Multi-Company

8 August 2008 | 25 pages

European and Middle Eastern Ports

Uncharted Territory

- **We forecast a strong 1H08 from HHLA and particularly from DP World (DPW)** — despite stresses on the two largest trade lanes. We expect organic growth and margin progression to be in evidence in marked contrast to the rapid de-rating of both companies. Relative to local markets, DPW shares are down 17% and HHLA down 12%. We expect 1H08 results to provide a solid base to at least meet 2008 expectations even in the slower volume growth environment likely in 2H08.
- **We expect caution on 2H outlook** — DPW needs 7% TEU growth to reach our FY08 target and would be able to meet our FY08 expectations with lower profit growth in 2H08 over 2H07. This looks unlikely with many emerging trade lanes still growing, favourable FX and first-time consolidation effects to supplement organic growth. HHLA has greater exposure to lower Asia-Europe trade, but decent volume growth due to its close proximity to Europe's still growing emerging markets, unit revenue increases and productivity gains in 2H08 should keep HHLA on track.
- **Valuations already reflect economic downside** — IPO valuations of c.20x forward EV/EBITDA for DPW and 12x for HHLA have fallen as short-term fears dominate long-term prospects. Prospects that we believe are superior to many other infrastructure segments by virtue of strength of likely long-term organic volume growth, benign regulation, high returns and a full pipeline of potential projects.
- **Long-term fundamentals remain strong; price targets aligned to market realities** — We scale fundamental value of HHLA by 15% to reflect the correction in the MDAX and DPW by 12% to reflect the correction in the MSCI Arabian Index. We expect near-term risk-reward rather than long-term value to drive performance in the next year.

	Rating		Target Price		Current Year Estimates		Next Year Estimates	
Ticker	Old	New	Old	New	Old	New	Old	New
DPW.DI	1M	1M	US$1.25	US$1.10	US¢2.9	US¢2.9	US¢3.6	US¢3.6
HHFGn.DE	1L	1L	€65.00	€55.00	€2.15	€2.15	€2.39	€2.39

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See Appendix A-1 for Analyst Certification and important disclosures.

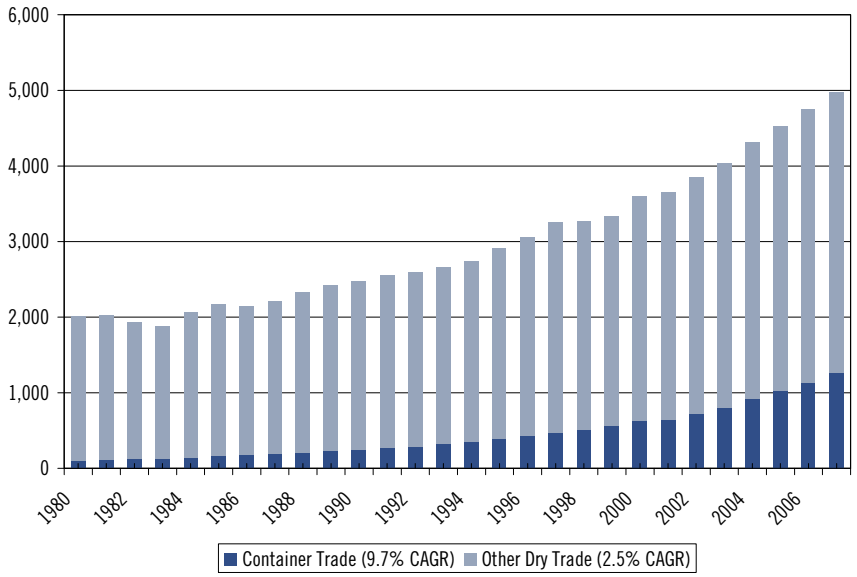
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Context

Uncharted territory for global ports

Interest in the global ports sector has followed an unbroken period of growth in global container trade at a 1980-2007 CAGR of 9.7% (compared to 2.5% for other dry sea freight) that drove high demand for more capacity at terminals and higher productivity. The market has little experience of what happens to volumes, profits and cash flow through a period of slower growth.

Figure 1. Ports – Global Ocean Trade 1980 – 2007 (Million Tonnes)

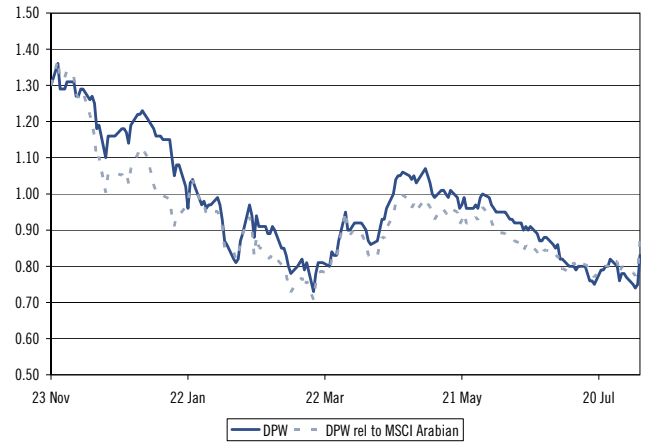


Source: Citi Investment Research and Clarkson

Shares of HHLA have proved more resilient than DPW to date

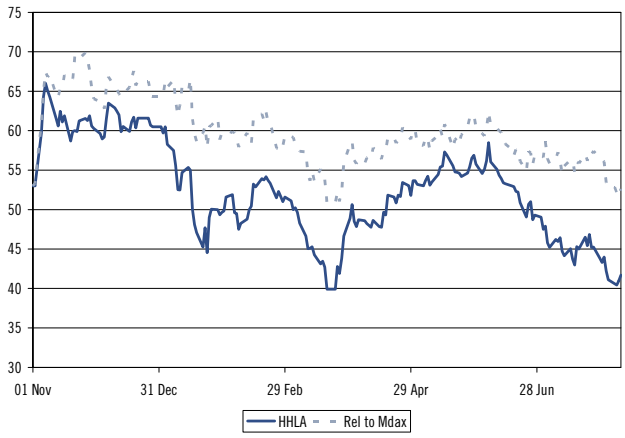
HHLA shares have fallen 27% post IPO in line with the MDAX (down 26%), while D P World has fallen 41.5% post IPO compared to the MSCI Arabian Index down just 4.6% as illustrated below in Figure 2 and Figure 3. HHLA benefited from an initial period of strong outperformance that has recently reversed as concerns over the economic health of Europe increased. We find the poor performance of DPW surprising given its relatively defensive business model and its emerging markets bias in particular to the Middle East.

