Combined Management Report

The Combined Management Report covers the course of business at the HHLA Group and Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG).

Group Overview

Holding/Other
- Strategic corporate development
- Functional management of the Container segment
- Management of resources and processes
- Provision of shared services

- Floating crane operations
- Development and letting of port-related real estate

Port Logistics
Subgroup
Listed Class A shares

Container
Segment
- Container handling
- Container transfer between modes of transport (ship, rail, truck)
- Container-related services (e.g. storage, maintenance, repair)

Intermodal
Segment
- Container transport in the ports' hinterland
- Loading and unloading of carriers
- Operation of inland terminals

Logistics
Segment
- Special handling of bulk cargo, general cargo, vehicles etc.
- Handling cruise ships
- Warehousing and contract logistics
- Consulting and training

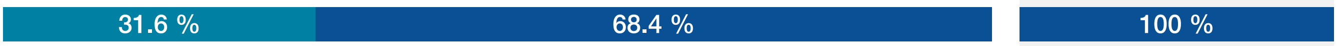
Real Estate
Subgroup
Non-listed Class S shares

Real Estate
Segment
- Management of real estate in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona
- Development
- Tenancy
- Facility management

Shareholder Structure
Share capital: total of 72,753,334 no-par-value registered shares (no-par-value shares)

of which 70,048,834
Class A shares – listed –

of which 2,704,500
Class S shares – non-listed –



Free float
22,128,334 Class A shares

Free and Hanseatic City of Hamburg
Shareholding: 47,920,500 Class A shares + 2,704,500 Class S shares

Group Structure

Hamburger Hafen und Logistik AG (HHLA) is one of Europe's leading port logistics groups. It is operated as a strategic management holding company and divided into two subgroups, Port Logistics and Real Estate. The Class A shares, which are listed on the stock exchange, relate to the Port Logistics subgroup and entitle shareholders merely to participate in the result and net assets of these operations. The Real Estate subgroup includes those HHLA properties which are not specific to port handling. The performance and financial result of the Real Estate subgroup, which also follows urban development objectives, are represented by the Class S shares. These shares are not traded on the stock exchange and are held solely by the Free and Hanseatic City of Hamburg (FHH). In the unlikely and unprecedented event of the Real Estate subgroup reporting a loss, this would be indirectly transferred to the Free and Hanseatic City of Hamburg in line with a separate agreement to assume losses.

The HHLA Group's operations are carried out by the 30 domestic and nine foreign subsidiaries and associated firms which make up the company. In the 2015 financial year, the divisional functions and management responsibilities previously held by the operative holding HHLA Container Terminals GmbH (Container segment) were transferred to the holding company and are therefore the direct responsibility of the Executive Board. No other significant legal or organizational changes were made to the company structure in the 2015 financial year.

Management Structure

As a German stock corporation (Aktiengesellschaft), HHLA has a dual structure consisting of an Executive Board and a Supervisory Board: the Executive Board manages the company on its own responsibility, while the Supervisory Board appoints, advises and monitors the Executive Board. In 2015, the Executive Board of HHLA comprised four members, whose areas of responsibility are defined by their specific tasks and operating segments. The HHLA Executive Board, under the direction of the Chairman of the Executive Board, is now jointly responsible for the Container segment. The divisional responsibility held by the operative holding HHLA Container Terminals GmbH was replaced by a functional management structure. The Container Sales and Container Operations functions, which were previously held by the operative holding, are now managed directly by the holding company. The Supervisory Board has twelve members in all, with six representing the shareholders and six representing the employees, ▶ see Note 49 of the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146

Business Activities

As an integrated handling, transport and logistics provider, the **Port Logistics subgroup** offers services along the logistics chain between international ports and their European hinterland. The geographical focus of its operating activities is on the Port of Hamburg and its hinterland. The Port of Hamburg is an international hub for container transport by sea and land, with an optimal hinterland link to the economies of Central and Eastern Europe, Scandinavia and the Baltic region. The company's core lines of business are represented by the Container, Intermodal and Logistics segments.

The **Container segment** pools the Group's container handling operations and is the largest business unit in terms of revenue and earnings. The Group's activities in this segment consist primarily of handling container ships (the loading and discharging of containers) and transferring containers to other carriers (rail, truck, feeder ship or barge). HHLA operates three container terminals in Hamburg – Altenwerder (CTA), Burchardkai (CTB) and Tollerort (CTT) – and another container terminal in Odessa, Ukraine (CTO). The portfolio is rounded off by supplementary container services, such as maintenance and repairs.

Organisational Structure

Supervisory Board

Executive Board

Klaus-Dieter Peters Chairman	**Dr. Stefan Behn**	**Heinz Brandt**	**Dr. Roland Lappin**
Responsibility	Responsibility	Responsibility	Responsibility
Corporate Development Corporate Communications Sustainability Intermodal segment Logistics segment	Container Sales Container Operations Container Engineering Information Systems	Human Resources Purchasing and Materials Management Health and Safety in the Workplace Legal and Insurance (including Compliance)	Finance and Controlling (including Organisation) Investor Relations Internal Audit Real Estate segment

The **Intermodal segment** is the second-largest of HHLA's segments in terms of revenue and earnings. As a further key element of HHLA's business model, which is vertically integrated along the transport chain, the segment provides a comprehensive rail and truck network for seaport-hinterland traffic and, increasingly, continental traffic. While the two rail companies – Metrans and Polzug – operate regular direct connections between the ports on the North and Baltic seas and between the Northern Adriatic and its hinterland, the inland terminals provide a comprehensive range of services for maritime logistics. In addition to transshipment services at the Port of Hamburg, the trucking subsidiary CTD transports containers by road, both locally and over long-haul distances within Europe.

The **Logistics segment** encompasses a wide range of complementary contract and warehouse logistics, specialist handling services and consulting. Its service portfolio comprises both stand-alone logistics services and entire process chains for the international procurement and distribution of merchandise, including the operation of handling facilities for dry bulk, motor vehicles and fruit, as well as the processing of cruise ships. In this segment, the company also provides consulting and management services for clients in the international port and transport industry. Some of these logistics services are provided together with partner companies.

The **Holding/Other** division is also part of the Port Logistics subgroup, although it does not constitute a separate segment as defined by the International Financial Reporting Standards (IFRS). The Holding division is responsible for strategic corporate development, the functional management of the Container segment, the central management of resources and processes, and the provision of shared services for the operating companies. It also includes the properties specific to HHLA's port handling business and the Group's floating crane operations.

The **Real Estate segment** corresponds to the **Real Estate subgroup**. Its business activities encompass the development, letting and commercial and technical facility management of properties in the Port of Hamburg's peripheral area. These include the Speicherstadt historical warehouse district, the world's largest traditional warehouse quarter. In this central location, HHLA offers around 300,000 m^2 of commercial space. Other prime properties totalling around 63,000 m^2 are managed by Fischmarkt Hamburg-Altona GmbH in the exclusive fish market area on the river Elbe's northern banks.

For further information on the performance of each segment, see also ▶ Segment Performance, page 39

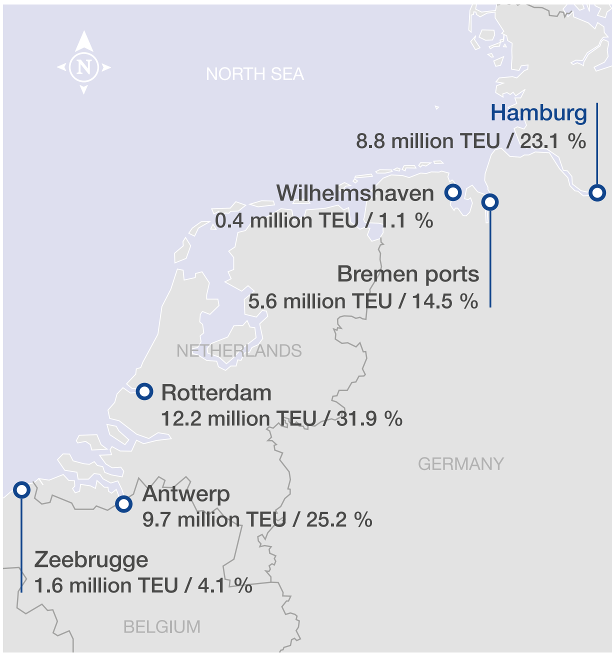
Market Position

With its listed core business Port Logistics, HHLA operates on the European market for international sea freight services. This continues to offer attractive long-term growth prospects, as the competitiveness achieved by key Central European countries in a global context provides the basis for further growth in trade volumes and consumption potential going forward. The ability to leverage the potential offered by the Eastern European markets, particularly the Russian Federation and Ukraine, is largely dependent on finding political solutions to existing regional conflicts as well as a return to more normal commodity and energy prices.

The relevant economic indicators point to a continued stabilisation of GDP growth in the eurozone. In view of the persistently high level of debt in the region, however, stronger growth is only expected in the medium to long term. For the short and medium term, on the other hand, there are indications of a fundamental reassessment of expected growth in containerised trade and transport volumes. This is primarily due to exogenous conditions and structural problems or crises, for which compelling solutions are still outstanding.

Throughput at the North Range Ports

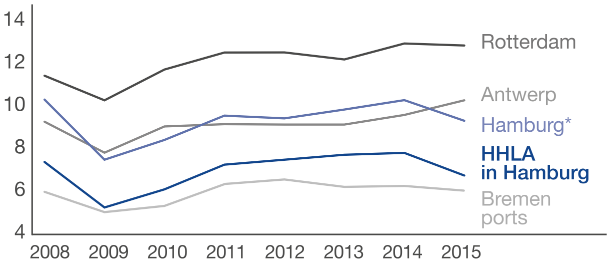
Volumes and market shares, 2015



Source: Port Authorities / own calculation (market share)

Container Throughput at the largest North Range Ports

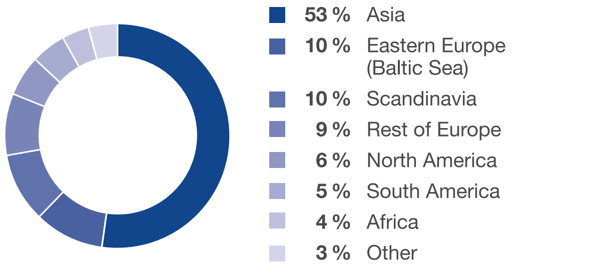
in TEU million



*Source: Port Authorities; *incl. HHLA*

Seaborne Container Throughput by Shipping Region

in the Port of Hamburg, 2015



Source: Hamburg Hafen Marketing e.V.

The market for port services on the Northern European coastline (the North Range) of relevance for HHLA is characterised by its high concentration of ports. Competition is currently strongest between the major North Range ports of Hamburg, HHLA's main hub, the Bremen ports, Rotterdam and Antwerp. Other handling sites – such as Wilhelmshaven, Le Havre and Zeebrugge – are considerably smaller in terms of their capacity and/or current freight volume. At present, the Baltic Sea ports are primarily served by feeder traffic operating via central distribution points in the North Range. Overseas services calling directly at ports, such as Gdansk (Poland) or Gothenburg (Sweden), are increasingly competing with this network system.

As well as the geographical position and hinterland links of a port, its accessibility from the sea affects the competitive position of terminal operators and thus local freight volumes. Other key competitive factors that influence market position include pricing, the reliability and speed of ship handling, the scope and quality of container handling services, as well as the performance of pre- and onward-carriage rail systems serving the hinterland (e.g. frequency, punctuality, pricing).

Two additional container terminals in Rotterdam (Maasvlakte 2) officially commenced operations in spring and autumn 2015. This led to a significant increase in capacity on the market and fiercer competition, especially for freight volume with greater geographical flexibility such as feeder traffic. In contrast to this, the market position for handling volumes which are tied to the natural catchment area onshore is largely stable – given that it is vital to take the shortest route for the disproportionately more expensive land-bound transportation.

The market research institute AXS Alphaliner estimates that the carrying capacity of the global container ship fleet increased by 8.5 % to 19.9 million TEU in 2015. The number of ultra large vessels with a capacity of more than 10,000 TEU increased particularly strongly, with growth of 27.2 % to 337. This means that some 45 % of the ships delivered in 2015 can carry in excess of 10,000 TEU.

