Economic Environment

Macroeconomic Development

Global economic expansion slowed slightly over the course of the year. According to estimates by the International Monetary Fund (IMF), growth in global gross domestic product (GDP) was 0.3 percentage points down on the previous year at 3.1 % in 2015. This is the lowest rate of growth since the 2008/2009 financial crisis. The main cause was a noticeable slowdown down of the emerging economies. The year as a whole was dominated in particular by the supply-driven decline in oil prices. In line with this below-average global economy growth, world trade was also very weak in 2015. At 2.6 %, growth in world trade once again lagged behind global GDP.

Development of Gross Domestic Product (GDP)

in %	2015	2014
World	3.1	3.4
Advanced economies	1.9	1.8
USA	2.5	2.4
Emerging economies	4.0	4.6
China	6.9	7.4
Russia	- 3.7	0.6
Eurozone	1.5	0.9
Central and Eastern Europe (emerging european economies)	3.4	2.8
Germany	1.5	1.6
World trade	2.6	3.4

Source: International Monetary Fund (IMF)

The advanced economies continued their moderate recovery in 2015. The main driver was the USA. By contrast, the pace of growth in the emerging economies slowed for the fifth consecutive year. With GDP growth of 4.0 %, they still easily outperformed the advanced economies but displayed the slowest rate of expansion since 2009. The Chinese economy also continued to lose momentum. According to the IMF, growth in the world's second largest economy dropped below 7 % in 2015.

The Russian economy is mired in a deep recession. In addition to the ongoing EU and US sanctions, the substantial decline in oil prices has also had a negative impact on the country. As a result, the Russian economy declined by 3.7 % in 2015. The Ukrainian economy is also in deep crisis. According to IMF estimates from October 2015, economic output in Ukraine is expected to contract by 9.0 % in 2015 as a whole. At the same time, however, the latest sentiment indicators point towards a gradual stabilisation of economic activity. By contrast, the pace of growth in the European currency union accelerated by 0.6 percentage points to 1.5 %. Growth is being driven mainly by domestic demand. GDP in the emerging economies of Central and Eastern Europe expanded strongly with a stable growth rate of 3.4 %.

The latest economic indicators for the German economy suggest solid growth of 1.5 %. Germany's foreign trade benefited from the increased competitiveness of its exports due to low euro exchange rates. According to the IMF, exports grew by 5.4 % and German imports by 5.7 % in the reporting period.

Sector Development

Container throughput did not perform as well as expected in 2015. While the market research institute Drewry forecast an increase in global container throughput of 5.3 % at the beginning of the year, experts now expect more modest growth of 1.3 % in the reporting period. Apart from the decline in throughput experienced during the 2009 financial crisis, this is the lowest growth rate since global container throughput was first recorded. The unexpectedly weak performance in container throughput had an impact on nearly all shipping regions.

European shipping regions in particular suffered dramatic losses in some areas compared to the previous year. Of particular mention is the year-on-year decline in throughput of 30 % at Russia's Baltic Sea ports due to the crisis and economic sanctions.

Development of Container Throughput

in %	2015	2014
World	1.3	5.3
Europe as a whole	- 3.3	5.0
North-West Europe	- 1.9	6.0
Scandinavia and the Baltic region	- 17.3	1.6
Western Mediterranean	- 0.9	3.2
Eastern Mediterranean and the Black Sea	- 2.9	6.0

Source: Drewry Maritime Research

The trend among the major container ports of the North Range – Rotterdam, Antwerp, Hamburg and the Bremen ports – as well as the largest ports of the western Baltic Sea (Gdansk, Gothenburg) was mixed. Due to the considerable importance of the Chinese and Russian economies to container throughput, the Port of Hamburg recorded a marked decline in volume of 9.3 % in 2015 and also lost market share to its competitors. Europe's largest container port, Rotterdam, reported a slight decline year-on-year to 12.2 million TEU. Antwerp handled 9.7 million TEU in the reporting period. This positive trend was mainly achieved at the expense of Zeebrugge, the second-largest Scheldt port, which suffered a 23.8 % fall in volume compared to the previous year. The downward trend seen in the previous year continued at the Bremen ports in 2015. Growth at the JadeWeserPort in Wilhelmshaven was spurred by an accident of a container gantry crane in Bremerhaven and its increased integration into the 2M alliance route network. Container throughput increased to 427 thousand TEU. Following dynamic growth over the past few years, the effects of the Russian crisis were clearly noticeable at the Polish port of

Gdansk in 2015. The missing Russian transshipment volumes resulted in a 10 % decline in containers handled to 1.1 million TEU. The volume of containers handled in Gothenburg fell by 2.0 % against the previous year to 0.8 million TEU.