Figure 2. Ports – DPW Post IPO Share Price Performance



Source: DataStream

Figure 3. Ports – HHLA Post IPO Share Price Performance

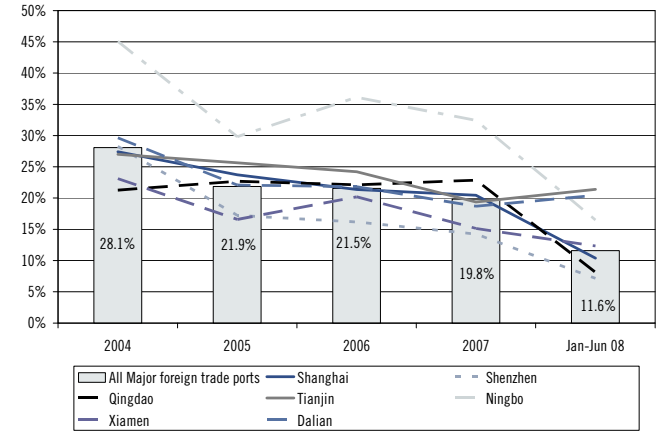


Source: DataStream

Nature of precise economic exposures of both DPW and HHLA are not clear. Perceptions have shaped recent share price performance

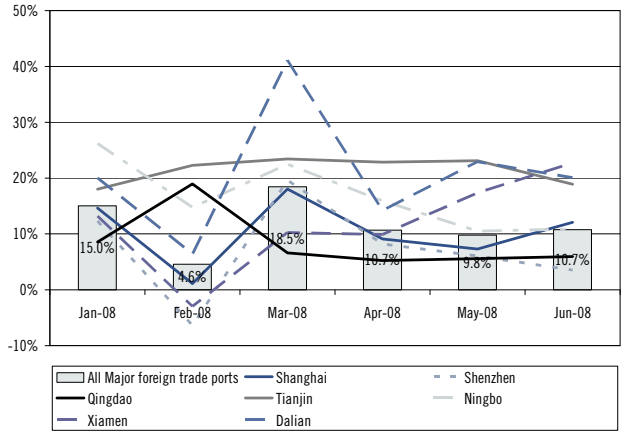
Sentiment towards many global port stocks deteriorated as growth turned negative on the Transpacific growth through 2H07 (volumes declined -6.4% in 2H07). HHLA with no exposure was unaffected. DPW shares fell on perceived, rather than actual, exposure to US trade. HHLA shares remained resilient until it was apparent that sharply lower volume growth at key Chinese ports in 2Q08, as illustrated below in Figure 5, was due to slower growth between China and Europe. Year to end-June, growth at the major Chinese export ports was less than half the rate reported between 2004 and 2007, reflecting slowing Asia-Europe trade on top of Transpacific weakness.

Figure 4. Ports – Volume growth at Major Chinese Ports 2004 -2008 (%)



Source: Port Authorities, company data, Citi Investment Research

Figure 5. Ports – Volume growth at Major Chinese Ports Jan - Jun 08 (%)



Source: Port Authorities, company data, Citi Investment Research

Transpacific and Asia-Europe (both directions) account for c.30% of trade as measured by TEU. Many minor trades remain healthy

The importance to terminals operators of the two largest trade lanes is probably considerably greater than 30% as an operator may handle a box several times (globally each TEU is lifted on average 3.6 times). Nonetheless, many minor trades to Middle East, Africa and India are still growing and a factor in DPW reporting 11% like for like TEU growth in 1H08.

DPW benefits from a bias to many emerging market economies, while HHLA benefits from close proximity to Europe's emerging markets

DPW has estimated its exposure to volumes between Asia and the US at a maximum of 1.5% of its consolidated TEU. No comparable analysis is available for North Europe, but given that DPW only classifies Southampton Container Terminal (SCT) and DPW Antwerp as significant subsidiaries (Germersheim in Germany is very small), we doubt the exposure would be significantly greater although potentially represents a double effect as each box fewer could result in the loss of two sets of handling and storage charges if DPW operated the origin and the destination terminal. SCT handled 1.9m TEU in 2007 and doubling the 1H07 reported DPW Antwerp volume of 0.35m TEU gives a theoretical maximum of 2.6m TEU or 11% of the 24.1m consolidated throughput. Of which only a portion comes from Asia. HHLA business depends on flows to and from Germany, Central/Eastern Europe, Russia and the Baltic Sea Region and as such risks are more concentrated.

Both ports reported solid underlying volume growth in 1H08. First-time consolidation accelerated volume growth reported by DPW

DPW reported consolidated TEU of 21% (Jebel Ali/Port Rashid +17% to 5.8m), or 11% excluding first-time contributions from Sokna, Jeddah and Dakar. By region, EMEA increased +26% to 8.8m TEU, Asia Pacific/Indian Subcontinent +15% to 3.0m TEU and Americas/Australia +12% to 1.9m TEU. DPW indicated JVs/associates are ahead of expectations despite TEU growth of just 3% at Chingdao; historically one of the key contributors to JV/associates. HHLA reported 1H08 TEU growth of 7.3%, below 1Q08 at 8.5% but ahead of the Port of Hamburg at +3.8% due to major IT issues at the Eurogate terminal. Given HHLA's constraints on berth space, vessels would have been displaced to other ports rather than to HHLA's terminals and flattering its TEU result. We expect this is a factor in Bremen/Bremerhaven reporting 15% growth in 1H08. Port of Hamburg data shows healthy growth to and from the top three markets: China (+4.8%), Singapore (+6.8%) and Russia (+8.2%). The key soft spot was the fourth-ranked partner, Finland (-13%), and also the other Scandinavian destinations, Sweden (-2.5%) and Denmark (-3.7%). We don't see structural issues as transshipment volume is cost driven and moves frequently between major ports.

