2. Loans to affiliated companies		866,632.53	1,057,260.21
3. Long-term equity investments		155,990.25	155,990.25
4. Long-term securities		10,098,143.87	9,301,873.53
5. Other loans		7,803,000.00	7,803,000.00
		163,354,239.65	153,448,596.99
		1,233,875,409.28	1,069,143,759.05
B. Current assets			
I. Inventories			
1. Consumables and supplies		23,496,271.91	19,789,295.69
2. Merchandise		5,914.36	5,914.36
		23,502,186.27	19,795,210.05
II. Receivables and other assets	(2)		
1. Trade receivables		20,558,440.39	14,564,950.67
2. Receivables from affiliated companies		10,966,043.58	9,231,572.83
3. Receivables from other long-term investees and investors		1,869,826.15	1,987,611.45
4. Receivables from the Free and Hanseatic City of Hamburg		35,210,007.81	32,030,010.70
5. Other assets		2,268,342.49	2,150,675.33
		70,872,660.42	59,964,820.98
III. Cash in hand, bank balances		10,627,369.12	7,502,250.49
		105,002,215.81	87,262,281.52
C. Prepaid expenses		639,445.13	175,309.98
		1,339,517,070.22	1,156,581,350.55

EQUITY AND LIABILITIES (€)	Note	31.12.2018	31.12.2017
A. Equity	(3+4)		
I. Subscribed capital		88,938,200.00	88,938,200.00
II. Capital reserves		73,050,144.94	48,050,144.94
III. Revenue reserves			
1. Statutory reserve		4,124,005.57	4,124,005.57
2. Other revenue reserves		1,321,876.04	1,321,876.04
		5,445,881.61	5,445,881.61
		167,434,226.55	142,434,226.55
B. Provisions	(5)		
1. Provisions for pensions and similar obligations		77,050,577.00	70,895,368.00
2. Other provisions		145,149,188.35	148,450,511.84
		222,199,765.35	219,345,879.84
C. Liabilities	(6)		
1. Liabilities to banks		816,745,486.98	652,363,773.69
2. Trade payables		52,275,017.80	33,902,252.50
3. Liabilities to affiliated companies		56,561,678.12	73,161,330.11
4. Liabilities to other long-term investees and investors		0.00	627.00
5. Other liabilities		24,064,335.25	34,870,490.91
		949,646,518.15	794,298,474.21
C. Deferred income		236,560.17	502,769.95
		1,339,517,070.22	1,156,581,350.55

Statement of changes in fixed assets

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT for 2018

€	Cost			
	Balance on 01.01.2018	Additions	Disposals	Reclassi- fications
I. Intangible fixed assets				
1. Purchased concessions, industrial and similar rights and assets	34,364,328.99	440,684.11	554,634.65	128,884.05
2. Prepayments	692,019.31	3,417,022.05	23,000.00	-128,884.05
Intangible fixed assets	35,056,348.30	3,857,706.16	577,634.65	0.00
II. Tangible fixed assets				
1. a.) Land, land rights, including office, operating and other buildings	83,966,769.41	208,898.00	18,486.21	210,696.99
1. b.) Buildings on third-party land				
ba.) Rail infrastructure, installations and buildings	186,086,093.99	1,152,493.45	1,191.51	1,103,372.09
bb.) Other buildings	83,226,328.59	983,046.18	107,694.36	1,814,692.26
	353,279,191.99	2,344,437.63	127,372.08	3,128,761.34
2. Technical equipment and machinery				
a) Tracks, trackside equipment and safety installations	425,464,531.86	13,254,601.43	8,715,101.37	2,843,208.88
b) Rolling stock for passenger and goods transport	949,427,163.89	104,248,913.39	42,770,848.08	28,999,890.91
c) Machines and machinery not classified under a) or b)	87,080,935.91	4,451,329.36	682,071.22	1,005,798.91
	1,461,972,631.66	121,954,844.18	52,168,020.67	32,848,898.70
3. Other equipment, operating and office equipment (incl. low-value assets)	108,694,094.01	5,898,012.63	3,001,716.08	434,420.56
4. Prepayments and assets under construction	106,333,739.39	98,454,082.07	32,889.35	-36,412,080.60
Tangible assets	2,030,279,657.05	228,651,376.51	55,329,998.18	0.00
III. Long-term financial assets				
1. Shares in affiliated companies	154,736,473.00	9,300,000.00	0.00	0.00
2. Loans to affiliated companies	1,057,260.21	31,304.50	221,932.18	0.00
3. Long-term equity investments	155,990.25	0.00	0.00	0.00
4. Long-term securities	9,301,873.53	796,270.34	0.00	0.00
5. Other loans	7,803,000.00	0.00	0.00	0.00
Long-term financial assets	173,054,596.99	10,127,574.84	221,932.18	0.00
	2,238,390,602.34	242,636,657.51	56,129,565.01	0.00