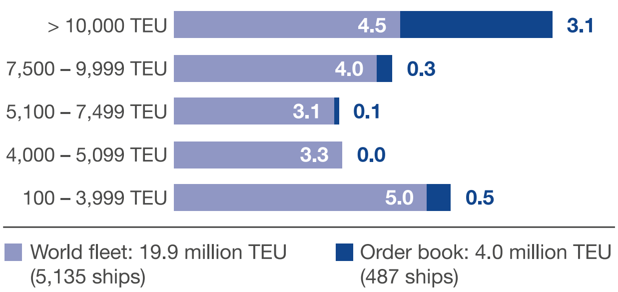
The **Container segment** benefits from the Port of Hamburg's position as the most easterly North Sea port, which makes it the ideal hub for the entire Baltic region and for hinterland traffic to and from Central and Eastern Europe. Furthermore, the long-standing trading relationships between the Port of Hamburg and the Asian markets are advancing Hamburg's role as an important European container hub. With a throughput of 8.8 million TEU, Hamburg ranked an estimated 19th among the world's leading international ports in 2015 and is currently the third-largest European container port after Rotterdam and Antwerp.

In Hamburg, HHLA maintained its position as the largest container handling company with a throughput volume of 6.4 million TEU in 2015. 73 % of container traffic (previous year: 75 %) at the Port of Hamburg was handled by HHLA. Asia, Eastern Europe and Scandinavia remained the most shipping regions.

In the **Intermodal segment**, HHLA primarily utilises the advantages of the Port of Hamburg's rail infrastructure – Europe's most important rail traffic hub handling more than 2 million TEU a year. HHLA's Intermodal network also comprises further ports along the North Sea and Baltic Sea coasts as well as the northern Adriatic and increasingly, continental traffic. The companies which transport containers by train compete with other

Current World Fleet and Order Book until 2019

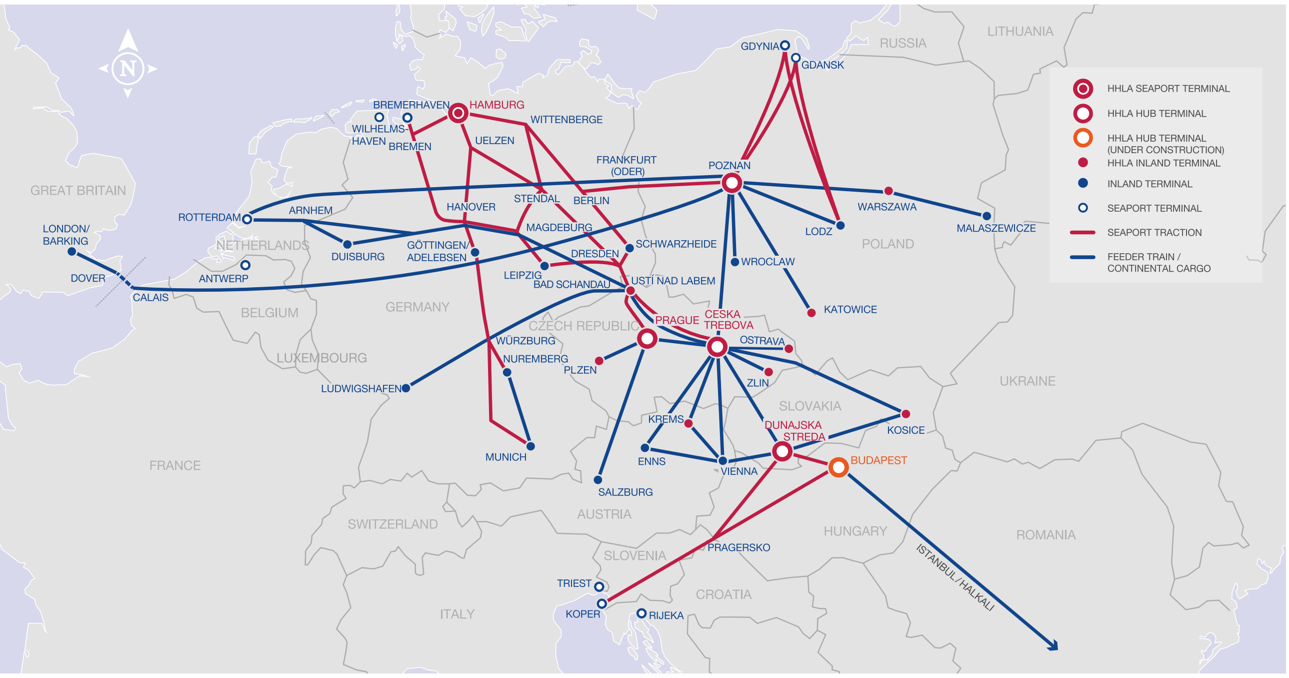
by vessel size categories in TEU million



Source: AXS Alphaliner

Intermodal Network of HHLA

Selected connections



rail operators and intermodal transport firms in Germany and abroad, but also with other carriers such as trucks and feeder ships. As the rail infrastructure is for the most part publicly owned, various national authorities guard against discrimination in both access and usage fees. In addition to the density of the available network, key competitive factors include the frequency of departures, opportunities for freight pooling and storage in the hinterland, the geographical distance to destinations, on-schedule operation and infrastructural capacity. The importance of these factors is growing as ports compete with one another.

HHLA has proprietary inland terminals in Central and Eastern Europe along with its own container wagons and traction (locomotives). All of these factors play a major role in the company's service offer. This is necessary to enable it to run direct trains with frequent departures and to allow the efficient pooling of rail freight transported via the port which is efficiently distributed by central handling facilities. HHLA occupies relevant market positions in the majority of the regions it serves. HHLA has a sound market position in the greater Hamburg metropolitan region in the delivery and collection of containers by truck.

The **Logistics segment** serves various market sectors, some of them heavily specialised. With its multi-function terminal, HHLA is the leading provider of specialist handling services in Hamburg. Via Hansaport, HHLA has a stake in Germany's biggest seaport terminal for handling iron ore and coal. HHLA also provides fruit handling services for Northern Europe with its Frucht- und Kühl-Zentrum. HHLA's complementary range of warehouse and contract logistics services supports the Group's market positions in the handling and transportation sectors. In the field of consultancy, work is conducted on pioneering development projects around the world.

With a population of around 1.8 million and its significance as an economic centre, Hamburg is one of the largest and most interesting property markets in Germany for the **Real Estate segment**. The Real Estate segment owes its outstanding market position to the special attractiveness of the properties it manages in Hamburg's Speicherstadt historical warehouse district and on the northern banks of the river Elbe, as well as their customer-specific and sustainable enhancement. The segment competes with German and international investors marketing high-quality properties in comparable locations.

Customer Structure and Sales

The customer base in the Container and Intermodal segments consists mainly of shipping companies and freight forwarders. The services provided in the Logistics segment are aimed at various customer groups, ranging from steel companies and power stations (in the field of bulk cargo handling) to international operators of ports and other logistics centres (in the field of port consulting). The Real Estate segment lets its office space and commercial premises to German and international customers from a variety of sectors, ranging from logistics and trading companies to media, consulting and advertising agencies, fashion labels, hotel and restaurants, and the creative industries.

Globally operating container shipping companies are the customers which account for the largest share of HHLA's revenue. In ship handling, HHLA's container terminals work with shipping companies on a neutral basis (multi-user principle) and offer a wide range of high-quality services. In the 2015 financial year, HHLA's customer base included all of the top 20 container shipping companies. HHLA therefore believes that it is able to respond flexibly to changes in the consortia and alliances formed by its clients in the shipping sector.

Sales activities in the Container segment are organised by means of key account management. In the Intermodal and Logistics segments, sales are generally managed locally by the individual companies. As far as possible, all activities follow the strategic approach of vertical integration, i.e. offering comprehensive transport and logistics services from a single source. The Real Estate segment's sales team offers potential clients and tenants a wide range of services for properties in its two main districts – Hamburg's Speicherstadt historical warehouse district and the northern banks of the river Elbe – as well as for logistics properties in and around the port.

The share of revenue attributable to HHLA's five most important customers rose slightly to 55 % in the 2015 financial year (previous year: 52 %). The ten most important customers accounted for 80 % (previous year: 80 %) and the 15 most important customers for 94 % (previous year: 95 %) of revenue generated by the HHLA container terminals in Hamburg – nearly unchanged from the previous year. HHLA has maintained commercial relationships with the majority of its most important customers for well over two decades.

HHLA generally concludes framework contracts with its shipping customers. These contracts contain comprehensive descriptions of the services to be rendered and of the remuner-

Top 20 Shipping Companies

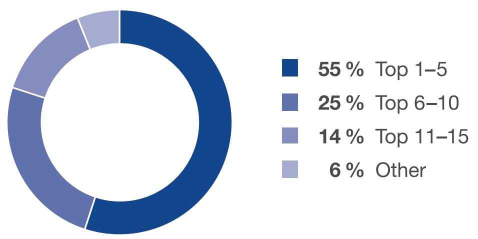
by transportation capacity as of 31 December 2015

	Shipping company	Alliance	in thousand TEU
1.	APM-Mærsk Line	2M	2,996
2.	MSC	2M	2,679
3.	CMA CGM	OCEAN THREE	1,821
4.	Evergreen	CKYHE	932
5.	Hapag-Lloyd	G6	930
6.	COSCO	CKYHE	862
7.	CSCL	OCEAN THREE	694
8.	Hamburg Süd	–	646
9.	Hanjin	CKYHE	626
10.	OOCL	G6	562
11.	MOL	G6	554
12.	APL	G6	535
13.	Yang Ming Line	CKYHE	531
14.	UASC	OCEAN THREE	513
15.	NYK	G6	496
16.	K Line	CKYHE	380
17.	Hyundai M.M.	G6	379
18.	PIL (Pacific Intl. Line)	–	360
19.	Zim	–	358
20.	Wan Hai Lines	–	213

Source: AXS Alphaliner

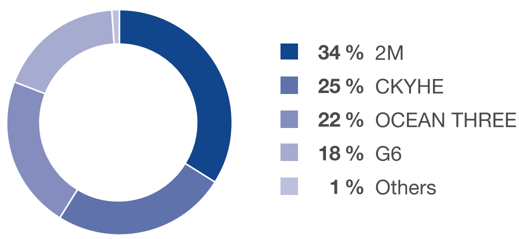
Revenue Distribution Split by Customers

in the Container segment at the main hub Hamburg, 2015



Capacity Breakdown by Shipping Line Alliances

on Far East – Europe services as of 31 December 2015



ation arrangements. As the usage volume for these services is not fixed, there is no order backlog in the traditional sense for HHLA's logistics services.

Legal Framework

In its business operations, HHLA is subject to numerous German and foreign statutory provisions and regulations such as public law, trade, customs, labour, capital market and competition regulations. As the bulk of HHLA's commercial activities are concentrated in and around the Port of Hamburg, its regulatory environment is largely determined by the Hamburg Port Development Act (Hamburgisches Hafenentwicklungsgesetz – HafenEG). HafenEG formulates the structural framework for the sound development of commercial activity in the Hamburg port area. HafenEG's objectives are to maintain the Port of Hamburg's competitiveness as an international all-purpose port, to safeguard freight volumes and to use the public infrastructure as efficiently as possible. To this end, the Port of Hamburg employs a "landlord model", by which the Hamburg Port Authority (HPA) owns the port area and is responsible for building, developing and maintaining the infrastructure, while the privately owned port operators are responsible for the development and maintenance of the superstructure (buildings and facilities). HHLA has concluded a long-term lease agreement with HPA for those port areas of importance for its business operations. Lease agreements are based on HPA's general terms and conditions for port-related real estate (AVB-HI).

For the construction, alteration and operation of its handling facilities, HHLA is reliant on the issuance and continued existence of authorisations under public law, especially official authorisations in accordance with the German Federal Emissions Control Act (Bundesimmissionsschutzgesetz – BImSchG), the applicable local building regulations and water and waterways laws. All construction and extension measures require separate authorisations by the respective authorities, irrespective of the plan approval procedure for the expansion of the handling areas. HHLA's affiliated companies are subject to a number of strict regulatory requirements, especially if they are involved in the handling of materials which can have damaging effects on people or the environment. These include, for example, the handling, storage and transportation of environmentally dangerous materials and hazardous goods. However, these regulatory requirements also include regulations on technical safety, health and safety in the workplace and environmental protection.

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

Due to the dangers posed by international terrorism, there are strict security precautions at all ports. An essential component of these precautions is the International Ship and Port Facility Security Code (ISPS Code), which requires the internationally standardised installation of measures to prevent terrorist attacks on ocean-going vessels and port facilities. For the operators of port facilities, compliance with the code involves observing strict access control and implementing numerous other measures for averting danger.