Against this uncertain backdrop, we scale fundamental values to reflect current market focus on short-term visibility and economic downside risks

We do not believe fundamental valuation of either DPW or HHLA is materially reduced by a period of slower economic growth from assets and concessions with long-term earnings power. We expect the business models to be relatively resilient (as temporary labour costs can be quickly reduced in both instances if volumes drop sharply), both are well capitalised and long-term structural drivers such as outsourcing, privatisation, liberalisation or globalisation should continue to compliment trade growth. However, with equity markets increasingly focused on short-term risks and downside, we expect the market to ignore or heavily discount sources of long-term value. We attempt to reflect a market dimension to our fundamental valuations by scaling our existing fundamental valuations by broadly the fall in the DAX for HHLA and in the MSCI Arabian Index for DPW to provide a better approximation of the upside we see in the next 12-18 months.

HHLA now valued broadly in line with global rails and airports

HHLA's 9x adjusted EV/EBITDA for 2008E is now in line with global multiples for rail operators and for airports despite superior long-term organic growth potential, little or no economic regulation and materially higher ROCE.

Figure 6. Ports – Implied EV/EBITDA Multiples Oct 07 – Aug 08 (times)

	Oct-07	IOC Dec-07	Current	Delta IOC to Current
HHLA	12x	14x	9x	-36%
Global Ports	23x	19x	16x	-16%
Global Rail	8x	8x	8x	0%
Global Airports	11x	11x	9x	-18%
Toll Roads	15x	15x	12x	-20%

Source: Company Reports and CIR Estimates. Includes Minority Adjustment to EV

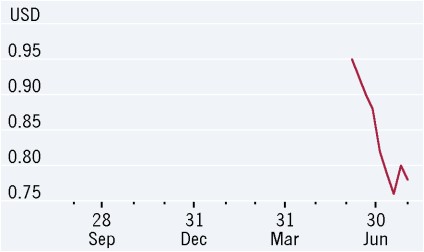
HHLA's EVEBITDA multiple expanded through Q407 as Asia-Europe TEU growth remained strong as global ports sector multiples contracted with falling US port volumes . HHLA has minimal exposure to US flows. Sharp contraction in HHLA multiples began as Chinese port volume growth slowed in 2Q culminating in the news that the Far Eastern Freight Conference members volume from Asia to North Europe had fallen 0.5% in June 2008.

Company Focus

Target price change ☑

Buy/Medium Risk	**1M**
Price (07 Aug 08)	US$0.83
Target price	US$1.10
from US$1.25	
Expected share price return	32.5%
Expected dividend yield	0.7%
Expected total return	**33.2%**
Market Cap	US$13,778M

Price Performance (RIC: DPW.DI, BB: DPW DU)



DP World (DPW.DI)

Convergence Potential

- **Business and share price performance diverged in 1H08** — We expect strong 1H results to provide comfort and new data points to help the market understand the exposures and moving pieces in a 45-terminal portfolio.
- **Weak share price belies strong 1H08 volumes** — Consolidated TEU growth at 21% (17% at Jebel Ali/Port Rashid) or 11% ex first-time contributions from Sokna, Jeddah and Dakar. We expect 1H08E consolidated revenues to be 7pp ahead of TEU growth due to 3-5% favourable FX, price increases (notably at Jebel Ali) and other mix effects. DPW also said EBITDA margin would be ahead of FY07 of 40.3% and JVs/associates ahead of FY08 expectations despite only 3% TEU growth at Chingdao due to pricing and ramped-up in operations at Pusan and at Antwerp Gateway.
- **We expect 1H08 EPS to grow 132% to $1.55** — DPW reports 1H results on 28 August and we forecast 41% growth in EBITDA (including 66% growth in JVs and associates to $54m) to $642m with slower growth in depreciation, lower interest due to re-financing gains and an assumed 13.5% tax rate (compared to 17.3% in 1H07) giving PAT +116% to $279m and net profit attributable to shareholders +132% to €258m, equivalent to EPS of $1.55. Our forecasts exclude any one-offs.
- **Strategic positives in addition to strong momentum** — with a 20-year concession extension plus a 20-year option in Brisbane for an enlarged footprint, a JV agreement to double capacity to 1.5m by 2012 in Aden, Yemen and a new terminal acquired in the port of Tarragona.
- **Well positioned to meet or exceed 08 expectations** — DPW has put consolidated TEU exposure to US at a maximum of 1.5% and we believe exposure to the Asia-North Europe trade is also fairly modest as only two locations are consolidated. We expect growth on minor trades and further consolidation benefits to continue in 2H08. Indeed consolidation effects, with Aden and Tarragona for the first time, should contribute the 0.9m/7% TEU volume to reach our FY08 forecast. We would expect DPW to be cautious on the outlook given the Asia-Europe softness in June reported by FEFC and the volume volatility typical of July and August.
- **Fundamental value unchanged but price target cut from $1.25 to $1.10** — We see no reason to cut our fundamental valuation but we cut our price target to reflect the market's focus on the near-term outlook rather than long-term value based on the year-to-date performance of the Arabian index.

DP World (USD)

Year to 31 Dec	2006A	2007A	2008E	2009E	2010E
Sales ($M)	na	2,732.4	3,099.8	3,543.1	4,089.4
Net Income ($M)	na	374.8	480.6	602.9	837.8
Basic EPS (¢)	na	2.3	2.9	3.6	5.0
Basic EPS (Old) (¢)	na	2.3	2.9	3.6	5.0
PE (x)	na	36.8	28.7	22.9	16.4
EV/EBITDA (x)	na	na	15.4	12.9	10.7
DPS (¢)	na	1.3	0.6	0.7	1.0
Net Div Yield (%)	na	1.6	0.7	0.9	1.2

Company Focus

Hamburger Hafen und Logistik AG (HHFGn.DE)

Resilience to be Tested in 2H

Target price change ☑

Buy/Low Risk	**1L**
Price (08 Aug 08)	€41.11
Target price	€55.00
from €65.00	
Expected share price return	33.8%
Expected dividend yield	3.1%
Expected total return	**36.9%**
Market Cap	€2,874M
	US$4,404M

Price Performance (RIC: HHFGn.DE, BB: HHFA GR)



- **Long-term prospects more than balance short-term fears** — We believe container port assets are excellent long-term investments, a view validated by the huge expansion plans of the global shipping lines and by the continued interest of trade and financial buyers of port assets. Most recently by the unsolicited and opportunistic approach to Asciano (AIO.AX; A$4.82; 1H) at A$4.40 at an implied c. 11x 09E EV/EBITDA. Recent transaction multiples are c.19x EV/EBITDA, down on the c.24x seen in 2006 and 2007.