	Depreciation, amortisation and write-downs					Carrying amounts		
	Balance on 31.12.2018	Balance on 01.01.2018	Additions	Disposals	Reclassi- fications	Balance on 31.12.2018	Balance on 31.12.2018	Previous year
	34,379,262.50	32,676,826.99	900,170.16	554,634.65	0.00	33,022,362.50	1,356,900.00	1,687,502.00
	3,957,157.31	0.00	0.00	0.00	0.00	0.00	3,957,157.31	692,019.31
	38,336,419.81	32,676,826.99	900,170.16	554,634.65	0.00	33,022,362.50	5,314,057.31	2,379,521.31
	84,367,878.19	31,921,896.64	2,078,536.54	18,486.21	0.00	33,981,946.97	50,385,931.22	52,044,872.77
	188,340,768.02	150,296,302.90	2,630,341.54	1,191.51	0.00	152,925,452.93	35,415,315.09	35,789,791.09
	85,916,372.67	61,961,489.02	1,854,198.44	107,694.36	0.00	63,707,993.10	22,208,379.57	21,264,839.57
	358,625,018.88	244,179,688.56	6,563,076.52	127,372.08	0.00	250,615,393.00	108,009,625.88	109,099,503.43
	432,847,240.80	297,470,556.63	12,299,335.31	8,715,101.37	0.00	301,054,790.57	131,792,450.23	127,993,975.23
	1,039,905,120.11	427,954,923.89	46,392,255.50	42,547,024.28	0.00	431,800,155.11	608,104,965.00	521,472,240.00
	91,855,992.96	57,787,317.91	4,271,394.27	677,022.22	0.00	61,381,689.96	30,474,303.00	29,293,618.00
	1,564,608,353.87	783,212,798.43	62,962,985.08	51,939,147.87	0.00	794,236,635.64	770,371,718.23	678,759,833.23
	112,024,811.12	89,571,529.31	6,957,057.06	2,986,691.95	0.00	93,541,894.42	18,482,916.70	19,122,564.70
	168,342,851.51	0.00	32,889.35	32,889.35	0.00	0.00	168,342,851.51	106,333,739.39
	2,203,601,035.38	1,116,964,016.30	76,516,008.01	55,086,101.25	0.00	1,138,393,923.06	1,065,207,112.32	913,315,640.75
	164,036,473.00	19,606,000.00	0.00	0.00	0.00	19,606,000.00	144,430,473.00	135,130,473.00
	866,632.53	0.00	0.00	0.00	0.00	0.00	866,632.53	1,057,260.21
	155,990.25	0.00	0.00	0.00	0.00	0.00	155,990.25	155,990.25
	10,098,143.87	0.00	0.00	0.00	0.00	0.00	10,098,143.87	9,301,873.53
	7,803,000.00	0.00	0.00	0.00	0.00	0.00	7,803,000.00	7,803,000.00
	182,960,239.65	19,606,000.00	0.00	0.00	0.00	19,606,000.00	163,354,239.65	153,448,596.99
	2,424,897,694.84	1,169,246,843.29	77,416,178.17	55,640,735.90	0.00	1,191,022,285.56	1,233,875,409.28	1,069,143,759.05

Notes to the annual financial statements for the 2018 financial year

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT
Hamburg Local Court, No. HRB 3072

General disclosures

The 2018 annual financial statements of Hamburger Hochbahn Aktiengesellschaft (HOCHBAHN) were prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB). The provisions of the German Stock Corporation Act (Aktiengesetz – AktG) were also observed.

The company's financial year is the calendar year.

To improve the clarity of presentation, items are combined in the balance sheet and income statement but disclosed separately in the notes. We provided explanatory notes to the balance sheet and income statement, also for the sake of clarity. In accordance with Section 265 (5) HGB, we further subclassified the items in HOCHBAHN's statement of changes in fixed assets. For the classification, HOCHBAHN observes the Regulation governing the Classification of the Annual Financial Statements of Transport Companies (Verordnung über die Gliederung des Jahresabschlusses von Verkehrsunternehmen). We prepared the income statement using the total cost (nature of expense) format.

Hamburger Hochbahn Aktiengesellschaft is not required to prepare consolidated financial statements and a group management report in accordance with Section 291 HGB. The exempting consolidated financial statements and group management report are prepared and published by our parent company, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

Accounting policies

Assets and liabilities have been measured using the same methods as in the previous year.

Intangible and tangible fixed assets are measured at cost and reduced by government grants as well as depreciation, amortisation and write-downs.

In addition to directly attributable costs, proportionate overheads are included in the production cost of internally generated assets. Cost items included in the overheads that cannot be capitalised have been eliminated through the recognition of a percentage discount.

Depreciation and amortisation are calculated over the expected useful life of the asset based on our own experience and standard rates for public transport operators. With the exception of U-Bahn rolling stock and buses, calculations for assets purchased or produced after 30 June 1997 have generally been based on the depreciation table for "passenger and goods transport (by road and rail)" issued by the Federal Finance Ministry from 1 July 1997 in conjunction with the depreciation table for "general-purpose capital goods" valid from 1 January 2001, taking the economic useful lives of the assets in question into account. The plug-in and battery-powered buses being operated in a test phase are depreciated over a shorter useful life of five years because these vehicles are prototypes.

Straight-line depreciation or amortisation is applied to all assets purchased after 1 January 2008. Assets purchased before 1 January 2008 are depreciated using the declining balance method, with the exception of intangible assets, buildings, TV surveillance equipment, DT4 U-Bahn units and buses.

The viaducts pertaining to the buildings, station buildings and rail infrastructure are on publicly owned land belonging to the Free and Hanseatic City of Hamburg.

Movable items of finite-lived fixed assets with an acquisition cost of up to €250 that can be used independently are deducted in full as operating expenses.

Movable items of finite-lived fixed assets costing between €250 and €1,000 that can be used independently have been pooled and depreciated or amortised over a period of five years using the straight-line method, reducing profit.

Shares in and loans to affiliated companies, long-term equity investments, long-term securities and other loans have been recognised at cost. Permanently impaired assets are measured at fair value.

Non-interest-bearing and low-interest loans were discounted in line with their terms.

Consumables and supplies are measured at the weighted average cost. Internally generated inventories were measured at production cost including overhead surcharges on wages and materials. Appropriate write-downs were charged for identifiable impairments. Merchandise is measured at a fixed value.

Receivables and other assets are carried at their principal amount. Risks are taken into account through appropriate valuation allowances. Liquid funds are shown at their nominal amount.

Payments made before the balance sheet date are carried as prepaid expenses where these represent expenditure for a specific period after the balance sheet date.

Based on actuarial opinions, pension obligations are recognised using the projected unit credit method (PUC) applying Professor Klaus Heubeck's 2018 G mortality tables. The company did not make use of the simplification option provided in Section 253 (2) Sentence 2 and 3 HGB but rather used the discount rate in line with the average duration of the liabilities, which corresponds to an average remaining maturity of 12 years. The interest rate as at 31 December 2018 was 3.01% p. a. (previous year: 3.48% p. a.). The future salary trend (including career advancement) was calculated at 2.75% p. a. (previous year: 2.75% p. a.). The anticipated pension trend of 2.50% p. a. (previous year: 2.50% p. a.) was taken into account. Any effects of employee turnover are not taken into account.

Other provisions include all identifiable risks and uncertain obligations and are recognised at the settlement amount dictated by prudent business judgement. Some of the provisions have been determined on the basis of actuarial opinions. For provisions with a remaining term of more than one year, a salary trend (including career advancement) of 2.75% p. a. (previous year: 2.75%) was taken into account when calculating the settlement amount. For the other price and cost increases, increases of 1.50% p. a. (previous year: 1.50% p. a.) were taken into account. Furthermore, these provisions were discounted in accordance with Section 253 (2) Sentence 1 HGB at the average market interest rates corresponding to their remaining maturity set by the Deutsche Bundesbank at between 0.98% p. a. (previous year: 1.43% p. a.) and 2.32% p. a. (previous year: 2.80% p. a.). Other provisions also include provisions in accordance with Section 249 (2) HGB (old version). The company made use of the option provided in Article 67 (3) Sentence 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB) to maintain these provisions.