The aforementioned international provisions are implemented in the Port of Hamburg's area by means of the German Port Security Act (Hafensicherheitsgesetz – HafenSG).

The legal framework for HHLA is subject to constant change at national and international level, particularly by the European Community, in order to keep pace with technical progress and increasing sensitivity with regard to safety and environmental concerns, among other issues. At national level, work is currently under way on the German "Regulation on Installations for the Handling of Substances Hazardous to Water", which may affect HHLA in the future depending on the form it takes. In the 2015 financial year, however, there were no amendments to the legal framework with a significant impact on the Group's operating activities or its assets, financial or earnings position.

Corporate Strategy

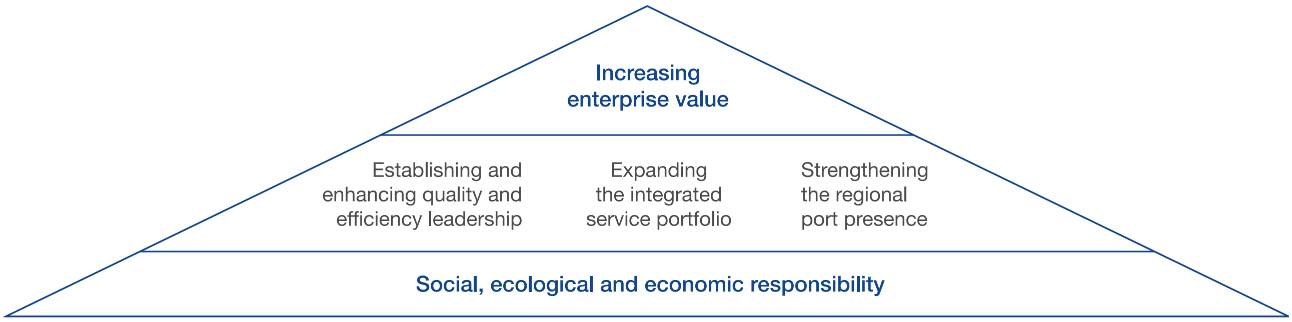
HHLA's strategy is aimed at assuming a leading position as a port logistics provider and thus achieving sustainable growth in its enterprise value. With its business model of vertical integration along the transport chain between the international seaport and its European hinterland, HHLA believes it is favourably positioned to exploit the intensification in global trade and achieve profitable growth. This is also based on Hamburg's role as a logistics hub linking the Far East, especially China and India, with the economies of Central and Eastern Europe. Sustainable business practices form an integral part of the corporate strategy. The focus here is on organising ecologically sound transport chains – especially by linking ships and rail logistics – operating terminals in an environmentally friendly manner which also uses land efficiently, and conserving resources.

In its non-listed Real Estate subgroup, HHLA pursues a long-term and demand-oriented approach to developing districts and properties. The main focus is on developing existing properties, many of which are designated as historical landmarks.

In order to consolidate and further expand the Group's market position, HHLA pursues the following strategic guidelines for the listed Port Logistics subgroup:

Corporate Strategy

Sustainably increasing enterprise value at HHLA



Establishing and Enhancing Quality and Efficiency Leadership

HHLA plans to constantly improve its competitiveness by further enhancing its service quality and technological capabilities. It concentrates both on retaining its broad customer base and attracting new clients.

In the Container segment, HHLA will continue to pursue its strategy of providing a neutral service to as many shipping companies as possible in the handling of ships and the coordination of berths, while ensuring a consistently high quality of service. This concept will secure the long-term existence of a balanced customer portfolio, the best possible capacity utilisation, and the profitability of its services. Its ship handling activities focus primarily on improving the efficiency of its handling services and responding to the requirements of container mega-ships which are increasingly prompting peak load conditions. This involves systematically gearing the design and operation of facilities towards maximising the productivity of land usage, manpower and capital.

HHLA also aims to become a quality and efficiency leader in the activities of its Intermodal segment by continuing to invest in its own facilities and equipment, such as inland terminals, container-carrying rail wagons and locomotives. Due to its consistent establishment and expansion of pre- and onward-carriage rail systems and their integration into maritime transport chains, HHLA is able to offer its customers a perfectly coordinated range of services.

Expanding the Integrated Service Portfolio

HHLA plans to continuously improve the services it provides by expanding intermodal transport between the international port and the hinterland. Besides increasing the scope and range of its services, HHLA also focuses on increasing its value added. This approach is geared towards making effective use of the Port of Hamburg's advantageous geographical position in terms of transport links by utilising synergies between handling and transport services and by adding complementary services (container repairs, empty container storage facilities, etc.). HHLA's activities are therefore mutually beneficial: greater handling volumes in the Port of Hamburg result in more traffic for hinterland transport and increased demand for logistics services. At the same time, the provision of efficient transport systems and high-quality logistics services generates additional handling volumes for the HHLA container terminals.

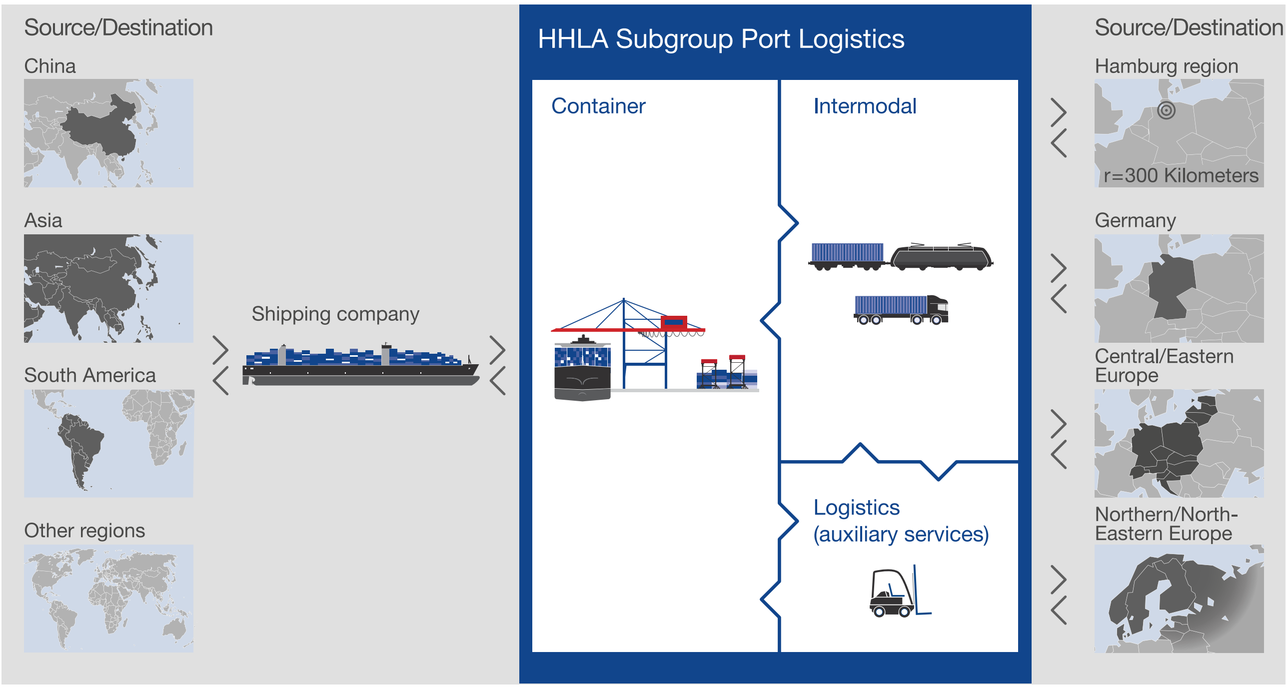
For this reason, HHLA will continue to expand the market position of its Intermodal subsidiaries with the main geographical focus on the growth markets of Central and Eastern Europe as well as Germany, Austria, Switzerland (DACH region). Investments here will concentrate on inland terminals and connecting them to international ports via direct links. By gradually increasing vertical integration by acquiring its own rolling stock (container wagons) and building up its own traction (locomotives), the company will be able to operate largely independently on the market. HHLA is accompanying these measures by expanding its trucking services, which offer a comprehensive network for delivering and collecting sea containers over the "last mile" inland.

Strengthening the Regional Port Presence

In addition to purely organic growth, HHLA constantly examines opportunities for acquisitions. Potential acquisitions and equity investments focus on port projects and shareholdings in attractive growth markets. Based on the economies of scope offered by the existing network and the opportunities it presents to tap additional potential – and stemming from its base on the North Sea coast – HHLA's primary interest is in the catchment area between the Baltic region, the Northern Adriatic and the Black Sea. However, projects and shareholdings in other high-growth regions are also being examined. Both the Group's international consultancy activities and its ongoing corporate development work can provide starting points for this approach. In addition to strategic compatibility, key decision-making criteria include growth prospects, the anticipated return on capital employed in the medium and long term, and the commercial opportunities and risks.

Vertical Integration

HHLA's Strategic Foundation



Corporate and Value Management

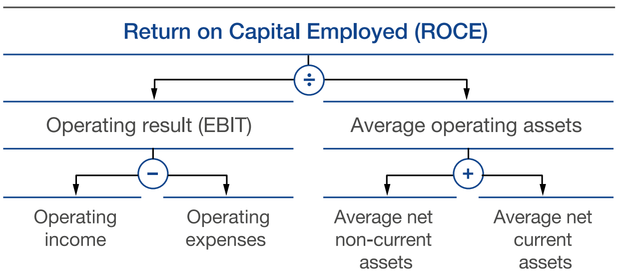
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities.

Financial Performance Indicators

The central financial management control figure is the key performance indicator ROCE, i.e. the return on capital employed. The HHLA Group calculates ROCE as a ratio of the operating result (EBIT) and the average operating assets used.

Value Management

ROCE – defining parameters and influential factors



Commercial activities are generally regarded as value-generating if the return on capital employed exceeds the cost of capital and they make a positive value contribution. Such capital costs correspond to the weighted average of equity costs and the cost of borrowed capital. Due to the ECB's ongoing expansionary monetary policy, the cost of capital before tax was adjusted from 10.5 % to 8.5 % in the 2015 financial year. This minimum interest rate also reflects the Executive Board's assessment of a medium- to long-term rate of return arising from a balanced relationship between equity and borrowed capital. This approach avoids short-term fluctuations in interest rates on the capital markets which may distort the information provided by the value management system.

The HHLA Group's operating result (EBIT) fell year-on-year by 7.5 % to € 156.5 million in the 2015 financial year (previous year: € 169.3 million). ▶ see also Group Performance, page 43

With average operating assets almost unchanged at € 1,303.1 million (previous year: € 1,307.5 million) the return on capital employed was down 0.9 percentage points on the prior-year figure of 12.0 %. The minimum ROCE of 8.5 % for the 2015 financial year was exceeded by 3.5 percentage points.

The HHLA Group therefore generated a positive value added of € 45.7 million in the 2015 financial year (previous year: € 32.0 million).

Key Figures Value Added

in € million	2015	2014	Change
Operating income	1,191.0	1,241.0	- 4.0 %
Operating expenses	- 1,034.5	- 1,071.7	- 3.5 %
EBIT	156.5	169.3	- 7.5 %
Ø Net non-current assets	1,213.3	1,221.6	- 0.7 %
Ø Net current assets	89.8	85.9	4.5 %
Ø Operating assets	1,303.1	1,307.5	- 0.3 %
ROCE in %	12.0	12.9	- 0.9 pp
Capital costs before tax[1] in %	8.5	10.5	- 2.0 pp
Capital costs before tax	110.8	137.3	- 19.3 %
Value added in %	3.5	2.4	1.1 pp
Value added	45.7	32.0	42.9 %

1 *Of which 5.0 % (previous year: 7.5 %) for the Real Estate subgroup*

Non-Financial Performance Indicators

In the operating business units, various non-financial performance indicators are used in addition to the key performance indicator ROCE. For example, the number of handling moves per man-hour, energy efficiency or the number of containers handled per square metre – the land usage productivity – are important indicators for the quality of services rendered and the container terminals' performance. These and other performance indicators are therefore used intensively for the ongoing optimisation of specific operational processes.