- **We forecast further progress in 1H08** — HHLA reports on 14 August and we see group EBIT growth of 16% to €180m (with the listed port and logistics sub-group at €174.5m) on revenues +16% to €652m and group net profit attributable to ordinary shareholders +34% to €83m (with port and logistics sub-group at €82m), equivalent to €1.15 EPS (with port and logistics sub-group at €1.17). EPS outturn will be impacted by the level of minority interest that is largely driven by the net income generated by CTA.

- **We expect profits to be resilient to modestly reduced 2H TEU growth** – arising from lower load factors rather than fewer ships. We expect unit revenue per TEU for FY08 to be ahead of 3-5% guidance (c.10% in 1Q08) and anticipate productivity gains if utilisation is <100%. To achieve targeted 10% TEU growth implies +12.5% in 2H, which looks demanding (although we note 4Q07 growth was only c.3% and 2H08 will see the full benefit of a new Grand Alliance service launched in May). We estimate 08E EBITDA impact of +7.75% TEU (8% in 2H) would be neutral, ceteris paribus, at some 7% unit container revenue growth.

- **Even a silver lining to lower TEU growth** — In the event of a sharper or more prolonged downturn, HHLA should be able to reduce temporary staff relatively quickly. HHLA capex peaks are in 2008 and 2009 when we would expect maximum disruption to operations and most risk of productively issues were utilisation to near 100%. Growth modestly below capacity could avoid productivity issues and make investments easier.

- **Fundamental value unchanged but price target cut from €65 to €55** — We see no reason to cut our fundamental valuation, but reduce our price target to reflect the market's focus on near-term outlook rather than long-term upside in line with index performance.

Hamburger Hafen und Logistik AG (EUR)

Year to 31 Dec	2006A	2007A	2008E	2009E	2010E
Sales (€M)	1,017.4	1,152.4	1,309.9	1,466.2	1,652.4
Net Income (€M)	97.1	112.5	150.2	167.0	196.3
Basic EPS (€)	1.43	1.66	2.15	2.39	2.81
Basic EPS (Old) (€)	1.43	1.66	2.15	2.39	2.81
PE (x)	28.8	24.8	19.1	17.2	14.6
EV/EBITDA (x)	17.0	13.3	11.3	10.4	9.2
DPS (€)	0.22	0.85	1.29	1.43	1.68
Net Div Yield (%)	0.5	2.1	3.1	3.5	4.1

Financial Models

DP World

Figure 7. DPW – Summary Income Statement 1H07 to 1H08E (US$ in Millions)

	1H07PF	1H08E	Delta	Comments
Revenue	1,209	1,571	29.9%	21.4% consolidated TEU growth, 4% FX, 4% pricing
Further Adjusted EBITDA	421	588	39.5%	
Margin	34.8%	37.4%		
JV & Associates	33	54	65.6%	Improved performance from Pusan and Antwerp Gateway
Adjusted EBITDA	454	642	41.4%	
Margin	37.5%	40.8%		
Depreciation & Amortisation	-157	-187		
EBIT	297	454	52.9%	
Margin	24.6%	28.9%		
Net Interest	-141	-132		Reflect debt re-financing on 1 July 2007
PBT	156	322	106.5%	
Income Tax	-27.0	-43.5		Effective rate of 13.5% (mid-point of 12-15% guidance)
Effective Tax Rate	17.3%	-13.5%		
PAT	128.9	278.7	116.1%	
Discontinued operations	0	0		
Minority interests	-18	-21	18.4%	
% of PAT	13.8%	7.5%		
Net Income	111	258	131.7%	
Number of Shares (m)	16,600	16,600		
EPS ($)	0.67	1.55	131.7%	

Source: Company Reports and CIR Estimates

Figure 8. DPW – Income Statement, 2007-2012E (US$ in millions)

	2007	2008E	2009E	2010E	2011E	2012E
Middle East, Europe & Africa	1,473	1,739	2,052	2,421	2,857	3,281
Asia Pacific & Indian Subcontinent	461	483	556	639	735	823
Australia, New Zealand & Americas	798	878	936	1,029	1,132	1,189
Head Office/Other	0	0	0	0	0	0
Revenue	2,732	3,100	3,543	4,089	4,724	5,293
Growth	31.6%	13.4%	14.3%	15.4%	15.5%	12.0%
Middle East, Europe & Africa	655	801	963	1,155	1,382	1,603
Asia Pacific & Indian Subcontinent	220	233	274	320	374	423
Australia, New Zealand & Americas	167	195	213	242	274	292
Head Office/Other	-47	-47	-47	-47	-47	-47
Further Adjusted EBITDA	995	1,182	1,403	1,671	1,983	2,271
Margin	36.4%	38.1%	39.6%	40.9%	42.0%	42.9%
Middle East, Europe & Africa	17	13	16	18	22	25
Asia Pacific & Indian Subcontinent	72	71	81	94	108	121
Australia, New Zealand & Americas	15	17	21	24	26	27
Head Office/Other	0	0	0	0	0	0
JV & Associates	105	101	119	136	155	173
% of Sales	3.8%	3.3%	3.3%	3.3%	3.3%	3.3%
Middle East, Europe & Africa	672	814	979	1,174	1,404	1,628
Asia Pacific & Indian Subcontinent	292	304	355	414	482	544
Australia, New Zealand & Americas	183	213	235	266	300	319
Head Office/Other	-47	-47	-47	-47	-47	-47
Adjusted EBITDA	1,100	1,284	1,522	1,807	2,139	2,444
Margin	40.3%	41.4%	43.0%	44.2%	45.3%	46.2%
Depreciation & Amortisation	-326	-382	-444	-469	-495	-519
EBIT	774	901	1,078	1,338	1,644	1,925
Margin	28.3%	29.1%	30.4%	32.7%	34.8%	36.4%
Net Interest	-265	-315	-350	-340	-325	-302
PBT	509	586	728	998	1,319	1,623
Income Tax	-89	-64	-80	-110	-145	-178
Effective Tax Rate	17.5%	11.0%	11.0%	11.0%	11.0%	11.0%
PAT	420	522	648	888	1174	1444
Discontinued operations	65	0	0	0	0	0
Minority interests	-45	-41	-45	-50	-94	-116
% of PAT	10.7%	7.9%	6.9%	5.6%	8.0%	8.0%
Net Income	440	481	603	838	1,080	1,329
Number of Shares (m)	16,600	16,600	16,600	16,600	16,600	16,600
EPS (cents)	2.65	2.90	3.63	5.05	6.51	8.00
Clean EPS (cents)	2.26	2.90	3.63	5.05	6.51	8.00
delta	51.4%	28.2%	25.5%	39.0%	28.9%	23.0%
DPS (cents)	1.33	0.58	0.73	1.01	1.30	1.60
Payout Ratio	58.9%	20.0%	20.0%	20.0%	20.0%	20.0%