Liabilities are carried at their settlement amount.

Payments received before the balance sheet date are carried as deferred income where these represent income relating to a specific period after the balance sheet date.

NOTES TO THE BALANCE SHEET**(1) Fixed assets**

The breakdown of fixed assets is shown in the statement of changes in fixed assets (annex to the notes).

(2) Receivables and other assets

in € thsd.	2018	2017
1. Trade receivables	20,559	14,565
2. Receivables from affiliated companies	10,966	9,231
of which trade receivables/liabilities	(-687)	(-101)
of which other receivables	(11,653)	(9,332)
3. Receivables from other long-term investees and investors	1,870	1,988
of which trade receivables	(1,528)	(1,367)
of which from other assets	(342)	(621)
4. Receivables from the Free and Hanseatic City of Hamburg	35,210	32,030
of which trade receivables	(20,206)	(22,358)
of which from other assets	(15,004)	(9,672)
5. Other assets	2,268	2,151
Total	70,873	59,965

All receivables are fully due within one year.

(3) Subscribed capital

HOCHBAHN's subscribed capital amounted to €88,938,200.00 on 31 December 2018 and is broken down as follows:

Type of shares	No. of shares (units)	No. of votes	Notional par value (€ thsd.)
Bearer shares			
Class A no-par value shares	720,172	720,172	37,449
Registered shares			
Class B no-par value registered shares	219,616	219,616	11,420
Class C no-par value registered shares	768,898	768,898	39,982
Class B no-par value preferred shares	1,664	1,664	87
		990,178	51,489
	1,710,350	1,710,350	88,938

All of HOCHBAHN's shares are held by HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg. The Free and Hanseatic City of Hamburg holds 100% of the shares in HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

The discounting of the provisions for pensions at the average market interest rate for the past ten years compared with a discounting at the average market interest rate for the past seven years gives rise to a difference of €5,663 thousand at the balance sheet date. In principle, this is subject to a dividend payout restriction in accordance with Section 253 (6) Sentence 2 HGB but not to a transfer restriction.

(4) Statement of changes in equity

in € thsd.	Subscribed capital	Capital reserves	Revenue reserves	Equity
Balance at 1.1.2018	88,938	48,050	5,446	142,434
Additions to capital reserves	0	25,000	0	25,000
Balance at 31.12.2018	88,938	73,050	5,446	167,434

On 20 December 2018, HOCHBAHN's sole shareholder, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, made a contribution of €25,000 thousand to the capital reserves of HOCHBAHN.

The statutory reserve is €4,124 thousand, the other revenue reserves are €1,322 thousand.

(5) Provisions

in € thsd.	2018	2017
Provisions for pensions and similar obligations	77,051	70,895
Other provisions	145,149	148,451
	222,200	219,346

Provisions for pensions and similar obligations of HOCHBAHN include obligations for the provision of free pensioners' tickets and reduced-price tickets for the spouses of beneficiaries entitled to them that arose after 1 January 1987. There is a deficit of €27,390 thousand for current pensions and similar obligations and of €9,281 thousand for future pensions to beneficiaries and eligible beneficiaries who acquired these entitlements prior to 1 January 1987.

Apart from provisions to ensure competitiveness in the amount of €79,775 thousand, other provisions include obligations for future anniversary bonuses, outstanding holiday entitlements, surpluses on long-term working hours accounts, contributions to the employers' liability insurance association, obligations for third-party insurance with Haftpflichtgemeinschaft Deutscher Nahverkehrs- und Versorgungsunternehmen (HDN), deferred maintenance payments, financing and transaction risks, litigation risks and outstanding invoices.

(6) Liabilities

in € thsd.	of which with a remaining maturity of			
	Total	up to 1 year	1 to 5 years	more than 5 years
1. Liabilities to banks	816,745	72,733	332,777	411,235
Previous year	652,364	58,285	256,723	337,356
2. Trade payables	52,275	52,275	0	0
Previous year	33,902	33,902	0	0
3. Liabilities to affiliated companies	56,562	56,562	0	0
Previous year	73,161	73,161	0	0
of which trade receivables	(36,442)	(36,442)	(0)	(0)
Previous year	(-3,370)	(-3,370)	(0)	(0)
of which other liabilities	(20,120)	(20,120)	(0)	(0)
Previous year	(76,531)	(76,531)	(0)	(0)
4. Liabilities to other long-term investees and investors	0	0	0	0
Previous year	1	1	0	0
of which trade receivables	(0)	(0)	(0)	(0)
Previous year	(1)	(1)	(0)	(0)
5. Other liabilities	24,065	24,065	0	0
Previous year	34,870	34,870	0	0
of which taxes	(3,506)	(3,506)	(0)	(0)
Previous year	(3,330)	(3,330)	(0)	(0)
of which related to social security	(1,354)	(1,354)	(0)	(0)
Previous year	(1,281)	(1,281)	(0)	(0)
Total	949,647	205,635	332,777	411,235
Previous year	794,298	200,219	256,723	337,356

NOTES TO THE INCOME STATEMENT**(7) Sales**

in € thsd.	2018	2017
Ticket sales ¹	452,624	440,443
Rental and leasing agreements	43,917	46,529
Other	40,814	38,110
	537,355	525,082
of which relating to prior periods ²	4,874	4,837

¹ Sales principally comprise income generated from membership of HVV as well as compensation pursuant to Section 45a of the Passenger Transport Act (PBefG) (school transport) and Section 148 of Volume IX of the Code of Social Law (SGB IX) (transport of severely disabled persons). The definitive allocation of HVV income for 2018 is not yet available. Income generated from membership of HVV has therefore been calculated using a qualified estimate based on preliminary figures of HVV GmbH.

Income from the transport of severely disabled persons (Section 148 SGB IX) is determined in principle using provisional calculations based on the previous year's parameters.

² Sales relating to prior periods mainly comprise adjustments to the estimate of income generated from membership of HVV (€4,296 thousand; previous year: €3,721 thousand).

Sales were generated exclusively in Germany.