In addition to the continuous dialogue which HHLA maintains with its customers, the company makes extensive use of macroeconomic forecasts as early indicators for its operating activities. These include the anticipated development of gross domestic product for important trading partners, and the subsequent estimates for foreign trade and import/export flows, as well as for container traffic on relevant routes and changes in the correlation between gross domestic product and containerised trading volumes.

Research and Development

One of HHLA's strategic objectives is to continuously improve the efficiency of its operating systems, and consequently its competitiveness, by developing application-oriented technologies. The main focus of these activities is therefore on engineering and IT-based innovation projects. Due to close collaboration with technical universities, institutes, industry partners and government authorities, joint projects can be planned, managed and developed by task forces.

In the 2015 financial year, HHLA mainly focused its resources and available capacity on continuing its research into battery-powered container vehicles for horizontal transport.

Battery-Powered Container Vehicles

Researching and developing eco-friendly drive systems is a key aspect of HHLA's sustainable business model. In collaboration with Gottwald Port Technology, Vattenfall Europe Innovation and several research bodies, HHLA is pursuing its BESIC project (Battery Electric Heavy Goods Transports within an Intelligent Container Terminal) which is funded by the German Federal Ministry of Economics and Technology. It aims to use modern information and communication technology to improve the planning and management of charging cycles for battery-powered automated guided vehicles (AGVs) at CTA – particularly at times when there is a surplus of renewable power in the grid. The primary goal in the development of this battery management system and in testing innovative energy storage systems is to improve the level of flexibility for terminal operations and to increase the share of power provided by renewable energies.

Performance Certified

In order to document their performance, CTA and CTT once again received certification in accordance with the Container Terminal Quality Indicator (CTQI) in the reporting year. The standard, which was developed by the Global Institute of Logistics and Germanischer Lloyd, checks criteria such as the safety, performance level and efficiency of a terminal on both the water and onshore, as well as its links to pre- and onward-carriage systems. With their successful certification, the terminals once again confirmed their high levels of performance and compliance with all quality standards.

Purchasing and Materials Management

Purchasing is a shared service provided by the HHLA Group's management holding company in Hamburg. Important objectives are pooling and harmonising purchasing processes to meet internal customers' requirements in terms of service and performance as far as possible. The purchasing team focuses on standardising the supplier base to ensure that capital goods, raw materials, consumables, supplies, services and other products are provided reliably and on time, taking aspects such as cost, quality and sustainability into account. Market developments relating to new technologies, innovations and the service performance of specific suppliers are considered in close cooperation with the operations and technology departments.

Purchasing actively supports the review and adjustment of the Group's requirements and guidelines and their mandatory fulfilment in relation to purchasing processes. All employees in the purchasing team are obliged to uphold HHLA's code of conduct. The compliance rate and purchase requisition rate are among the many methods used to monitor adherence to these requirements. The compliance rate measures the proportion of procurement orders handled by central purchasing. In 2015 the compliance rate stood at 95 % (previous year: 94 %). The purchase requisition rate indicates the ratio of requisitions entered and authorised via the SAP enterprise resource planning system in compliance with regulations. In 2015, it stood at 99.7 % (previous year: 99.2 %). The automation of purchasing processes to create efficient, transparent and uniform workflows remained a key objective for procurement in 2015. In the reporting period, approximately 13 % of all purchasing processes were handled fully automatically by means of e-procurement systems.

The Group is deliberately diversifying its procurement activities and optimising its supplier base. As a result, there were no significant dependencies on individual suppliers in the 2015 financial year, as in the previous year, neither at Group nor at segment level. There were also no supply shortages during the reporting period. In 2015, equipment and energy accounted for around 47 % of the Group-wide procurement volume, while construction accounted for 23 %, MRO (maintenance, repairs and operations) for 11 % and information technology (IT) for 19 %.

Taking competition law into account, systematic steps are being taken to enhance the way in which suppliers are involved in the development and optimisation of products, facilities and processes from a strategic and collaborative viewpoint. The aim is to safeguard the on-time completion of development and modernisation projects and the associated timely procurement of capital equipment, supplies and replacement parts. The focus here is on analysing and evaluating relationships with suppliers in terms of their reliability, quality, innovative strength, cost structures, economic stability and compliance. An IT-based supplier management system will be implemented in 2016 to support this process. Suppliers register on an internet portal, which uses questionnaires to cover topics such as occupational safety, sustainability and compliance. All content is coordinated with both the purchasing team and the relevant departments. The data entered will be evaluated internally. Certain criteria may result in suppliers being excluded. This includes entries in a corruption register, pending insolvency proceedings, not paying minimum wages or operational restrictions (lack of certain licences, etc.).

Supplier registration is mandatory for all suppliers contacting HHLA for the first time as part of bidding processes, market enquiries or on their own initiative. Suppliers already listed in the company's own pool will be asked to complete the registration process successively. The need to register will be prioritised according to the supplier's strategic relevance in terms of revenue, market and/or product and service range in the respective purchase areas.

Downstream supplier management thus allows continual internal evaluation. These strategic suppliers are evaluated annually by the internal customers and departments. The evaluations include experience on first contact. Project procurement and flow are also evaluated and documented. The content and scope of the evaluation criteria are regularly reviewed and adapted according to legal requirements, corporate guidelines and rules, and importance for service performance.

Sustainability Performance Indicators

HHLA's actions have always been guided by economic considerations and a sense of responsibility towards its employees, the environment and society as a whole. Due to high levels of capital intensity and long useful lives, those who build and operate port and hinterland terminals, intermodal networks and logistics centres are compelled to take a wider view and gear their business operations towards long-term success spanning several economic cycles. Ever since it was established, the Group has therefore attached the utmost importance to sustainable business practices.

Ecology

Emissions and Energy

HHLA has published its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative which manages one of the world's largest databases of corporate greenhouse gas emissions on behalf of institutional investors and makes this information available to the public.

HHLA calculates its **CO_2 emissions** on the basis of the Greenhouse Gas Protocol Corporate Standard (revised edition), a global standard for recording greenhouse gas emissions. Within the HHLA Group, air pollution largely consists of CO_2 emissions. These are primarily influenced by throughput and transport volumes, traction services provided by the Group's own locomotives and the use of electricity from renewable sources. In line with the Greenhouse Gas Protocol, electricity procured separately from renewable sources was classified as carbon-neutral. The power needed by a terminal depends largely on the number of seaborne containers it handles and the number of containers transported over land by rail and truck. HHLA uses seaborne and onshore throughput as an effective indicator to determine specific CO_2 emissions in line with the recommendations of the European Economics Environment Group (EEEG).

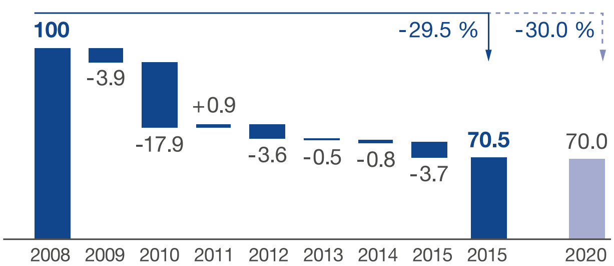
HHLA has set itself the following **climate protection target**: by 2020, the Group intends to reduce CO_2 emissions by at least 30 % for each container which it handles. The 2008 figures serve as the baseline here. In the period from 2008 to 2015, the company already succeeded in reducing CO_2 emissions by 29.5 % per container handled. Specific CO_2 emissions fell by 5.0 % in the year under review.

A long-term increase in the percentage of electricity used within the Group's energy mix will enable the company to **utilise more renewable energies** and thereby substantially reduce its carbon footprint. HHLA is therefore converting more and more of its equipment and machinery at the terminals to electricity. Such equipment and machinery produces fewer emissions and less noise and is also easier to service. The electricity required by all office buildings and workshops in Hamburg occupied by HHLA, the Container Terminal Altenwerder (CTA) and the all-electric yard crane system at the Container Terminal Burchardkai (CTB) comes from renewables. In the reporting period, these measures reduced CO_2 emissions by 24,108 tonnes (previous year: 26,645 tonnes). A photovoltaic system at the Container Terminal Tollerort (CTT) installed and operated by the energy supplier Hamburg Energie Solar produced 119,450 kWh of CO_2-free electricity in the year under review.

In addition to the active expansion of renewable energies, HHLA particularly promotes the **use of energy-efficient and low-emission machinery and equipment.** In the year under review, the company maintained a fleet of 64 all-electric cars. Due to the positive experience the company has had with these all-electric cars, 24 leases were extended by another three years for the oldest vehicles and a half-dozen new electric vehicles have been ordered that will be delivered over the course of 2016. HHLA's electric vehicles are powered by renewable electricity and are a quiet, low-maintenance solution which does not generate any local emissions. The electric vehicles cover a distance of some 475,000 km each year and thus reduce CO_2 emissions by approximately 148 tonnes. Two new straddle carriers that comply with strict requirements of the European Union's emissions standard Euro 4 went into operation at the CTB in the reporting year. With their extremely low emissions, these modern vehicles make an important contribution towards reducing pollution at the container terminal. In addition, the computer-aided optimisation of container storage positions minimises the distance travelled by transport equipment, thereby reducing energy consumption and noise pollution. The use of retreaded tyres for various container handling machines also helps to improve the company's use of resources.

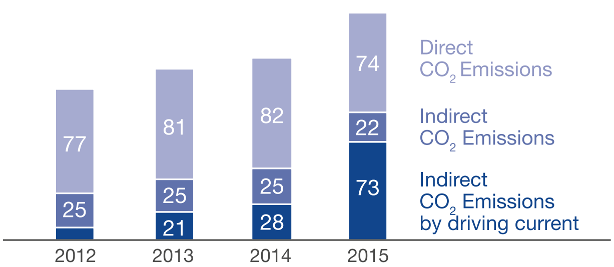
Reduction in Specific CO_2 Emissions since 2008

Climate protection target: 30 % reduction by 2020



Direct and Indirect in CO_2 Emissions

in thousand tonnes



Direct and Indirect Energy Consumption

	2012	2013	2014	2015
Diesel and heating oil in million of litres	26.6	26.8	28.5	25.7
Petrol in million of litres	0.1	0.1	0.1	0.1
Natural gas in million of m^3	2.1	3.1	1.8	2.3
Electricity[1] in millions of kWh	139.9	148.7	154.4	138.3
thereof from renewable energies	70.2	78.2	84.0	76.0
Traction current in millions of kWh	16.9	37.9	51.7	130.3
District heating in millions of kWh	4.6	4.6	3.7	3.2

Consumption of natural gas, traction current an district heating in 2015 is based on measured and estimated figures.

1 Electricity without traction current

Several projects were also continued in the field of **energy-efficient lighting**. 24 additional yard cranes were switched to needs-based LED lighting at CTA. 40 of 52 yard cranes now use needs-based LED lighting at the CTA. As well as reducing lighting emissions, this system cuts electricity consumption by some 90 %.

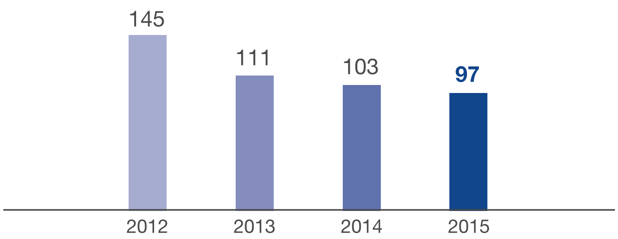
The introduction of a DIN ISO 50001 certified **energy management system** has now been successfully completed by Hamburger Hafen und Logistik AG and HHLA Personal Service GmbH.

Water Consumption

Water is mostly used in the HHLA Group to clean large-scale equipment and containers, as well as for employee hygiene. Compared to the previous year, the amount of water consumed by operations in Germany, Poland, Slovakia, the Czech Republic and Ukraine fell by a further 5.2 % to 97,305 m^3 in 2015 (previous year: 102,664 m^3). The water treatment plant at CTB, which was in operation for the full year for the first time, contributed towards this positive trend. HHLA's facilities in Hamburg draw water from the public supply network.

Developments in Water Consumption

in dam^3



HHLA locations in Germany, Poland, the Czech Republic, Slovakia and Ukraine.