Source: Company Reports and CIR Estimates

Figure 9. DPW - Balance Sheet, 2007-2012E (US$ in millions)

	2007	2008E	2009E	2010E	2011E	2012E
Property, plant & equipment	3,915	5,324	5,749	6,050	6,525	6,768
Goodwill	2,510	2,510	2,510	2,510	2,510	2,510
Intangible assets	3,508	3,438	3,368	3,298	3,228	3,158
Investment in associates & JVs	3,322	3,278	3,234	3,190	3,146	3,102
Other	97	97	97	97	97	97
Non-current assets	**13,353**	**14,648**	**14,959**	**15,146**	**15,507**	**15,635**
Inventories	54	63	75	94	115	135
Accounts receivable & prepayments	704	820	981	1,218	1,496	1,752
Bank balances & cash	3,059	1,255	1,333	1,715	2,120	2,852
Other	20	20	20	20	20	20
Current assets	**3,837**	**2,159**	**2,409**	**3,046**	**3,751**	**4,759**
Total assets	**17,190**	**16,806**	**17,369**	**18,192**	**19,258**	**20,395**
Pensions	147	147	147	147	147	147
Long Term Debt	5,608	5,608	5,608	5,608	5,608	5,608
Deferred tax liabilities	991	991	991	991	991	991
Other	304	304	304	304	304	304
Non-current liabilities	**7,051**	**7,051**	**7,051**	**7,051**	**7,051**	**7,051**
Accounts payable & accruals	919	279	331	433	541	544
Short Term Debt	294	294	294	294	294	294
Other	553	428	453	500	548	598
Current liabilities	**1,767**	**1,002**	**1,078**	**1,227**	**1,384**	**1,437**
Parent's equity	7,716	8,100	8,582	9,253	10,117	11,179
Minority interests	657	653	657	662	706	728
Equity	**8,373**	**8,753**	**9,240**	**9,915**	**10,823**	**11,907**
Total equity & liabilities	**17,190**	**16,806**	**17,369**	**18,192**	**19,258**	**20,395**

Source: Company Reports and CIR Estimates

Figure 10. DPW - Cash Flow Statement, 2007-2012E (US$ millions)

	2007	2008E	2009E	2010E	2011E	2012E
EBIT	**774**	**901**	**1,078**	**1,338**	**1,644**	**1,925**
Depreciation & Amortisation	326	382	444	469	495	519
JV & Associates	-105	-101	-119	-136	-155	-173
Further Adjusted EBITDA	**995**	**1,182**	**1,403**	**1,671**	**1,983**	**2,271**
Working Capital	99	-142	-168	-201	-238	-273
Tax Paid	-136	-64	-80	-110	-145	-178
Net Interest	-265	-315	-350	-340	-325	-302
Other	263	47	47	47	47	0
Operating Cashflow	**955**	**708**	**852**	**1,068**	**1,323**	**1,518**
Margin	35.0%	22.8%	24.1%	26.1%	28.0%	28.7%
Capital Expenditure	-879	-1,721	-800	-700	-900	-692
Net Acquisitions/Disposals/Other	-532	-670	0	0	0	0
Free Cash Flow	**-456**	**-1,683**	**52**	**368**	**423**	**826**
Margin	-16.7%	-54.3%	1.5%	9.0%	9.0%	15.6%
Dividends from JVs & Associates	66	145	163	180	199	217
Minority Dividends Paid	-11	-45	-41	-45	-50	-94
Equity Issued	0	0	0	0	0	0
Dividends Paid (Parent)	0	-221	-96	-121	-168	-216
Movement in Net Debt	**-401**	**-1,804**	**78**	**382**	**405**	**733**
Net Debt b/f	**2,442**	**2,843**	**4,647**	**4,569**	**4,187**	**3,782**
Net Debt c/f	**2,843**	**4,647**	**4,569**	**4,187**	**3,782**	**3,049**

Source: Company Reports and CIR Estimates

Hamburger Hafen und Logistik AG

Figure 11. HHLA –Summary Group Income Statement 1H07 – 1H08E (Euros in Millions)

1H	Port & Logistics	Real Estate	Group	Group 1H07	Group Delta
Revenue	636.6	15.7	652.3	561.3	16%
EBITDA	220.5	7.0	227.5	181.7	25%
Margin	34.6%			32.4%	
EBIT	174.5	5.4	179.9	138.8	30%
Margin	27.4%			24.7%	
PBT	162.2	2.4	164.6	123.0	34%
Net (after minorities)	81.9	1.6	83.4	62.3	34%
Shares (000s)	69,921	2,705	72,625	**NA**	
EPS (€, after minorities)	1.17	0.58	1.15	**NA**	

Source: Company Reports and CIR Estimates

Figure 12. HHLA – Interim Forecasts for Port and Logistics 2007 – 2008 (Euros in Millions)

	1Q08A	2Q08E	1H08E	1H07	Delta
Containers	190.6	194.8	385.4	330.8	16.5%
Intermodal	91.3	93.5	184.8	154.8	19.4%
Logistics	28.4	31.7	60.1	57.9	3.9%
Holding/Other	33.3	31.5	64.8	63.7	1.8%
Inter Company Eliminations	-29.3	-29.3	-58.6	-59.4	-1.3%
Sales	**314.3**	**322.3**	**636.6**	**547.8**	16.2%
Container	92.5	91.6	184.1	152.1	21.0%
Inter-modal	17.8	15.0	32.8	19.5	68.0%
Logistics	3.7	4.0	7.7	8.4	-8.3%
Holding	-2.0	-2.0	-4.1	-4.4	-7.6%
EBITDA	**112.0**	**108.5**	**220.5**	**175.6**	25.5%
Container	48.5%	47.0%	47.8%	46.0%	1.8pp
Inter-modal	19.5%	16.0%	17.7%	12.6%	5.1pp
Logistics	13.0%	14.0%	12.8%	14.5%	-1.7pp
Holding	-6.1%	-6.5%	-6.3%	-6.9%	0.6pp
EBITDA Margin %	35.6%	33.7%	34.6%	32.1%	2.6pp
Depreciation & Amortisation	-22.0	-24.0	-46.0	-41.2	11.7%
EBIT	**90.0**	**84.5**	**174.5**	**134.4**	29.8%
Margin %	28.6%	26.2%	27.4%	24.5%	
Net Financial	-5.3	-7.0	-12.3	-13.8	-10.9%
PBT	**84.7**	**77.5**	**162.2**	**120.6**	34.5%
Tax	-25.9	-24.8	-50.7	-43.0	17.9%
Effective Tax Rate	30.6%	32.0%	-31.3%	35.7%	
Minorities	-16.8	-12.8	-29.6	-17.0	74.1%
Minority Interest as % of PAT	28.6%	24.2%	-26.6%	21.9%	
Profit attributable to ordinary shareholders	**42.0**	**39.9**	**81.8**	**60.6**	35.1%
EPS (€)	**0.60**	**0.57**	**1.17**	**NA**	NA