(8) Other operating income

in € thsd.	2018	2017
Other operating income	29,336	27,083
of which relating to prior periods (mainly income from the reversal of provisions as well as compensation for damage and cost refunds for previous years)	5,748	5,573

(9) Personnel expenses

in € thsd.	2018	2017
Wages and salaries	218,604	207,512
Social security, post-employment and other employee benefit costs	47,811	45,634
	266,415	253,146
of which in respect of post-employment benefits	5,655	5,475

(10) Amortisation and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets

Depreciation, amortisation and write-downs of €77,416 thousand (previous year: €75,068 thousand) were recognised in the financial year. This figure includes write-downs in accordance with Section 253 (3) Sentence 5 HGB in the amount of €33 thousand (previous year: €4,073 thousand).

(11) Other operating expenses

Other operating expenses amount to €48,104 thousand (previous year: €44,742 thousand) and include prior-period expenses of €199 thousand. These mainly comprise the deductible for liability damages in the amount of €118 thousand.

(12) Investment income

in € thsd.	2018	2017
Income from profit transfer agreements	6,413	6,113
Income from long-term equity investments	8,384	6,963
of which from affiliated companies	(8,042)	(6,341)
Write-downs of long-term financial assets	0	-3,606
Expenses for loss absorption	-704	-915
of which from affiliated companies	(-704)	(-915)
	14,093	8,555

(13) Net interest income

in € thsd.	2018	2017
Income from long-term loans	58	901
of which from affiliated companies	(58)	(896)
Other interest and similar income	246	302
of which from affiliated companies	(70)	(65)
of which from the unwinding of discounted receivables	(169)	(235)
Interest and similar expenses	-24,273	-22,151
of which to affiliated companies	(-25)	(-20)
from the unwinding of discounts	(-4,048)	(-4,598)
	-23,969	-20,948

OTHER DISCLOSURES**(14) Auditor's fee**

The fee for services provided by the auditors of the annual financial statements was recognised as expense in the financial year as follows:

Breakdown of auditors' fees (in € thsd.)	2018
Audit services	128
Other assurance services	21
Other services	120
Tax advisory services	0
	269

The audit services include fees of €47 thousand for the audit of the annual financial statements in the previous year.

(15) Off-balance-sheet transactions**Cross-border lease agreements****General, nature and purpose**

There is a finance lease for U-Bahn rolling stock which was agreed to obtain present value benefits. The finance lease gives rise to a liability to foreign lessors of €22,310 thousand, for which recourse claims in the same amount exist against a domestic bank. These liabilities are secured by assignment using the U-Bahn rolling stock itself as collateral. There are also obligations under a cross-border leasing transaction for ferries. Purchase payments were made in NZD for these by HOCHBAHN to ATG/HADAG AG. These are set off against receivables from ATG/HADAG AG in the same amount in respect of rental payments in NZD on a pro rata basis, congruent with the individual instalments.

Benefits, risks and financial effects

HOCHBAHN generated present value benefits from the cross-border leasing transactions. These amounted to €233 thousand as at 31 December 2018, but were not yet reflected in income at this date. There are no significant future risks for HOCHBAHN.

Interest and currency swap transactions

Two loans denominated in NZD (€70,733 thousand) with a variable interest rate were signed. Any currency and interest rate exposures arising in connection with this were hedged with appropriate interest and currency swaps matching the respective amounts and maturities. Swaps are inseparable from the underlying transaction. The fair value of the swaps at the balance sheet date totalled -€1,416 thousand. The hedges recognised in accordance with Section 254 HGB are micro hedges. The contractual partners for the loan agreements and swap contracts are identical. Since all factors to be applied for measuring the hedged item and the hedging item are identical, this does not give rise to risks for HOCHBAHN according to the critical terms match method.

(16) Contingent liabilities

There are liabilities from guarantees in the amount of €4,117 thousand.

Liabilities from guarantees arise in connection with contractual obligations entered into by indirect HOCHBAHN investees when the investee has commitments towards its contractual partners under transport and service agreements. It is highly unlikely that such guarantees will be called. In addition, there are further unlimited performance guarantees in favour of subsidiaries. As the parent company, HOCHBAHN monitors the compliance of the investees with their contractual obligations.

(17) Other financial obligations

Other financial obligations amount to €378,215 thousand. This figure includes €9,089 thousand to affiliated companies and €33 thousand to associates.

(18) Disclosures on employees

The figures show the average numbers of staff for the year.

	2018	2017
Personnel and operations	3,341	3,224
Technical workers	935	911
Corporate management and finance	481	465
Investees, inactive employment contracts, etc.	315	340
	5,072	4,940
of which part-time employees	452	412
of with female employees	867	808
Pensioners	79	80
Trainees	114	120
Percentage of severely disabled persons	6.4%	6.7%

(19) Total remuneration of the Supervisory Board and the Management Board

The members of the Supervisory Board did not receive any remuneration in financial year 2018, only meeting attendance fees.

Total remuneration of the Management Board amounted to €1,158 thousand and is broken down as follows:

in € thsd.	Mr Falk	Mr König	Mr Lang	Ms Gösken
Non-performance-related remuneration components	260	205	188	175
Fringe benefits (remuneration in kind, direct insurance)	20	20	12	32
Performance-related remuneration components	100	66	62	18
Total	380	291	262	225

In addition, there are provisions for pension obligations to active members of the Management Board in the amount of €3,314 thousand and provisions for pension obligations to retired members of the Management Board and their surviving dependants totalling €9,921 thousand. Remuneration of €646 thousand was paid to former members of the Management Board and their surviving dependants in financial year 2018.