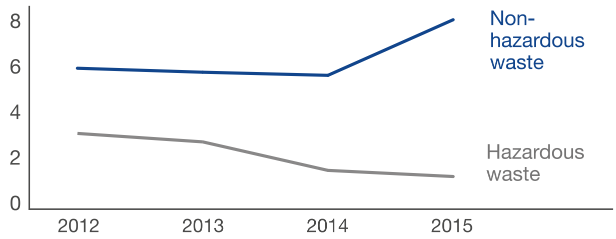
Waste and Recycling

HHLA reduces refuse and separates rubbish for recycling wherever possible so that reusable waste can be fed back into the resource cycle. Excluding soil and building rubble, the **amount of waste** produced at the sites in Germany increased year-on-year by 28.8 % to 9,544 tonnes in 2015 (previous year: 7,408 tonnes). This is due to a considerable rise in the amount of waste not fit for consumption or further processing, such as bananas, pineapples and potatoes. HHLA has no influence on the amount of such waste, as it includes goods that were already unsuitable when they reached Hamburg. Without these amounts, the volume of waste at HHLA fell by 2.3 % in the reporting period. There was an even stronger decline in hazardous waste: this figure fell substantially by 17.2 % to 1,332 tonnes (previous year: 1,609 tonnes). This figure represents a decrease of almost 60 % compared to 2010.

This very positive development was mainly attributable to the **construction of a water treatment plant** at CTB which was operational for a full year for the first time this year. The water used to clean large machinery is treated at this plant before being reintroduced into the cleaning cycle. The process therefore helps to conserve resources in two ways: as well as substantially reducing fresh water use, it decreases the volume of waste classified as hazardous. This also has a positive effect on the amount of sludge from oil/water separators collected at the washing, fuelling and parking spaces for straddle carriers and AGVs. The volume of waste in this category fell strongly by 44.7 % year on year, taking it to 470 tonnes (previous year: 850 tonnes). The remaining mixture of sludge, oil and water is processed at a chemical water treatment plant operated by a specialist disposal company. Once it has been separated from the oil, the water passes through a biological waste water treatment plant. The quantity of overripe bananas and other foodstuffs unsuitable for processing or consumption accounted for the largest proportion of waste. It more than tripled year on year to 3,343 tonnes (previous year: 1,091 tonnes). A large proportion of this was recycled to generate biogas. Approximately 300,000 kWh of electricity was generated without CO_2 in this way in 2015; twice as much as in 2014. 1.8 % less commercial waste was generated in the reporting period. At 1,828 tonnes, this type of refuse represented the second-largest waste volume (previous year: 1,862 tonnes). Scrap metal, which was up 11.1 % against the previous year at 1,1,39 tonnes (previous year: 1,025 tonnes) was fed completely into the recycling system. Paper and cardboard packaging accounted for 609 tonnes of total waste (previous year: 580 tonnes) while scrap wood and building timber made up 403 tonnes (previous year: 578 tonnes).

Developments in the Volume of Waste

in thousand tonnes



HHLA strives to conserve resources at its terminals, e.g. by using a total of 58,300 tonnes (previous year: 40,300 tonnes) of **recycled building materials** to maintain its terminal areas during 2015. Of this amount, waste incineration slag accounted for the largest share (40,000 tonnes). The amount of material used from asphalt recycling amounted to 15,800 tonnes in the year under review. A further 2,500 tonnes was electric furnace slag, which results from the melting of steel scrap and mineral additives in electric arc furnaces and is now reused as aggregate at the terminals. The use of this recycled building material means that less natural stone needs to be mined, thus protecting the landscape.

Society

As well as social responsibility, staff development and its employees' occupational health and safety are among HHLA's key fields of activity. ▶ see also Employees, page 28

Regional Responsibility

Approximately one in eight jobs in Hamburg has some connection with cargo handling at the Port of Hamburg. This means that the port and associated industries are major employers in the greater Hamburg metropolitan region. HHLA handles around three quarters of Hamburg's container throughput or more than half of the total throughput in tonnes. The company therefore sees itself as an integral part of economic developments in the greater Hamburg metropolitan area. It is well aware of its responsibility towards society both here and at all its other sites.

Social Dialogue

HHLA engages in regular dialogue with its stakeholders. ▶ see also Report Profile, page 161 The company also promotes a number of educational projects focusing on the port and logistics.

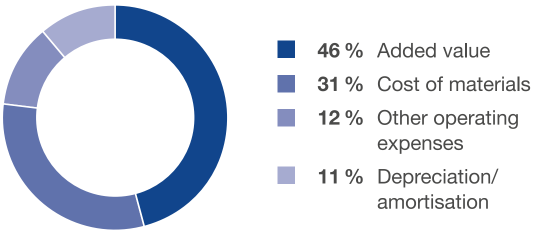
Recognising the link between the port, logistics and the water helps us understand the global division of labour and the importance of sustainable business activities. HHLA's support for educational projects focuses on two particular projects: "Hafen Scouts", a joint initiative of HHLA, which teaches schoolchildren about the transport of goods around the world, how the port functions and what careers the port offers. As well as "Hafen Scouts", the "Aqua-Agenten" project initiated by the Michael Otto Foundation is another cornerstone of HHLA's commitment to educational projects. This project has already received multiple awards (e.g. as an official project of the UN's World Decade "Education for Sustainable Development" and as a "Landmark in the Land of Ideas"). It takes a fun approach to teaching schoolchildren aged about eight or nine why water is important for people, nature and the economy. School classes learn about the significance of shipping and ports for world trade at HHLA's container terminals. In the reporting year, more than 1,000 schoolchildren visited HHLA facilities as part of these education projects. Since the "Aqua-Agenten" project was launched in 2009, more than 10,000 children have been taught about the importance of water and ports.

Compliance

Compliance with legal requirements and internal company guidelines is a key part of HHLA's corporate governance policy. HHLA's compliance system centres on a code of conduct which formulates overriding principles on relevant topics for compliance, such as conduct in the competitive environment, prevention of corruption and conflicts of interest, and how to deal with sensitive corporate information. ▶ see also Corporate Governance Report and the Corporate Management Declaration, page 51

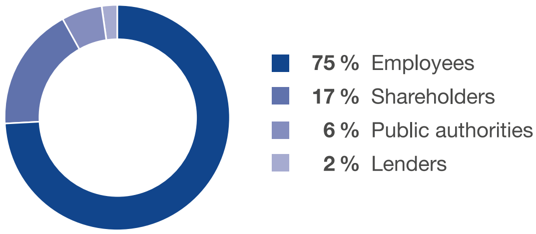
Source of Added Value

Production value 2015: € 1,178 million = 100 %



Application of Added Value

Added value 2015: € 546 million = 100 %



Economy

Value Added in the HHLA Group

in € million	2015	2014	Change
Employees	409.0	414.0	- 1.2 %
Shareholders	95.8	90.6	5.8 %
Public authorities	32.0	39.5	- 19.1 %
Lenders	8.7	8.0	8.1 %
Total	545.5	552.1	- 1.2 %

Net added value fell by 1.2 % to € 545.5 million in 2015. At 46.3 %, the added value ratio was slightly up on the previous year. Net added value serves as an indicator of the economic value creation of a business activity. It is calculated by taking the value of production and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, shareholders, the state (taxes) and lenders. The largest proportion, 75.0 % or € 409.0 million, went to employees.

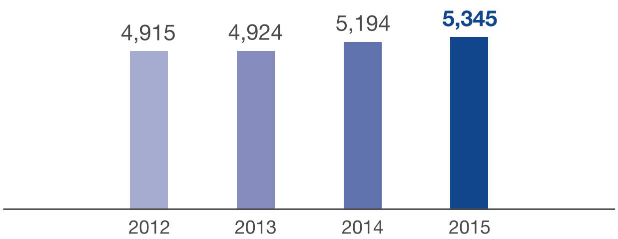
Employees

Headcount

HHLA had a total of 5,345 employees at the end of 2015. Compared with the previous year's total, the number of employees increased by 151, or 2.9 %. In geographical terms, the workforce was concentrated mainly in Germany, with 3,656 staff members (previous year: 3,591). This corresponds to a share of 68.4 % (previous year: 69.1 %), of whom the majority worked in Hamburg. The number of staff employed abroad rose by 5.4 % to 1,689 in 2015 (previous year: 1,603). This is primarily due to the increase in staff at the Intermodal companies in the Czech Republic and Slovakia, where headcount increased by 11.3 % to 1,093 (previous year: 982).

Development of Employees

HHLA Group as of 31.12.



In Ukraine, the number of employees fell by 1.3 % to 445 (previous year: 451). The remaining 151 employees (previous year: 170) are spread across subsidiaries in Poland, Georgia and Hungary.

Employees

by segments	2015	2014	Change
Container	2,957	3,022	- 2.2 %
Intermodal	1,449	1,319	9.9 %
Holding/Others	668	588	13.6 %
Logistics	232	229	1.3 %
Real Estate	39	36	8.3 %
HHLA Group	5,345	5,194	2.9 %

The pooling of functions and management responsibilities within the holding company, which were previously performed by the operative holding HHLA Container Terminals GmbH, impacted headcount of the Container segment and the Holding/Other division. The number of employees in the Container segment decreased by 65 to 2,957 in the year under review (previous year: 3,022), while staff numbers in the strategic management holding company increased by 80 employees to 668. Due to the expansion of services and the increase in value added, staff numbers in the Intermodal segment rose by 130 employees to 1,449. Employee numbers in the Logistics segment remained almost unchanged year-on-year. The Real Estate segment hired 3 new employees and now has a total headcount of 39.

The majority of jobs at HHLA are in a segment of the labour market in which men are traditionally employed and women are proportionately less represented. The positive trend of the previous year continued in 2015, and the ratio of women employed by HHLA in Germany increased once again (including apprentices). At 15.2 %, the ratio of women employed by the company was 0.4 percentage points higher than in the previous year. 14.8 %).

Based on the German Law to Implement the Equal Participation of Women and Men in Leadership Positions, the Executive Board has set a target of 25 % for women in first-level management positions directly beneath the Executive Board (status as of 31 December 2015: 15 %). A target of 30 % was set for second-level management positions (status as of 31 December 2015: 21 %). The date set for achieving these quotas is 30 June 2017. ▶ see also Corporate Governance Report and the Corporate Management Declaration, page 51

As in the previous year, the average age of headcount in Germany was 43 (men: 44, women: 40). The average length of service with the company in Germany is approximately 15 years.

Age Structure of Employment as of 31 December 2015

	Ø Employment period	Females in %	Total in %
< 30 years	6.0 years	26.5	13.5
30 – 50 years	10.9 years	15.5	54.0
> 50 years	25.2 years	9.7	32.5
HHLA Group	14.9 years	15.2	100.0

Women accounted for 18.1 % of the 149 new employees who had not previously worked for HHLA in Germany, for example via general port operations. 40.3 % of new hires were under the age of 30, over half of the new employees were between 30 and 50 years old, and 7.4 % were over the age of 50. Since 2013, HHLA has been employing a self-developed selection process (assessment centre), which not only considers the applicant's personal and professional suitability, but also diversity aspects. These processes have been used for all blue-collar roles since the end of 2013 and at all container terminals in Hamburg as of 2014. Members of the company's staff selection panels receive special training. In addition, the selection panel must include at least one woman for all selection processes in which the pool of applicants includes women.

Recruitments

2015	Females in %	Females	Total
< 30 years	28.3	17	60
30 – 50 years	10.3	8	78
> 50 years	18.2	2	11
HHLA Group	18.1	27	149

The fluctuation rate (excluding internal transfers within the Group) in Germany rose to 4.7 % (previous year: 4.3 %). The majority of people leaving the company left due to retirement.

Strategic HR Management

HR Strategy

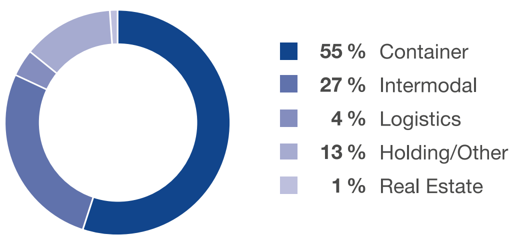
People and the organisation are at the heart of our personnel work. Highly competent and hard-working managers and employees form the foundation of our success. Long-term qualitative and quantitative personnel planning and development strategies for the entire company have been established in Hamburg. The ongoing development of specialist, management and project careers, and permeability between different career paths are the central aims of our personnel strategy. The numerous options to create a work-life balance according to the employee's current circumstances and the ongoing development of working-time systems form the cornerstone for long employee service at HHLA. The main aim of HR management is to meet the changing expectations of current and future HHLA employees by striking the right balance between offers and measures and the organisational needs of the business.