Source: Company Reports and CIR Estimates

Figure 13. HHLA – Income Statement 2005 – 2010E (Euros in Millions)

	2005A	2006A	2007A	2008E	2009E	2010E
Containers	473.2	587.9	692.6	800.0	900.4	1,022.4
Intermodal	229.0	279.5	331.9	374.0	423.1	479.3
Logistics	96.6	111.1	119.0	127.0	133.8	141.9
Real Estate and Holding	34.1	38.9	0.0	0.0	0.0	0.0
Holding/Other	na	na	126.0	126.0	126.0	126.0
Inter Company Eliminations	na	na	-117.1	-117.1	-117.1	-117.1
Sales	**832.9**	**1,017.4**	**1,152.4**	**1,309.9**	**1,466.2**	**1,652.4**
Growth %	Na	22.1%	13.3%	13.7%	11.9%	12.7%
Container	Na	Na	317.2	366.0	414.1	478.6
Inter-modal	Na	Na	47.8	63.0	69.8	79.1
Logistics	Na	Na	17.3	17.8	20.1	21.3
Holding	Na	Na	-17.7	-17.7	-17.7	-17.7
EBITDA	**210.2**	**296.4**	**364.6**	**429.1**	**486.3**	**561.3**
Container	Na	Na	45.8%	45.7%	46.0%	46.8%
Inter-modal	Na	Na	14.4%	16.9%	16.5%	16.5%
Logistics	Na	Na	14.6%	14.0%	15.0%	15.0%
Holding	Na	Na	-14.0%	-14.0%	-14.0%	-14.0%
EBITDA Margin %	25.2%	29.1%	31.6%	32.8%	33.2%	34.0%
Container	Na	Na	Na	15.4%	13.1%	15.6%
Inter-modal	Na	Na	Na	32.0%	10.7%	13.3%
Logistics	Na	Na	Na	2.7%	12.9%	6.0%
Holding	Na	Na	Na	0.0%	0.0%	0.0%
EBITDA Growth %	Na	41.1%	23.0%	17.7%	13.3%	15.4%
Depreciation & Amortisation	-63.6	-78.3	-87.6	-112.7	-134.7	-155.0
EBIT	**146.6**	**218.1**	**277.0**	**316.4**	**351.6**	**406.3**
Growth %	Na	48.8%	27.0%	14.2%	11.1%	15.5%
Margin %	17.6%	21.4%	24.0%	24.2%	24.0%	24.6%
Interest income	5	5	11	6	2	3
Interest expense	-37	-36	-37	-28	-31	-34
Other financial result	-1	0	0	0	0	0
PBT	**113.7**	**186.8**	**251.3**	**294.5**	**323.1**	**375.0**
Tax	-44	-70	-102	-94	-103	-120
Effective Tax Rate	39.0%	37.4%	40.7%	32.0%	32.0%	32.0%
Minorities	-12	-20	-41	-50	-53	-59
Minority Interest as % of PAT	17.6%	17.0%	16.3%	25.0%	24.0%	23.0%
Profit attributable to ordinary shareholders	**57.2**	**97.1**	**108.5**	**150.2**	**167.0**	**196.3**
Growth %	0.0	69.8%	nm	nm	11.2%	17.6%
Dividend	-11	-15	-59	-90	-100	-118
Dividend Payout Ratio	19.2%	15.4%	60.0%	60.0%	60.0%	60.0%
Retained Profit	**46.2**	**82.1**	**49.0**	**60.1**	**66.8**	**78.5**
Shares	68.0	68.0	68.0	69.9	69.9	69.9
EPS (€)	0.84	1.43	1.60	2.15	2.39	2.81
Clean EPS	**0.84**	**1.43**	**1.66**	**2.15**	**2.39**	**2.81**
DPS (€)	0.16	0.22	0.85	1.29	1.43	1.68

Source: Company Reports and CIR Estimates

Figure 14. HHLA – Balance Sheet 2005 – 2010E (Euros in Millions)

	2005A	2006A	2007A	2008E	2009E	2010E
Intangible Assets	25.0	63.1	68.9	68.9	68.9	68.9
Tangible assets	612.1	681.7	735.7	1,023.1	1,218.4	1,368.4
Buildings held as financial investments	80.0	163.1	71.1	71.1	71.1	71.1
Financial assets	3.5	6.0	7.3	7.3	7.3	7.3
Deferred tax assets	76.0	63.8	34.2	34.2	34.2	34.2
Non-current assets	**796.6**	**977.7**	**917.1**	**1,204.5**	**1,399.8**	**1,549.8**
			89.5	109.9	123.0	138.6
Inventories	18.0	16.4	17.8	20.8	23.3	26.2
Trade receivables	100.2	132.9	144.1	169.4	189.6	213.6
Receivables from related parties	90.0	18.9	39.7	39.7	39.7	39.7
Other financial receivables	13.3	14.7	15.0	15.0	15.0	15.0
Other Current Assets	9.4	17.0	15.5	15.5	15.5	15.5
Cash and cash equivalents	18.3	22.1	212.8	45.3	50.6	57.1
Current assets	**249.2**	**222.0**	**444.8**	**305.6**	**333.6**	**367.1**
Total Assets	**1,045.8**	**1,199.6**	**1,361.9**	**1,510.0**	**1,733.4**	**1,916.9**
Shareholders' Equity	117.8	208.6	473.6	531.3	596.2	672.5
Minority interests	34.1	50.1	86.7	128.3	172.5	221.8
Shareholders' Funds	**151.9**	**258.7**	**560.3**	**659.6**	**768.7**	**894.2**
Pension provisions	384.0	377.4	306.5	318.8	331.5	344.8
Other Provisions	29.7	39.0	45.0	45.0	45.0	45.0
Long Term Debt	310.0	303.7	242.8	237.0	318.2	334.4
Deferred taxes	2.6	16.3	17.4	17.4	17.4	17.4
Non Current Liabilities	**726.3**	**736.4**	**611.8**	**618.2**	**712.1**	**741.6**
Current provisions	9.2	14.6	11.8	11.8	11.8	11.8
Trade liabilities	51.3	64.2	72.4	80.3	89.8	101.2
Liabilities to related parties	0.9	2.3	8.3	8.3	8.3	8.3
Other Current Liabilities	41.8	55.2	42.5	69.6	80.3	97.4
Short Term Debt	64.3	68.4	54.9	62.3	62.3	62.3
Current Liabilities	**167.6**	**204.6**	**189.8**	**232.2**	**252.6**	**281.1**
Total Liabilities & Shareholders' Equity	**1,045.8**	**1,199.6**	**1,361.9**	**1,510.0**	**1,733.4**	**1,916.9**