(20) Governing bodies of the company**Members of the Supervisory Board****Frank Horch, Hamburg (until 6 December 2018)**

Chairman

Senator, Department of Economic Affairs, Transport and Innovation

Michael Westhagemann, Hamburg (since 6 December 2018)

Chairman

Senator, Department of Economic Affairs, Transport and Innovation

Max Leininger*, Hamburg

Deputy Chairman

Union secretary of the ver.di trade union

Martin Huber, Hamburg

Department Supervisor, Department of Economic Affairs, Transport and Innovation

Dr Sibylle Roggencamp, Hamburg

Senate Director, Department of Finance

Michael Pollmann, Hamburg

State Secretary, Department of the Environment and Energy

Andreas Rieckhof, Hamburg

State Secretary, Department of Economic Affairs, Transport and Innovation

Dr Rainer Klemmt-Nissen, Hamburg (until 31 August 2018)

Managing Director, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Oliver Jensen, Hamburg (since 1 September 2018)

Managing Director, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Martina Plag, Hamburg

Managing Director, Hachenberg und Richter Unternehmensberatung GmbH

Claudia Plath, Hamburg

Managing Director Finance, ECE Projektmanagement G.m.b.H. & Co. KG

Anne-Louise Quiring*, Hamburg

Union secretary of the ver.di trade union

Klaus Ceglecki*, Hamburg

Bus driver, member of HOCHBAHN's Works Council

Angelika Jank*, Hamburg

Cleaner, TEREK Gebäudedienste GmbH

Ingomar Spieß*, Hamburg

Head of division, HOCHBAHN's data protection officer

* Employee representative

Heinrich Hanebuth*, Hamburg (until 24 August 2018)

Bus driver, member of HOCHBAHN's Works Council

Norbert Klang*, Hamburg (until 24 August 2018)

Public relations manager, member of HOCHBAHN's Works Council

Marlies Schneider-Polich*, Hamburg (until 24 August 2018)

U-Bahn driver, member of HOCHBAHN's Works Council

Stefan Uckert*, Reinbek (from 24 August 2018)

Technical employee, member of HOCHBAHN's Works Council

Torsten Lux-Kremer*, Hamburg (from 24 August 2018)

Works technician, member of HOCHBAHN's Works Council

Jörg Braun*, Hamburg (from 24 August 2018)

Commercial employee, member of HOCHBAHN's Works Council

* Employee representative

Members of the Management Board**Henrik Falk, Hamburg, Chairman**

Chief Executive Officer

Helmut König, Peine

Chief Financial Officer

Jens-Günter Lang, Hamburg

Chief Technology Officer

Claudia Güsken, Hamburg

Human Resources Director and Chief Operating Officer

(21) Significant events after the close of the financial year

At the end of March 2019, an agreement was signed for the disposal of HOCHBAHN's equity interest in BeNEX and limited partnership interest in agilis E. The sale will not become effective until various closing conditions have been met and, as is usual in such a case, the Federal Cartel Office has formally reviewed the agreement.

(22) Name and registered office of the parent company

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV), is HOCHBAHN's sole shareholder; the sole shareholder of HGV is the Free and Hanseatic City of Hamburg. HGV is the parent company that prepares the consolidated financial statements for the largest group of companies. In addition, the Free and Hanseatic City of Hamburg prepares consolidated financial statements.

HOCHBAHN has entered into a control and profit transfer agreement with HGV.

HGV's financial statements are published in the electronic Federal Gazette (Bundesanzeiger), while the consolidated financial statements of the Free and Hanseatic City of Hamburg (FHH) are published on FHH's website.

Hamburg, 29 March 2019

Hamburger Hochbahn Aktiengesellschaft

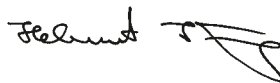
The Management Board



Henrik Falk



Claudia Güsken



Helmut König



Jens-Günter Lang

Shareholdings

of Hamburger Hochbahn Aktiengesellschaft
as at 31 December 2018¹

Name and registered office of the entity	Equity		2018 profit/ loss	Control and profit transfer agreement
	€ thsd.	Equity investment Name %		
FFG Fahrzeugwerkstätten Falkenried GmbH, Hamburg	4,100	HOCHBAHN 100.0	0	Yes
HADAG Seetouristik und Fährdienst AG, Hamburg	4,096	HOCHBAHN 100.0	0	Yes ²
ATG Alster-Touristik GmbH, Hamburg	3,472	HOCHBAHN 100.0	0	Yes
HHW Hamburger Hochbahn-Wache GmbH, Hamburg	26	HOCHBAHN 100.0	0	Yes
HSF Hamburger Schnellbahn-Fahrzeug-Gesellschaft mbH, Hamburg	775	HOCHBAHN 100.0	0	Yes
SBG Süderelbe Bus GmbH, Hamburg	2,000	HOCHBAHN 100.0	0	Yes
Friedrich Jasper Rund- und Gesellschaftsfahrten GmbH, Hamburg	1,590	HOCHBAHN 100.0	0	Yes
Zentral-Omnibus-Bahnhof "ZOB" Hamburg GmbH, Hamburg ⁴	1,277	HOCHBAHN 69.2	207	–
HOCHBAHN Grundstücksverwaltungsgesellschaft mbH & Co. KG, Hamburg	39,572	HOCHBAHN 100.0	3,363	–
HOCHBAHN-Verwaltungsgesellschaft mbH, Hamburg	132	HOCHBAHN 100.0	4	–
HOCHBAHN Beteiligungsgesellschaft mbH & Co. KG, Hamburg	56,680	HOCHBAHN 100.0	-8,604	–
HSG Hanseatische Siedlungsgesellschaft mbH, Hamburg	8,545	HOCHBAHN Beteiligungsgesellschaft 100.0	0	Yes ³
TEREG Gebäudedienste GmbH, Hamburg	1,731	HOCHBAHN Beteiligungsgesellschaft 56.0	0	Yes ³
BeNEX GmbH, Hamburg ⁴	68,610	HOCHBAHN 51.0	5,582	–
agilis Eisenbahngesellschaft mbH & Co. KG, Regensburg ⁵	N/A	HOCHBAHN 51.0 BeNEX 49.0	N/A	–
agilis Verkehrsgesellschaft mbH & Co. KG, Regensburg ⁵	N/A	BeNEX 100.0	N/A	–
1. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Parchim ⁵	N/A	BeNEX 100.0	N/A	–
2. BeNEX Fahrzeuggesellschaft mbH, Grünwald ⁵	N/A	BeNEX 100.0	N/A	Yes ⁶
3. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Grünwald ⁵	N/A	BeNEX 100.0	N/A	–
4. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Grünwald ⁵	N/A	BeNEX 100.0	N/A	–
5. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Grünwald ⁵	N/A	BeNEX 100.0	N/A	–
cantus Verkehrsgesellschaft mbH, Kassel ⁴	7,689	BeNEX 50.0	2,035	–
HNB Hamburger Nahverkehrs-Beteiligungsgesellschaft mbH, Hamburg ⁵	N/A	BeNEX 100.0	N/A	–
Stadtverkehr Lübeck GmbH, Lübeck ⁴	31,141	HNB 49.9	0	Yes ⁷
NBE nordbahn Eisenbahngesellschaft mbH & Co. KG, Kaltenkirchen ⁴	1,556	BeNEX 50.0	-654	–
ODEG Ostdeutsche Eisenbahn GmbH, Parchim ⁴	5,288	BeNEX 50.0	4,788	–
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH, Eberswalde ⁴	250	ODEG 100.0	0	Yes

¹ Unless insignificant.