Organisation and Control

HR management is established as a central division at Executive Board level. This organisational structure ensures that strategic HR guidelines are implemented throughout the Group. All measures relating to personnel and organisational development at container throughput and joint operations companies in Hamburg have been managed centrally by HHLA since 2015. This ensures uniform implementation of the HR strategy as well as a high level of quality for all development measures.

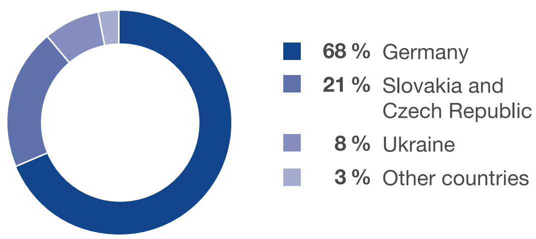
Employees by Segment

as of 31.12.2015



Employees by Region

as of 31.12.2015



The specialist department provides tailored programmes for staff on all career paths and at all levels of the hierarchy within the German companies. The performance of both professionals and managers is systematically enhanced and developed and continuously overseen by the HR Management team. The same applies to all organisational development measures.

Diversity Management

Diversity management has been an integral part of strategic HR management for many years now. HHLA believes that a balanced mix of cultures, genders and age groups forms the foundation for commercial success. The company strives to achieve such diversity in all of its companies. This applies in particular to temporary cross-company working and project groups.

Training and Professional Development

HHLA invested a total of € 5.4 million in educating and training staff from its locations in Hamburg in 2015 (previous year: € 5.4 million).

Vocational Training and Studying

As of 31 December 2015, a total of 116 apprentices (previous year: 138) were receiving training in Germany in nine different professions and five dual study courses. 48 apprentices (of which six were on dual study courses) completed their training in the course of the year and were given permanent contracts. Halfway through the year, HHLA took on 29 new apprentices. As of the reporting date, the company supported 24 young people on dual study courses.

Cooperation agreements with technical colleges and specialised grammar schools were further intensified to maintain a steady flow of suitable candidates for professions with a focus on mathematics, IT, science and technology. Internships were offered to students studying technical professions in particular. The careers in which the company offers apprenticeships are presented at training fairs and schools by the respective departments with the aid of current apprentices. In 2015, the company participated in ten fairs in the greater Hamburg area.

42 % of students were female in 2015. And 75 % of places offered for dual study courses were awarded to women in 2015. At the start of the 2015 academic year, 40 % of clerical apprentices were women.

Training and Qualification

A total of 800 events lasting one or more days were held in the reporting period, with over 3,300 participant days. 40 % of those attending internal seminars were women (previous year: 35 %). A large proportion of the seminars were organised internally and designed to develop the professional, methodical and social skills of specialists and managers.

All internal seminars are open to staff from various departments and companies. These seminars foster an understanding of the diverse tasks, roles and functions in the Group's various business fields.

In addition, the company's own trainers in Hamburg provided 3,383 training days for commercial qualifications.

The Certified Ship Planner qualification was again offered at all terminals in 2015. Employees who successfully complete this qualification can take on important planning functions at the container terminals. They form the foundation for efficient handling processes. Becoming a Ship Planner is one of the main career options at HHLA's container terminals.

Basic Education Project

The MENTO project, launched in 2014 in cooperation with the Network for Basic Education and Literacy, was continued in the period under review. All staff acting as peer mentors have been trained as learning advisers for basic education. The learning advisers provide peer-to-peer support for people with basic educational needs in reading and writing despite having attended school. The advisers can help people find suitable teaching and training which will enable them to meet the increasing technical demands of the working world.

Contracts, Remuneration and Additional Benefits

Collective Labour Agreements

Collective labour agreements govern pay and working conditions for approximately 88 % of employees in Germany (previous year: approximately 89 %).

In April 2015, the parties to the labour agreement – the Association of German Seaport Operators (Zentralverband der deutschen Seehafenbetriebe e.V. or ZDS) and the trade union ver.di – agreed wage table increases of 3.0 % from 1 June 2015 with a twelve-month term for port workers at companies which operate at German seaports. Similar deals have been reached for further wage agreements of the HHLA Group.

Appraisal and Remuneration Systems

The appraisal systems at the German companies contain both bottom-up and top-down components. Some of them are laid out in collective labour agreements, comprise variable remuneration components and are linked with training requirements for the company and staff.

ROCE – the return on capital employed – is also a significant parameter for determining variable remuneration components for executives and employees not covered by collective labour agreements. Performance-related remuneration components at executive level are calculated over a period of several years. This further enhances the focus on sustainable, long-term targets.

Flexible Working Models

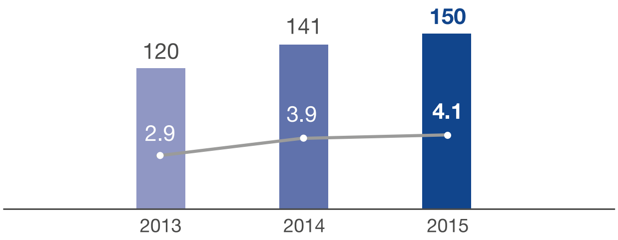
A growing number of people across all employee groups and hierarchy levels in Germany are taking up the option of working part-time to tailor their working hours to different life stages. Offering part-time work is therefore an important way of retaining staff at the company. Allowing staff to adapt their working hours helps them to reconcile their professional and family commitments, look after close relatives or do charity work. In 2015, 150 employees were in part-time employment positions (previous year: 141). 26 % of part-time positions are held by men. At the end of 2015, the ratio of part-time workers at HHLA in Germany increased to 4.1 % (previous year: 3.9 %). At the holding company, where most roles are clerical, the ratio of part-time workers was approximately 14 % (excluding apprentices), as in the previous year.

Working Lifetime Accounts

As well as various company pension schemes, HHLA offers its employees working lifetime accounts. A pensions portal was also set up in 2014. This is an online-based portal containing information about the company pension schemes available at HHLA and a simulation calculator for the working lifetime account that can be accessed by almost all employees. This gives them details of their current pension status. At the end of the period under review, 1,121 employees had a working lifetime account (previous year: 1,037). This represents participation of 31 % (previous year: 30 %) in Germany.

Developments in HHLA's Part-time Employees

in Germany as of 31.12. / part-time share in %



Occupational Safety and Health Promotion

Numerous preventive measures and guidelines are in place to ensure that staff from both HHLA and external companies, customers, suppliers and visitors do not come to bodily harm, which is a key concern for HHLA. The company strives to continually improve health and safety in the workplace and considers this an important task for its managers. These measures are geared towards specific needs at the sites. The issues of all employees in Hamburg are represented by occupational safety committees. Key measures are evaluated at the statutory meetings of these occupational safety committees, which are held four times a year.

The occupational safety management team actively helps to develop initiatives and delivers information internally by means of in-house tuition, training and practical exercises focusing on emergency precautions, such as preventing fires and water pollution, advisory services as well as prevention and risk management programmes. The occupational safety authorities regularly check and assess the performance of HHLA's management system for occupational safety. These audits certified that occupational safety was exemplary at all sites. This is the best possible rating.

HHLA also uses modern technologies to achieve constant improvements. For example, HHLA uses an occupational safety management system to monitor the fulfilment of its goals. Since 2014, accidents at all HHLA companies in Hamburg which are not linked directly to container handling (e.g. in workshops) have also been taken into account and recorded using a standardised reporting system. The reasons for changes or fluctuations are carefully analysed and – where necessary – structured measures are initiated. In 2015, there were 111 notifiable accidents (excluding accidents when commuting) at the companies in Hamburg in which HHLA owns a stake of over 50 %. This represents a decline of 13.3 % (previous year: 128).

HHLA's health programme includes company doctors, help with addictions and social problems, an integration management programme for employees following a lengthy period of illness, representatives for the severely disabled and staff sporting activities. Preventive healthcare is also promoted via targeted measures, campaigns and schemes. HHLA also encourages staff to take part in a varied range of sporting activities, which are very well received.

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.

Forecast and Actual Figures

	31.12.2014	Forecast 27.03.2015	Forecast 06.07.2015	Forecast 05.10.2015	Actual 31.12.2015
Container throughput	7.5 million TEU	Slight increase	Moderate decrease	Strong decrease	6.6 million TEU
Container transport	1.3 million TEU	Moderate increase	Moderate increase	Moderate increase	1.3 million TEU
Revenue	€ 1,199.6 million	Slight increase	Slight decrease	Moderate decrease	€ 1,141.8 million
EBIT	€ 169.3 million	At previous year's level	At previous year's level	In the region of € 150 million	€ 156.5 million
Capital expenditure	€ 138.4 million	In the region of € 170 million	In the region of € 170 million	In the region of € 150 million	€ 145.5 million

Notes on the Reporting

Due to the high level of flexibility required in the sector, handling and transport services are not generally ordered or arranged months in advance. Consequently, an order backlog and order trends do not serve as reporting indicators as they do in other industries.

Changes to the consolidated group in the 2015 financial year resulted mainly from the addition of one company. This did not have a material effect on the HHLA Group's revenue and earnings.

In the reporting year, negative exchange rate effects arose from the devaluation of the Ukrainian currency, which had a significant impact on the Group's financial position and performance.

The 2015 Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union, taking into consideration the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Group Management Report was prepared in line with the requirements of German Accounting Standard no. 20 (GAS 20).

Earnings Position

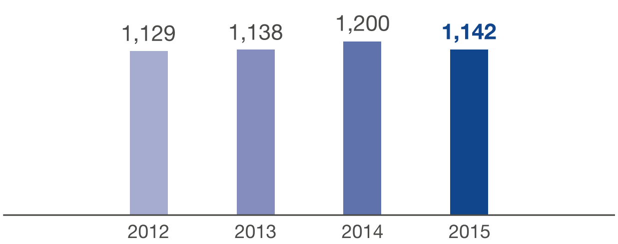
There was a different development in HHLA's **performance data** in 2015. At 6,561 thousand TEU, container throughput fell strongly year-on-year by 12.3 % (previous year: 7,480 thousand TEU). The cooling of the Chinese economy negatively impacted Far East trades while the recession in Russia led to a steep decline in feeder volumes. By contrast, transport volumes increased slightly by 2.7 % to 1,318 thousand TEU (previous year: 1,283 thousand TEU). This growth is attributable to further market share gains made by the rail subsidiaries.

Against this background, **revenue** of the HHLA Group decreased by 4.8 % to € 1,141.8 million (previous year: € 1,199.6 million) in the reporting period. This was primarily due to a volume-related decline in handling revenue at the Hamburg terminals and temporarily higher storage fees in the previous year. The listed Port Logistics subgroup largely developed in line with the HHLA Group as a whole. Its Container, Intermodal and Logistics segments recorded an overall decline in revenue of 5.1 % to € 1,111.0 million (previous year: € 1,171.2 million). By contrast, the non-listed Real Estate subgroup was able to raise revenue by 9.0 % to € 36.5 million (previous year: € 33.5 million). The Real Estate subgroup thus accounted for 2.7 % of Group revenue.

While **changes in inventories** had nearly no impact on earnings last year, expenses of € 1.4 million were incurred in the reporting period which were primarily attributable to consul-

Revenue

in € million



tancy activities. The increase in **own work capitalised** to € 9.3 million (previous year: € 7.9 million) also resulted mainly from this area.

A rise in **other operating income** to € 41.2 million (previous year: € 33.6 million) was due in part to the sale of rolling stock in the Intermodal segment in the fourth quarter of 2015, as well as to the partial reversal of a provision for legal risks through profit and loss and the disposal of a landplot.

The 3.5 % decrease in **operating expenses** to € 1,034.4 million (previous year: € 1,071.7 million) was slightly below the decrease in revenue. There were divergent trends across the different expenditure types.

The **cost of materials** declined by 8.8 % year-on-year to € 361.7 million (previous year: € 396.7 million). The cost of materials ratio decreased to 31.7 % (previous year: 33.1 %). This decrease is mainly related to cost structure changes resulting from the increased use of the company's own traction, which more than offset the opposing effect of growth in the material-intensive Intermodal segment.

Personnel expenses remained on a par with the previous year at € 401.6 million (previous year: € 401.7 million). The personnel expense ratio climbed by 1.7 percentage points to 35.2 % (previous year: 33.5 %). The increase in headcount in the Intermodal segment following the expansion of its own traction, as well as to higher union wage rates. Moreover, the falling utilisation rate of facilities in the Container segment could not be entirely compensated by a reduction in the use of external staff.