Source: Company Reports and CIR Estimates

Figure 15. HHLA – Cash Flow 2005 – 2010E (Euros in Millions)

	2005A	2006A	2007A	2008E	2009E	2010E
EBIT	**146.6**	**218.1**	**277.0**	**305.2**	**343.2**	**396.5**
Depreciation & Amortisation	63.6	78.3	86.9	112.7	134.7	155.0
EBITDA	**210.2**	**296.4**	**363.9**	**417.8**	**477.8**	**551.5**
Increase in provisions	-13.4	-0.7	-8.9	0.0	0.0	0.0
Gains/losses on disposal of assets	2.7	-1.9	0.5	0.0	0.0	0.0
Change in Working Capital	3.3	-23.4	-5.8	-20.4	-13.1	-15.6
Interest Paid/Received	-16.0	8.1	-6.8	-10.0	-16.6	-19.1
Income taxes paid	-27.6	-73.9	-102.5	-90.5	-100.4	-116.5
Other	1.5	-5.0	-3.4	0.0	0.0	0.0
Operating Cash Flow	**160.7**	**199.7**	**237.2**	**296.9**	**347.7**	**400.3**
Payments for Fixed Assets	-118.1	-169.7	-179.2	-400.0	-330.0	-305.0
Net Acquisitions	12.1	-87.7	-4.8	0.0	0.0	0.0
Movement in Long Term Financial Assets	-1.1	-2.4	61.3	0.0	0.0	0.0
Disposals	5.8	10.8	14.7	0.0	0.0	0.0
Free Cash Flow	**59.5**	**-49.2**	**129.2**	**-103.1**	**17.7**	**95.3**
Equity Issued / Redeemed	41.8	0.0	123.7	0.0	0.0	0.0
Dividend Paid - Parent	-8.0	-11.0	-14.4	-59.4	-86.6	-97.3
Dividends Paid - Minorities	-3.1	-5.1	-5.5	-6.5	-7.0	-7.7
Other (incl FX)	-19.3	-1.2	0.0	0.0	0.0	0.0
Change in Net Debt	**70.9**	**-66.5**	**232.9**	**-169.1**	**-75.8**	**-9.8**

Source: Company Reports and CIR Estimates

DP World

Company description

DPW is the fourth-largest marine terminal operator globally and handled some 43m TEU in 2007 and reported 21.4% growth in 1H08. Its portfolio comprises 45 terminals in 29 countries. DPW offers container and bulk terminal handling alongside logistics and infrastructure development services. Expansion has been largely horizontal, with significant growth realised through concession wins and acquisitions. Consolidation in global terminal operations mirrors consolidation in global shipping customers and allows DPW to leverage its terminal operating expertise across the portfolio and offer its customers a global product.

Investment strategy

We rate DPW Buy/Medium Risk (1M), with a target price of $1.10. DPW is the fourth-largest ports operator globally, having grown from local roots through concession wins and acquisitions (notably P&O and CSX). We expect DPW to seek further terminal concessions and bolt-on acquisitions, afforded by a rapidly deleveraging balance sheet. Jebel Ali, with its 99-year concession to 2105, is the high-margin, high-growth jewel, with significant expansion potential. Industry fundamentals look positive: container volume (TEU) has consistently outstripped global GDP growth as a result of a trend towards containerisation and transshipment. Terminal operators represent a defensive play on this high-growth sector and exhibit monopolistic utility-like characteristics, with predictable and stable cash flows. DPW's valuation is underpinned by strong cash flows from existing terminal concessions, with further upside available from higher land use productivity, future concession wins, pricing power and medium-term refinancing opportunities.

Valuation

Our target price of $1.10 is based on our $1.25 DCF valuation scaled to reflect local equity market correction. Our DCF value of the existing terminal portfolio, comprises consolidated terminals (net of minorities) $1.30 per share; JV & Associates $0.22 per share; less Net Debt of $0.28 per share. We discount nominal cash flows at a WACC of 7.9%, which impounds 8.75% Cost of Equity (Beta 0.7x, 5% ERP and 5.25% RFR), 6.14% post-tax Cost of Debt and 45% gearing. Our $1.10 target price implies c.17 08E EV/EBITDA, in line with global ports but a premium to other listed global infrastructure segments reflecting superior structural growth, low regulation and taxation, and an average 44-year concession life.

Risks

We rate DPW Medium Risk based on our assessment of industry- and company-specific risk factors. Key risks that may prevent the achievement of our target price include slower-than-expected TEU growth and/or weaker pricing, non-renewal of material concessions and/or failure to win further concessions, capex overspend and delays in scheduled expansion projects, reliance on third parties, complexity and a lack of transparency and risks associated with the listing on the new and largely untested DIFX exchange.

Hamburger Hafen und Logistik AG

Company description

HHLA-A is the port and logistics sub-group of HHLA, formed in 1885. Over 85% of operating profit is derived from handling and storing containers at three multi-user terminals at the Port of Hamburg and its Odessa terminal. HHLA-A also arranges rail, road and water feeder services. Hamburg is the second-largest and most easterly container port in Europe and is well placed to serve Germany, Central/Eastern Europe and the Baltic Sea Region.