² A profit transfer agreement is in place with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH.

³ A profit transfer agreement is in place with HOCHBAHN.

⁴ Disclosure of prior-year figures.

⁵ No details are given of the equity and net profit/loss for the year since the company is not required to publish its annual financial statements.

⁶ A profit transfer agreement is in place with BeNEX GmbH.

⁷ A profit transfer agreement is in place with Stadtwerke Lübeck Holding GmbH.

Text of the auditor's report

We issued the following unqualified auditor's report on the annual financial statements for the financial year ended 31 December 2018 attached hereto as appendices 1 to 3 and on the management report on the 2018 financial year (appendix 4):

“Independent auditor's report

To Hamburger Hochbahn Aktiengesellschaft, Hamburg

Audit opinions

We have audited the annual financial statements of **Hamburger Hochbahn Aktiengesellschaft, Hamburg**, comprising the balance sheet as at 31 December 2018 and the income statement for the financial year from 1 January to 31 December 2018, as well as the notes to the financial statements, including the presentation of the accounting policies. In addition, we have audited the management report of Hamburger Hochbahn Aktiengesellschaft, Hamburg, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Section 289f (4) German Commercial Code (HGB) (disclosures regarding the quota of women).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and in compliance with the German generally accepted accounting principles give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the contents of the statement on corporate governance mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's responsibilities for the audit of the annual financial statements and of the management report” section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Notes on highlighting a matter

We draw attention to the information presented in section (21) "Significant events after the close of the financial year" in the notes and in the section entitled "Direct awarding of contracts for bus and U-Bahn services" in the management report, which explains the sale (signing) of the equity interest in BeNEX. The sale is subject to various conditions precedent. Due to the continuing transaction risk, the provision recognised for this purpose in the previous year has been retained. Our opinion on the financial statements has not been modified in this respect.

Other information

The Management Board is responsible for the other information. Other information comprises the statement on corporate governance pursuant to Section 289f (4) German Commercial Code (HGB) (disclosures regarding the quota of women).

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Supervisory Board for the annual financial statements and the management report

The Management Board is responsible for the preparation of the annual financial statements that comply, in all material respects with the requirements of German commercial law applicable to corporations and that the annual financial statements, in compliance with the German generally accepted accounting principles, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. In addition, the Management Board is responsible for such internal control as it, in accordance with German generally accepted accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict with this.

Furthermore, the Management Board is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems for the Company.
- evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German generally accepted accounting principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the Management Board in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.”

Hamburg, 29 March 2019

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Hartmut Schmidt
Auditor

Jens Engel
Auditor

Report of the Supervisory Board

The Supervisory Board was regularly briefed on the position of the company and on important management issues during financial year 2018 by means of verbal and written reports from the Management Board. The Supervisory Board formed a Finance Committee and a Transport Committee as well as the Arbitration Committee required by law. During financial year 2018 the Supervisory Board held five meetings (including one extraordinary meeting concerning BeNEX GmbH), the Finance Committee two meetings and the Transport Committee three meetings (including one extraordinary meeting concerning BeNEX GmbH).

The annual financial statements and the management report of Hamburger Hochbahn AG for the year ended 31 December 2018 and the company's accounting records were audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, the auditors elected at the last Annual General Meeting. The audit did not give rise to any objections and an unqualified auditor's report was issued.

The audit reports were submitted to the members of the Supervisory Board. In addition, the financial statement auditors reported on the main findings of their audit at the financial statements meeting held by the Finance Committee.

The Supervisory Board examined the annual financial statements and the management report of Hamburger Hochbahn AG and, in agreement with the auditors, raised no objections. It approved and thus adopted the annual financial statements presented by the Management Board.

The Supervisory Board would like to thank the members who left the Board in 2018 – Ms Karin Fritsche, Dr Rainer Klemmt-Nissen, Ms Marlies Schneider-Polich, Mr Heinrich Hanebuth and Mr Norbert Klang – for their dedicated work. Since then, Ms Angelika Jank, Mr Oliver Jensen, Mr Jörg Braun, Mr Stefan Uckert and Mr Torsten Lux-Kremer have been members of the Supervisory Board, succeeding the departed members.

The Supervisory Board would like to make it a point of emphasis to thank its former Chairman, Senator Frank Horch (retired), for his many years of dedicated and constructive service. As his successor, Senator Michael Westhagemann was elected to the Supervisory Board by the Annual General Meeting on 6 December 2018 and elected Chairman by the Supervisory Board.

The Supervisory Board would also like to extend its thanks to the members of the Management Board and all company employees for their work in 2018.

Hamburg, 13 June 2019

The Supervisory Board



Michael Westhagemann
Chairman

Declaration of compliance with the Hamburg Corporate Governance Code (Code)

In the period from 1 January 2018 to 31 December 2018,

Hamburger Hochbahn AG (HOCHBAHN)

complied with the regulations of the Hamburg Corporate Governance Code, which is the responsibility of the Management Board and the Supervisory Board (Items 3 – 7 of the Code and their sub-sections).

In the period from 1 January 2018 to 31 December 2018, the HOCHBAHN subsidiaries

ATG Alster-Touristik GmbH (ATG)

FFG Fahrzeugwerkstätten Falkenried GmbH (FFG)

HADAG Seetouristik und Fährdienst AG (HADAG)

BeNEX GmbH (BeNEX)

TEREG Gebäudedienste GmbH (TEREG)

complied with the regulations of the Hamburg Corporate Governance Code, which is the responsibility of their respective Management and Supervisory Boards, with the following exceptions (Items 3 – 7 of the Code and their sub-sections). The companies departed from the Code in the following items:

- **Item 4.1.5 of the Code:**

“Management shall ensure the application of the provisions of the Hamburg Equal Treatment Act (HmbGleiG) (in particular with regard to the appointment of an Equal Opportunities Officer, the preparation of an Equal Opportunities Plan as well as with regard to procedures for recruiting staff) in its company and in the majority shareholdings of its company.”

Application of the regulations is currently in the planning phase at HOCHBAHN's subsidiaries HADAG and ATG. At present, the position of Equal Opportunities Officer does not exist in these companies.