Development of Container Throughput at North Range Ports

in million TEU	2015	2014	Change
Rotterdam	12.2	12.3	- 0.5 %
Antwerp	9.7	9.0	7.5 %
Hamburg	8.8	9.7	- 9.3 %
Bremen ports	5.5	5.8	- 4.3 %
Zeebrugge	1.6	2.0	- 23.8 %
Gdansk	1.1	1.2	- 10.0 %
Gothenburg	0.8	0.8	- 2.0 %
Wilhelmshaven	0.4	0.1	pos.

Source: Port Authorities

Rail freight traffic in Germany was significantly affected by a wage dispute and strike at Deutsche Bahn in spring 2015, and only enjoyed a brief period of respite over the course of the year in view of the economic slowdown and a drop-off in demand for transport. In total, transport volumes fell by 1.0 % in 2015, compared to the previous year. However, traffic performance – transport volume multiplied by the distance travelled – increased slightly by 1.4 % in the same period.

Developments in rail freight traffic were comparable on a European level. Transport demand for rail traffic was already diminished at the beginning of the year, both in Europe as a whole and in those markets of Central and Eastern Europe of particular relevance to HHLA. While transport volumes declined by a total of 3.1 % across Europe in the first three quarters of 2015, the decrease was less severe in Central and Eastern Europe at 1.8 %. Performance varied greatly across the individual markets, however: While transport volumes in Poland and Hungary fell year-on-year by 2.8 % and 3.5 % respectively in the first nine months of 2015, rail cargo in the Czech Republic rose by 4.7 %.

Course of Business and Economic Situation

Key Figures

in € million	2015	2014	Change
Revenue	1,141.8	1,199.6	- 4.8 %
EBITDA	281.4	294.2	- 4.3 %
EBITDA margin in %	24.6	24.5	0.1 pp
EBIT	156.5	169.3	- 7.5 %
EBIT margin in %	13.7	14.1	- 0.4 pp
Profit after tax and minority interests	66.7	58.9	13.2 %
At-equity earnings	3.7	5.3	- 29.1 %
ROCE in %	12.0	12.9	- 0.9 pp

Overall View

The economic environment remained challenging for HHLA throughout 2015. In addition to further delays in the dredging of the river Elbe and weaker global economic growth, operations at HHLA suffered in particular from the slowdown of the Chinese economy as well as the severe recession and impact of trade sanctions in Russia. These circumstances led to a strong decrease in container throughput at HHLA's terminals in Hamburg. However, slight growth was achieved in container transport despite the overall market decline.

These opposing trends in HHLA's two largest segments are also reflected in revenue and the operating result on Group level. There was a moderate decrease in revenue as a whole with a significant decline in EBIT.

In view of the weaker economic outlook, continuing falling volumes in the Container segment and anticipated earnings trend, HHLA updated its earnings guidance for the Group over the course of the year. Actual performance now slightly exceeds the last guidance update. HHLA continued to scale its capital expenditure programme to actual needs. Delays to individual projects resulted in postponements until 2015.

HHLA's financial position remained stable as of the balance sheet date of 31 December 2015. Changes in capital structure due to negative exchange rate effects from the devaluation of the Ukrainian currency were opposed by positive factors including valuation adjustments to pension provisions triggered by interest rate differentials. The equity ratio rose by 2.7 percentage points to 33.2 % (previous year: 30.6 %), while the dynamic gearing ratio increased from 2.7 to 2.8. Due to the company's liquidity base as of the balance sheet date, it still has no significant refinancing requirements.