Other operating expenses amounted to € 146.3 million in the reporting period and were thus reduced by 1.5 % year-on-year (previous year: € 148.5 million). This decrease is largely due to a provision for legal risks formed in the previous year. Despite this however, the ratio of expenses to revenue increased to 12.8 % (previous year: 12.4 %). This is partially related to the increase in rental and leasing expenses in the Intermodal segment caused by the expansion of its own traction.

At € 124.9 million, **depreciation and amortisation** was unchanged from the previous year (€ 124.9 million) as HHLA continued to focus on ship size-related investments at its container terminals, as well as the expansion of the hinterland network and its own traction.

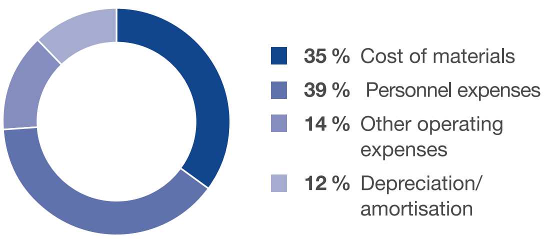
Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** decreased by 4.3 % to € 281.4 million (previous year: € 294.2 million) and thus more slowly than revenue. There was a corresponding slight increase in the EBITDA margin to 24.6 % (previous year: 24.5 %).

The **operating result (EBIT)** fell by 7.5 % to € 156.5 million in the reporting period (previous year: € 169.3 million) and the EBIT margin decreased by 0.4 percentage points from 14.1 % in 2014 to 13.7 %. The significant increase in earnings in the Intermodal segment was largely able to compensate for the severe decline in earnings in the Container segment. This decrease in the operating result was once again attributable to the Port Logistics subgroup, where EBIT declined by 9.3 % to € 141.1 million (previous year: € 155.6 million) and thus accounted for 90.1 % (previous year: 91.9 %) of the Group's operating result in the reporting period. In the Real Estate subgroup, EBIT climbed 13.2 % to € 15.2 million (previous year: € 13.4 million). 9.9 % of the Group's operating result was generated by this subgroup (previous year: 8.1 %).

Net expenses from the **financial result** fell by € 10.5 million, or 26.8 %, to € 28.7 million (previous year: € 39.2 million). The interest expense contained in pension provisions declined by € 5.0 million. The revaluation of an equalisation liability payable to a minority shareholder in conjunction with a profit and loss transfer agreement led to a reduction in net expenses from the financial result of € 0.8 million (previous year: € 2.6 million increase). Negative exchange rate effects, due almost exclusively to the devaluation of the Ukrainian currency, reduced the financial result by € 8.0 million, compared to a negative impact on the result of € 10.8 million in the previous year. Earnings from companies accounted for using the equity method, which declined by 29.1 % to € 3.7 million in the reporting period, had an opposing effect (previous year: € 5.3 million).

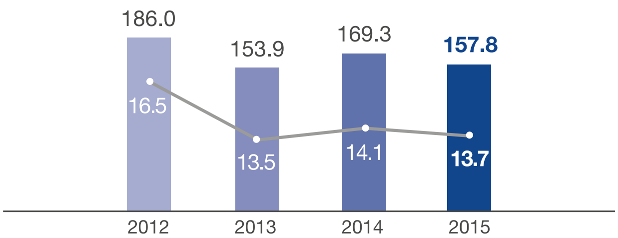
Operating Expenses

Expense structure 2015



Operating Result (EBIT)

in € million / EBIT margin in %



The Group's **effective tax rate** fell to 25.0 % in 2015 (previous year: 30.4 %). This was caused by the absence of a one-off gain that drove up the previous year's tax rate and by the fact that a higher proportion of profits was generated by foreign subsidiaries.

Profit after tax and minority interests increased by 13.2 % to € 66.7 million (previous year: € 58.9 million). Non-controlling interests accounted for € 29.2 million in the 2015 financial year (previous year: € 31.6 million). From a financial point of view, this item also includes the effects mentioned in relation to the financial result associated with the settlement obligation to a minority shareholder. **Earnings per share** increased correspondingly by 13.2 % to € 0.92 (previous year: € 0.81). The listed Port Logistics subgroup achieved a 12.8 % increase in earnings per share to € 0.84 (previous year: € 0.75). Earnings per share for the non-listed Real Estate subgroup were up year-on-year at € 2.86 (previous year: € 2.46). As in the previous year, there was no difference between basic and diluted earnings per share in 2015.

As in the previous year, HHLA's **appropriation of profits** is oriented towards the development of earnings in the HHLA Group in the financial year ended. The distributable profit and HHLA's stable financial position form the foundation of the company's consistent profit distribution policy.

On this basis, the Executive Board and Supervisory Board will propose at the Annual General Meeting on 16 June 2016 a dividend distribution of € 0.59 per Class A share and € 1.75 per Class S share. Based on the number of shares with dividend entitlement as at 31 December 2015, the sum distributed for listed Class A shares would increase on the previous year by 13.5 % to € 41.3 million, while the amount for non-listed Class S shares would rise by 16.7 % to € 4.7 million. In relation to the consolidated profit and the earnings per share, the dividend payout ratio would once again reach a comparably high figure of approximately 70 % for the Port Logistics subgroup and around 61 % for the Real Estate subgroup.

Financial Position

Balance Sheet Analysis

Compared with the previous year, the HHLA Group's **balance sheet total** decreased as of 31 December 2015 by a total of € 37.7 million to € 1,750.4 million.

Balance Sheet Structure

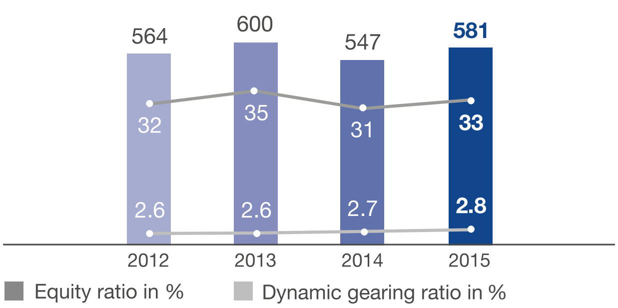
in € million	31.12.2015	31.12.2014
Assets		
Non-current assets	1,305.8	1,308.1
Current assets	444.6	480.0
	1,750.4	1,788.1
Equity and liabilities		
Equity	580.6	546.7
Non-current liabilities	979.2	918.9
Current liabilities	190.6	322.5
	1,750.4	1,788.1

On the assets side of the balance sheet, **non-current assets** fell by € 2.3 million. Capital expenditure led to an increase in property, plant and equipment of € 9.0 million to € 947.1 million (previous year: € 938.0 million), while there were declines in the stock of intangible assets (€ - 4.0 million) and investment property (€ - 8.6 million) due to depreciation and amortisation.

Current assets fell by € 35.4 million to € 444.6 million (previous year: € 480.0 million). This decrease was mainly due to a reduction in cash and cash equivalents of € 57.7 million to € 194.6 million. By contrast, receivables from related parties grew by € 22.3 million to € 58.5 million due to inclusion in the HGV cash clearing system.

Developments in Group Equity

in € million



On the liabilities side, **equity** rose by € 33.9 million to € 580.6 million (previous year: € 546.7 million) compared to year-end 2014. This increase stemmed largely from consolidated net income for the reporting period of € 95.8 million. The change in actuarial gains and losses due to interest rate differentials, netted with deferred taxes, increased equity by

€ 17.3 million. Foreign currency effects recognised directly in equity had a negative impact of € 11.5 million. Dividends distributed, including the reclassification of a future financial settlement as a non-current financial liability, reduced equity by € 68.1 million. The equity ratio increased to 33.2 % (previous year: 30.6 %).

Non-current liabilities rose by € 60.3 million to € 979.2 million (previous year: € 918.9 million). This increase is due to the placement of promissory loans in the third quarter amounting to € 75.0 million. The funds were borrowed to take advantage of the current low interest rates and to minimise long-term interest rate risks in the Real Estate segment. The reduction in pension provisions of € 28.0 million due mainly to interest rate differentials had an opposing effect.

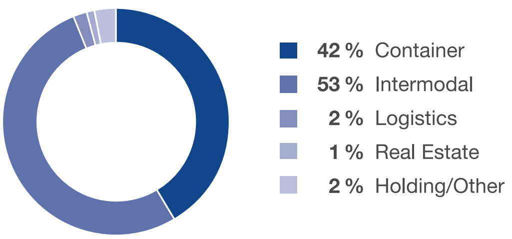
The decrease in **current liabilities** of € 131.9 million to € 190.6 million (previous year: € 322.5 million) resulted mainly from the repayment of a current liability due to related parties of € 65.0 million in the third quarter of 2015 following placement of the promissory note loans mentioned above. Due to the repayment of a loan amounting to € 25.0 million and the decrease of € 8.7 million to € 21.6 million for a settlement obligation to a minority shareholder (previous year:€ 30.3 million), current financial liabilities fell by € 31.4 million to € 92.0 million. Trade liabilities were also down € 31.4 million to € 52.0 million.

Investment Analysis

Capital expenditure in the past financial year totalled € 145.5 million (previous year: € 138.4 million). This figure includes additions of € 3.8 million from finance leases not recognised as a direct cash expense (previous year: € 3.9 million). In 2015, capital expenditure focused on extending the Hamburg container terminals and expanding intermodal transport and handling capacities. Investment projects were largely funded by the operating cash flow generated in the financial year.

Investments

by segment in 2015



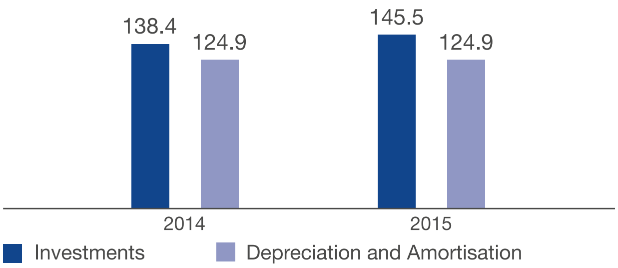
Without inter-company transactions

Property, plant and equipment accounted for € 135.9 million (previous year: € 106.3 million) of capital expenditure, while intangible assets accounted for € 8.8 million (previous year: € 8.3 million) and investment property for € 0.8 million (previous year: € 23.8 million).

Investments amounting to € 61.0 million were made in the **Container segment** (previous year: € 58.4 million). Capital expenditure in this segment was dominated by the procurement of handling equipment, as well as storage capacities and throughput areas at the Hamburg container terminals. The largest amount of investment was accounted for in the **Intermodal segment** at € 77.1 million (previous year: € 52.3 million). Investments were primarily made by the Metrans Group, and mainly in locomotives and the construction of an additional terminal. Adjusted for additions to assets from Group transactions, total investments in the **Logistics segment** amounted to € 2.8 million (previous year: € 2.5 million).

Investments, Depreciation and Amortisation

in € million



Investments in the Container segment focus on enhancing the productivity of existing terminal areas by using state-of-the-art handling technology and developing berth places for the trend in ship sizes. Meanwhile, in the Intermodal segment, the primary objective is to increase vertical integration to further improve the performance and range of its hinterland connections.

As of year-end, there were other financial liabilities for outstanding purchase commitments totalling € 134.4 million (previous year: € 72.7 million). This figure includes € 88.0 million (previous year: € 52.4 million) for the capitalisation of property, plant and equipment.

Liquidity Analysis

Cash flow from operating activities fell year on year from € 233.4 million to € 195.3 million. This decrease of € 38.1 million is primarily due to the year-on-year decline in EBIT of € 12.7 million and a change in trade liabilities and other liabilities of € 21.1 million compared to the 2014 financial year.

Cash flow from investing activities (outflow) of € 130.2 million was above the prior-year figure of € 114.5 million. This increase of € 15.7 million was mainly due to the rise in capital expenditure and investment property. Proceeds from short-term deposits of € 17.0 million (previous year: payments of € 20.0 million) and an increase in payments from the disposal of intangible assets, property,plant and equipment, and investment property totalling € 13.8 million (previous year: € 3.0 million) had an opposing effect.

Liquidity Analysis

in € million	2015	2014
Financial funds as of 01.01.	185.6	151.1
Cash flow from operating activities	195.3	233.4
Cash flow from investing activities	- 130.2	- 114.5
Free cash flow	65.1	118.8
Cash flow from financing activities	- 82.7	- 79.0
Change in financial funds	- 17.6	39.8
Change in financial funds due to exchange rates	- 2.6	- 5.3
Financial funds as of 31.12.	165.4	185.6

Free cash flow – the total cash flow from operating and investing activities – decreased to € 65.1 million (previous year: € 118.8 million).