- **Item 4.2.1 Sentence 1 and Sentence 6 of the Code:**

“The Management Board shall be comprised of at least two persons, who represent the company jointly. By-laws shall govern the cooperation between the members of the Management Board and the allocation of duties among individual Management Board members.”

At the HOCHBAHN subsidiaries ATG, FFG and HADAG there is only one managing director in each case. Due to the small size of these companies, the appointment of only one managing director to ATG, FFG and HADAG is deemed appropriate. In view of this situation, there are no by-laws governing the cooperation between members of the Management Board.

- **Item 4.2.2 of the Code:**

“In principle, members of the Management Board shall be chosen from the best candidates in a selection process (through advertising or with the assistance of personnel management consultants).”

On account of HOCHBAHN's shareholder status, the member of the Management Boards of the subsidiary FFG has been delegated. In general, a selection process is expected to be conducted for future appointments.

- **Item 4.2.9 of the Code:**

“Remuneration to members of the Management Board shall be disclosed on an individual basis – broken down into its non-performance-related, performance-related and long-term incentive components – in the notes to the annual financial statements or in the management report. In the case of companies which are not required to publish annual financial statements because they are part of a group, the disclosure of the remuneration shall appear in the declaration of compliance with the Code.”

The total amount of remuneration to members of the Management Board for the subsidiary BeNEX is shown as requested by the shareholder INPP. In the case of the subsidiary TEREK, consent has not yet been given by the minority shareholder Vattenfall for publication of the remuneration to the members of the Management Board.

The subsidiaries FFG, ATG and HADAG are not subject to the obligation to disclose this information. As required by the Code, the remuneration of the management is published here:

in € thsd.	Non-performance-related remuneration components	Fringe benefits (remuneration in kind, direct insurance)	Performance-related remuneration components	Total
FFG				
Olaf Lilla	141	36	43	220
ATG				
Gabriele Müller-Remer	27	2	9	38
HADAG				
Gabriele Müller-Remer	55	4	18	77
ATG				
Dr Tobias Haack	23	4	0	27
HADAG				
Dr Tobias Haack	47	8	0	55

In addition, a provision for pension obligations to Ms Müller-Remer has been recognised in the amount of around €356 thousand (proportionately).

- **Item 5.3.1 of the Code:**

“Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise. These serve to increase the efficiency of the Supervisory Board's work and its handling of complex issues. The respective committee chairmen shall report regularly to the Supervisory Board on the work of these committees or send the minutes of committee meetings to all Supervisory Board members without delay.”

The Supervisory Boards of ATG, FFG, HADAG and TEREK have not formed any committees since it was not deemed necessary to do so due to the small size of the companies and the small number of Supervisory Board members in each case.

- **Item 5.3.2 of the Code:**

“The Supervisory Board of larger companies (companies which would be classified as large corporations in accordance with Section 267 (3) HGB) shall form an Audit Committee or instruct their Finance Committee to monitor the company’s financial reporting process, the effectiveness of the internal control system, internal risk management system and internal audit system, and the audit of the financial statements, here in particular the independence of the auditor and the additional services provided by the auditor. At least one member of the Audit Committee/Finance Committee shall have special knowledge and experience in the application of accounting principles and internal control processes. The chairperson of the Audit Committee/Finance Committee shall not be a former member of the Management Board of the company and not be the Supervisory Board Chairman in office.”

The Supervisory Boards of FFG and TEREK have not formed an Audit Committee, nor have they instructed their Finance Committee as described above, since it was not deemed necessary to do so due to the small size of the companies and the small number of Supervisory Board members in each case.

- **Item 5.4.1 Sentence 6 of the Code:**

“When appointing members to supervisory bodies, the (statutory) requirements of the Hamburg Act on the Appointment of Members to Corporate Bodies (HmbGreMBG) in particular must be observed and complied with.”

In the case of the subsidiaries HADAG and FFG, HOCHBAHN intends to implement the legal requirements of having two female members on the Supervisory Board when appointing new members.

- **Item 6.2 and 6.3 of the Code:**

6.2 Any information which the company discloses shall also be available on the company's website. This includes the company agreement underlying HW GmbH (memorandum of association), the management report, the annual financial statements and the notes, and the declaration of compliance with the Code." The Declaration of Compliance shall be available for inspection on the website for at least five years.

6.3 The Company Agreement and the Declaration of Compliance shall be displayed on the website of the report on equity holdings in the individual presentation of the respective company.

Information on the investees ATG, BeNEX, FFG, HADAG and TEREK is published on the transparency portal set up in October 2014 in accordance with the Hamburg Transparency Act (HmbTG), in particular in the report on equity holdings of the Free and Hanseatic City of Hamburg (FHH) which can be accessed there.

Hamburg, March 29, 2019

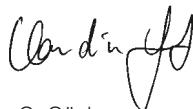


H. Falk
Management Board, Chairman

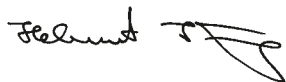
Hamburg, March 19, 2019



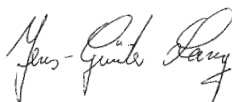
M. Westhagemann
Supervisory Board, Chairman



C. Güsken



H. König



J.-G. Lang

Overview of subsidiaries and investees



agilis Eisenbahngesellschaft mbH & Co. KG (www.agilis.de)

Shareholders: Hamburger Hochbahn AG 51%, BeNEX GmbH 49% | Business purpose: operation of rail-based local transport services in Bavaria: Electrified regional rail network in and around Regensburg including the Donautalbahn | Number of railcars: 26 | Number of employees: 186



ATG Alster-Touristik GmbH (www.alstertouristik.de)

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: Tourist boat cruises, mainly on the Alster Lake and its canals | Number of ships: 18 | Number of employees: 48



BeNEX GmbH (www.benex.de)

Shareholders: Hamburger Hochbahn AG 51%, INPP Public Infrastructure Germany GmbH & Co. KG 49% | Business purpose: Management of a group of companies providing all types of road/rail transport services outside the boundaries of the Free and Hanseatic City of Hamburg, as well as the purchase, maintenance and sale of shareholdings of this kind for the area of business detailed above including all associated financing, brokerage, consultancy and other services (to the extent that these do not require legal approval or official permission under the German Banking Act (KWG) | Number of employees: 32 (annual average)