Investment strategy

We rate HHLA-A Buy/Low Risk (1L) with a €55 price target. Our Buy rating reflects the mismatch between current trading levels and our valuation of the business, assuming full utilisation of new capacity, further operating leverage and further development of intermodal services. We take no account of potential longer-term upside from new marginal capacity, more aggressive pricing when capacity is fully utilised or possible development of additional terminals at Hamburg.

Valuation

Our €55 price target for HHLA-A is based on our €65 DCF valuation (WACC 7.71%, 2% long-term growth, beta 0.85x) scaled to reflect recent local market correction. We prefer DCF, as it looks through earnings and cash flow volatility arising from investments to double capacity by 2012. At our €55 price target, HHLA-A would trade on 25.6x 08E EPS and 13x EV/EBITDA, consistent with global infrastructure peers including ports, airports, toll roads, railroads and diversified infrastructure funds.

Risks

Our Low Risk rating reflects a strong management track record, the intrinsic appeal of an inland port location and a capacity constrained rather than demand dependent business. Key risks that may prevent the shares achieving our target price include slower than expected TEU growth and/or weaker pricing, failure of third parties to deliver required investments, non renewal of material contracts and CAPEX overspend or delay.

Appendix A-1

Analyst Certification

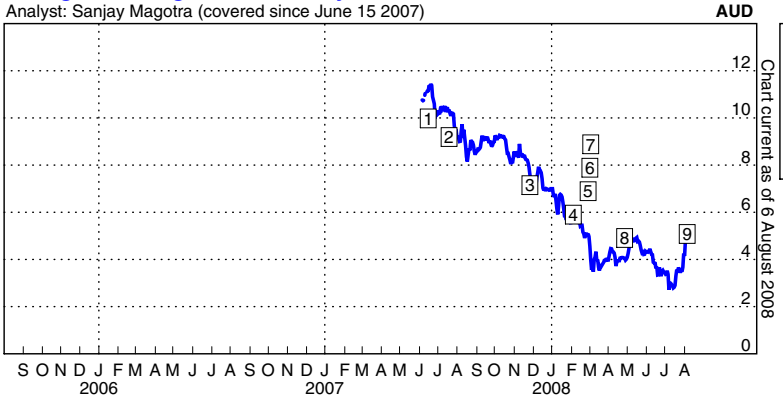
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IMPORTANT DISCLOSURES

Asciano Group (AIO.AX)

Ratings and Target Price History - Fundamental Research

Analyst: Sanjay Magotra (covered since June 15 2007)



Covered
Not covered

Rating/target price changes above reflect Eastern Standard Time

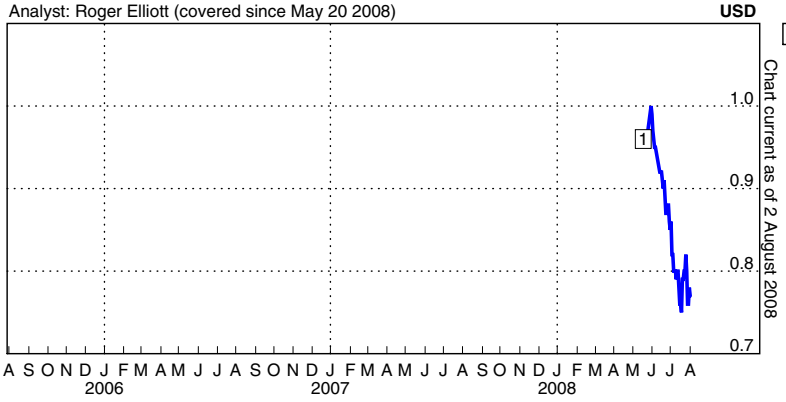
#	Date	Rating	Target Price	Closing Price
1:	15 Jun 07	1M	13.79	11.15
2:	19 Jul 07	1M	*13.20	10.35
3:	27 Nov 07	1M	*11.15	7.60
4:	5 Feb 08	1M	*9.95	5.88
5:	28 Feb 08	*1H	9.95	5.09
6:	3 Mar 08	1H	*9.40	4.56
7:	4 Mar 08	1H	*5.01	3.99
8:	28 Apr 08	1H	*4.72	4.05
9:	6 Aug 08	1H	*6.08	5.08

*Indicates change.

DP World (DPW.DI)

Ratings and Target Price History - Fundamental Research

Analyst: Roger Elliott (covered since May 20 2008)



Covered
Not covered

Rating/target price changes above reflect Eastern Standard Time

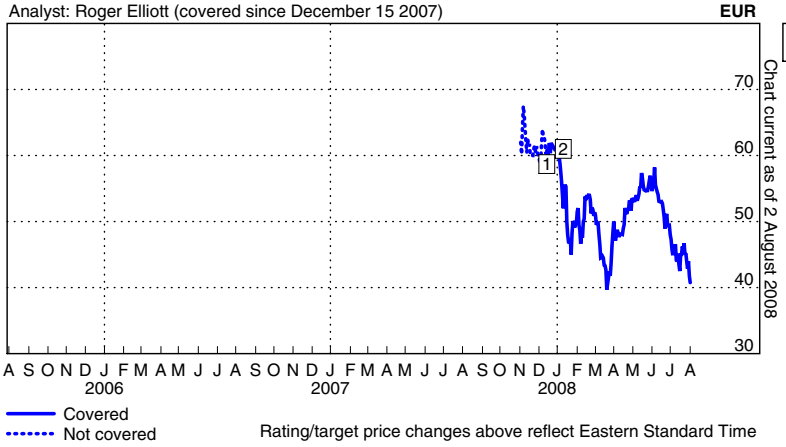
#	Date	Rating	Target Price	Closing Price
1:	19 May 08	1M	1.25	NA

*Indicates change.

Hamburger Hafen und Logistik AG (HHFGn.DE)

Ratings and Target Price History - Fundamental Research

Analyst: Roger Elliott (covered since December 15 2007)



#	Date	Rating	Target Price	Closing Price
1:	14 Dec 07	2L	65.00	60.76
2:	10 Jan 08	*1L	65.00	52.00

*Indicates change.

Rating/target price changes above reflect Eastern Standard Time

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Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from DP World.

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Guide to Fundamental Research Investment Ratings:

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Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

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For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return).

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

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