FFG Fahrzeugwerkstätten Falkenried GmbH (www.ffg-hamburg.de)

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: Maintenance of all types of commercial vehicles, especially buses; technical and commercial fleet management for HOCHBAHN's bus fleet; maintenance of various underground stops; construction and retrofitting of special vehicles | Number of employees: 305



Friedr. Jasper Rund- und Gesellschaftsfahrten GmbH (www.jasper.de)

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: Regular bus services and private coach tours, regular bus services on behalf of HOCHBAHN, special "insider tours" of Hamburg | Number of city buses/articulated buses: 78/27 (leased under a full service bus contract); Overland coaches: 4 | Number of employees: on average 347



HADAG Seetouristik und Fährdienst AG (www.hadag.de)

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: Passenger transport services by ferry in the Port of Hamburg and on the Elbe | Number of ferries: 26 | Number of employees: 94



HHW Hamburger Hochbahn-Wache GmbH

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: ensuring the security of passengers and employees, protection of rolling stock, facilities and installations. Performance of ticket inspections, collection of fair surcharges | Number of employees: 430

HSF Hamburger Schnellbahn-Fahrzeug-Gesellschaft mbH

HSF Hamburger Schnellbahn-Fahrzeug-Gesellschaft mbH

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: The purpose of the company is the procurement and financing of rail rolling stock and its leasing to rail transport operators, in particular for use in the rapid transit network in the Greater Hamburg Area, as well as the construction, financing and leasing to rail and rapid transit system operators of rolling stock maintenance depots and storage sidings | Number of employees: the company has no employees of its own



HSG Hanseatische Siedlungs-Gesellschaft mbH

Shareholders: Hamburger Hochbahn AG via HOCHBAHN-Beteiligungsgesellschaft mbH & Co. KG 100% | Business purpose: Letting of company-owned apartments to employees of the HOCHBAHN Group | Number of apartments: 2,041 | Number of employees: 45



HVW Hamburger Verkehrsmittel-Werbung GmbH

Shareholders: Hamburger Hochbahn AG 24.9%, DSM Deutsche Städte-Medien GmbH 75.1% | Business purpose: Set-up, management and letting of advertising space at stations, marketing and design of advertising on board buses and trains | Number of employees: 1



hySOLUTIONS GmbH (www.hysolutions-hamburg.de)

Shareholders: Hamburger Hochbahn AG 56%, Vattenfall Europe 12.5%, Stromnetz Hamburg 12.5%, VHH Verkehrsbetriebe Hamburg-Holstein 5%, Handelskammer Hamburg 4%, Handwerkskammer Hamburg 4%, Gasnetz Hamburg 3%, Hamburg Port Authority 3% | Business purpose: Promotion, support and implementation of hydrogen and fuel cell technology as well as innovative electrical drive and supply systems in Hamburg | Number of employees: 10



SBG Süderelbe Bus GmbH

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: Regular bus services on behalf of HOCHBAHN, number of city buses: 53 (including 7 diesel hybrid buses), of which 29 are leased; | Number of employees: on average 142 (excluding 1 trainee)



TEREG Gebäudedienste GmbH (www.tereg.de)

Shareholders: Hamburger Hochbahn AG via HOCHBAHN-Beteiligungsgesellschaft mbH & Co. KG 56%, Vattenfall Europe 44% | Business purpose: Provision of cleaning and related services for sites, buildings, transport facilities and rolling stock, public establishments and industrial plants and facilities, repair of damage to buildings and sites, building management and provision of security and services in the transport sector | Number of employees: 1,578



Zentral-Omnibus-Bahnhof "ZOB" Hamburg GmbH (www.zob-hamburg.de)

Shareholders: Hamburger Hochbahn AG 69.2%, Autokraft 11.7%, VHH 11.5%, Jasper 2.9%, six further minority stakes 4.6% | Business purpose: Operation of Hamburg's Central Bus Station (ZOB), letting of units for retail and catering outlets | Number of employees: The company does not have staff of its own (staff is seconded by HOCHBAHN and 1 employee from VHH)

HOCHBAHN AT A GLANCE

	2018	2017	2016
Financial information (€ million)			
Sales	537.4	525.1	508.6
Net loss for the financial year before loss absorption by HGV	51.0	44.9	50.9
Cost coverage ratio (%)	92.2	92.9	91.6
Fixed assets	1,233.9	1,069.1	946.4
Balance sheet total	1,339.5	1,156.6	1,038.3
Gross capital expenditures	292.3	243.0	225.2
Employees¹	5,288	5,083	4,996
Bus			
Passengers (million) ^{2,3}	214.1	212.4	211.2
Passenger kilometres (million) ^{2,3}	666.0	660.7	657.0
Investments (€ million)	74.8	57.1	27.3
Number of buses	980	849	820
Number of lines	113	110	111
Number of stations	1,353	1,329	1,327
spec. CO ₂ emissions (in g per person-km) ^{2,3,5,6}	80.60	80.64	80.19
spec. nitrogen oxides (NOx) emissions (in g per person-km) ^{2,3,4,6}	0.20003	0.24434	0.34582
spec. particulate matter (PM _{2,5}) emissions (in g per person-km) ^{2,3,4,6}	0.00063	0.00077	0.00159
spec. diesel consumption (in l per person-km) ^{2,3,4}	0.3303	0.03305	0.03286
U-Bahn			
Passengers (million) ^{2,3}	251.0	249.0	235.4
Passenger kilometres (million) ^{2,3}	1,498.7	1,486.8	1,405.3
Investments (€ million)	202.6	172.2	187.9
Number of carriages	926	929	890
Number of lines	4	4	4
Number of stations	92	91	91
spec. CO ₂ emissions (in g per person-km) ^{2,3,5,7}	38.86	38.84	42.72
spec. energy consumption (in kWh per person-km) ^{2,3,7}	0.07257	0.07287	0.08015

¹ At 31 December, including Management Board and trainees

² 2018: preliminary figures

³ 2017: updated figures

⁴ Related to the vehicle drive without considering the upstream chain

⁵ Emission factors for calculating the reduction of CO₂ emissions as part of the Hamburg Climate Plan.

Provided by: Department of the Environment and Energy, Coordination Center for Climate Protection. Current as of: October 2017.

⁶ Emission factors according to the German Federal Environment Agency (2018), TREMOD transport emission model 5.82. Traffic relation: built-up areas

⁷ Related to vehicle drive

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