Cash flow from financing activities (outflow) amounted to € 82.7 million (previous year: € 79.0 million) in the reporting period, and thus increased by € 3.7 million. Due to higher dividend payments, cash outflows increased year-on-year by € 5.6 million. The repayment of loans, including to a related party, and the placement of promissory note loans with an opposing effect resulted in a net cash outflow which was € 1.1 million lower than in the 2014 financial year.

The HHLA Group had sufficient liquidity as of year-end 2015. There were no liquidity bottlenecks in the course of the financial year. **Financial funds** totalled € 165.4 million as of 31 December 2015 (31 December 2014: € 185.6 million). Including all short-term deposits, the Group's available liquidity came to a total of € 238.5 million (previous year: € 275.6 million).

Financing Analysis

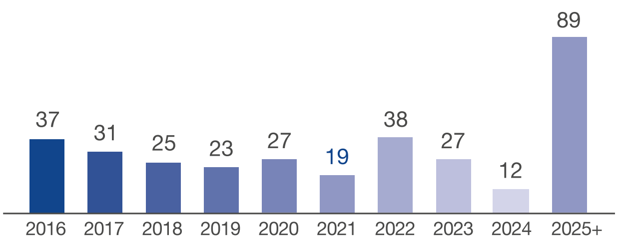
Financial management at the HHLA Group is managed centrally and serves the overriding objective of ensuring the Group's long-term financial stability and flexibility. Group clearing pools the Group's financial resources, optimises net interest income and substantially reduces dependency on external sources of funding. Derivative financial instruments can be used to reduce the risk of changes in interest rates and, to a minor extent, to reduce currency and commodity price risks.

HHLA's business model is dominated by a large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium and long-term loans and finance leases to achieve funding with matching maturities. Pension provisions are also available for long-term internal financing.

At € 329.6 million, as of the balance sheet date amounts due to banks were higher than in the previous year (€ 284.1 million). The Group drew on additional external financing totalling € 121.3 million (previous year: € 24.7 million) in the 2015 financial year. New borrowing was offset by loan repayments amounting to € 61.5 million. A promissory note loan was used to replace a shareholder loan. This was the main reason for the increase in liabilities from bank loans. Due to the maturities agreed and its stable liquidity position, the company had no other significant funding requirements.

Maturities of Bank Loans

by year and in € million



The majority of the liabilities from loans are denominated in euros, with a small proportion in US dollars. In terms of conditions, approximately 73 % have fixed interest rates and some 27 % have floating interest rates. As a result of borrowing, certain Group companies had covenants linked to key balance sheet figures, which mostly require a minimum equity ratio to be met. Covenants are currently in place for around 21 % of bank loans. The covenants were met at all agreed audit points throughout the reporting year. As of the balance sheet date, HHLA posted non-current liabilities to related parties totalling € 106.3 million (previous year: € 106.6 million). These resulted from the recognition of the leasing liability to the Hamburg Port Authority (HPA) in connection with quay walls for the mega-ship berths at the HHLA Container Terminal Burchardkai (CTB) and the HHLA Container Terminal Tollerort (CTT). In the previous year, liabilities to related parties included a shareholder loan of € 65 million in the Real Estate subgroup, which has now been repaid.

With the exception of operating leases, there are no significant off-balance sheet financial instruments. These operating leases relate primarily to long-term agreements between the HHLA Group and either the Free and Hanseatic City of Hamburg or the HPA for leasing land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

Cash, cash equivalents and short-term deposits, the bulk of which is held centrally by the holding company, totalled € 194.6 million (previous year: € 252.2 million). These funds are mainly invested at German financial institutions with verified high credit ratings as demand deposits, call money and short-term deposits. Current credit lines play a subordinate role due to HHLA having sufficient liquid funds. As of the balance sheet date, the Group had unused credit facilities amounting to some € 1.2 million (previous year: € 3.6 million). The credit line utilisation rate was 83.9 % in the period under review (previous year: 59.5 %). In HHLA's view, the Group's solid balance sheet structure would enable more substantial credit facilities to be arranged at any time if its medium-term liquidity planning were to reveal a need. Of the total cash and cash equivalents, € 10.7 million (previous year: € 9.4 million) was subject to restrictions in Ukraine relating to the transfer of currency abroad as of the reporting date.

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

Public subsidies awarded for individual development projects which are subject to specific conditions are of minor importance in terms of their volume at Group level.

Acquisitions and Disposals of Companies

In the first quarter of 2015, METRANS (Danubia) Kft., Gyor, Hungary, which is not included in HHLA's group of consolidated companies, acquired 100 % of the shares in both Univer Trans Kft, Budapest, Hungary, and Loacker Konténer Kft., Budapest, Hungary.

The real estate company Loacker Konténer Kft. was renamed METRANS Konténer Kft. in the second quarter of 2015. METRANS (Danubia) Kft. subsequently sold all of the shares in METRANS Konténer Kft. and all of the shares in Univer Trans Kft. to METRANS (Danubia) a.s., Dunajská Streda, Slovakia, which is part of HHLA's consolidated group.

There were no other substantial acquisitions or disposals of shares in subsidiaries.

Segment Performance

Container Segment

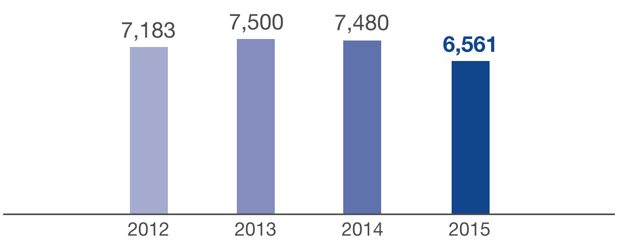
Key Figures

in € million	2015	2014	Change
Revenue	675.2	743.7	- 9.2 %
EBITDA	195.8	247.1	- 20.8 %
EBITDA margin in %	29.0	33.2	- 4.2 pp
EBIT	110.6	156.1	- 29.1 %
EBIT margin in %	16.4	21.0	- 4.6 pp
Container throughput in thousand TEU	6,561	7,480	- 12.3 %

Following the positive trend of the previous years, HHLA's container terminals recorded their first significant decline in throughput since 2009 in the reporting period. HHLA's container terminals handled a total of 6,561 thousand TEU on the quayside in 2015, which represents a 12.3 % decline in the number of standard containers (TEU) handled compared to the previous year (7,480 thousand TEU). While container throughput fell 12.6 % to 6,305 thousand TEU at the three container terminals in Hamburg (previous year: 7,217 thousand TEU), throughput at the Container Terminal Odessa was down by just 2.9 % year-on-year at 256 thousand TEU (previous year: 263 thousand TEU).

Development in Container Throughput

in thousand TEU



The changes in volume experienced at the Hamburg terminals were primarily due to dwindling feeder traffic with the Baltic Sea ports, which were down approximately 24 % below the prior-year figure in 2015. In addition to the re-routing of feeder volumes by individual shipping companies, this was primarily due to the trend in traffic with Russia, which fell almost 36 % year-on-year. This drop was, in turn, caused by the consequences of the trade sanctions imposed during the Ukraine crisis which still remain in place, the collapse in oil prices and the strong devaluation of the rouble. As a consequence, the proportion of seaborne handling accounted for by feeders fell to 22.9 % in the 2015 financial year (previous year: 25.6 %). Asian routes (Far East–northern Europe) also declined significantly compared to the previous year. Container transport volumes to and from the Far East decreased by approximately 18 % in 2015. The main cause was the significant weakening of

Chinese foreign trade. Exports from China to Europe in particular suffered a steep decline, due to the appreciation of the Chinese renminbi against the euro as well as structural changes in the Chinese economy. Further container terminals were put into operation in Rotterdam (Maasvlakte 2) over the course of 2015, which strongly increased capacity in the North Range as well as the competition between the ports.

The negative market trend in Ukraine led to falling container throughput volumes at the Container Terminal Odessa. The decline was softened to a large extent by market share gains and the terminal's efficiency.

The strong decline in volumes and year-on-year decrease in storage fees – due to shorter container dwell times – contributed to a fall in revenue of 9.2 % to € 675.2 million (previous year: € 743.7 million). The decreased proportion of low-margin feeder traffic, however, resulted in higher average revenue per container handled at the quayside. Consequently, average revenue rose by 3.5 % compared to the previous year.

The segment's EBIT costs could not be reduced in proportion to lower seaborne throughput. They declined by just 3.9 %, which is directly related to the high fixed costs associated with container operations. This was mainly due to personnel expenses. These costs were reduced to some extent by using less external staff in the second half of 2015. However, the temporary underutilisation of facilities means it is becoming increasingly difficult to adequately adapt manpower while at the same time being able to handle the peak loads caused by an increasing number of container mega-ships. Increases in union wage rates also had a negative impact. Maintenance costs were also up considerably on the previous year. Due to high capacity utilisation at the facilities last year, some of the necessary maintenance work had to be postponed to 2015. All in all, these factors led to a 29.1 % decrease in the operating result (EBIT) to € 110.6 million (previous year: € 156.1 million). There was a corresponding fall in the EBIT margin to 16.4 % (previous year: 21.0 %).

Despite the overall decline in container throughput in 2015, the company continues to drive the preparation of its facilities for the arrival of ever more container mega-ships. At the Container Terminal Burchardkai (CTB) an order for four additional blocks to increase block storage has been placed, in addition to the order for three more container gantry cranes. As of 2017, these container gantry cranes and storage blocks will lead to further increases in the capacity and quality required for the peak loads of mega-ship handling. An order placed for two container gantry cranes at the Container Terminal Tollerort (CTT) will also enable this terminal to handle the latest generation of ships in future.

Intermodal Segment

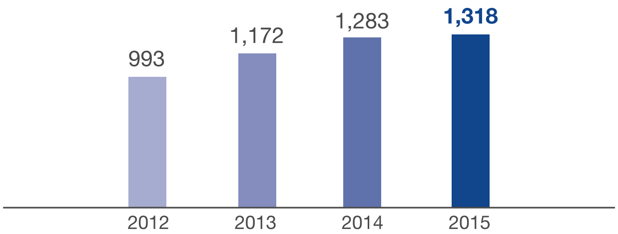
Key Figures

in € million	2015	2014	Change
Revenue	364.0	351.5	3.6 %
EBITDA	78.8	47.8	64.8 %
EBITDA margin in %	21.7	13.6	8.1 pp
EBIT	55.2	27.3	101.9 %
EBIT margin in %	15.2	7.8	7.4 pp
Container transport in thousand TEU	1,318	1,283	2.7 %

HHLA's transport companies achieved slight growth in the highly competitive market for container traffic in the hinterland of major seaports. In a declining overall market, transport volumes climbed by 2.7 % to 1,318 thousand standard containers (TEU) compared with 1,283 thousand TEU in the previous year.

Developments in Container Transport

in thousand TEU



The trend in 2015 was driven by an expansion in railway transportation. Building on the previous year's good figures, there was a further increase of 5.3 % to 1,008 thousand TEU (previous year: 958 thousand TEU). The connections between the Adriatic ports and Central and Eastern Europe achieved above-average growth. Transport volumes from the Polish seaports were also increased significantly. Road transport, however, declined by 4.7 % to 310 thousand TEU (previous year: 325 thousand TEU) due to lower container volumes in the greater Hamburg area.

With growth of 3.6 % to € 364.0 million (previous year: € 351.5 million), revenue outperformed transport volumes. The main reasons for this were changes to the route mix and an increase in the average transportation distance.

Compared to the previous year, the operating result (EBIT) doubled to € 55.2 million (previous year: € 27.3 million) and significantly outperformed volume and revenue growth. The expansion of the company's own traction since the beginning of 2015 with the acquisition of additional locomotives had a positive effect on productivity rates and led to improved cost structures. Better utilisation of trains and a more beneficial mix of import and export volumes compared to last year also had a positive effect on segment earnings. This encouraging development in segment earnings was also helped by improvements in the cost structure and the implementation of restructuring measures by the Polzug Group, although the company continues to operate in a very challenging competitive environment. In addition, there were one-off effects of approximately € 4.3 million from the disposal of assets and other items.

HHLA continues to invest as needed in the expansion of its intermodal network. On delivery of its order for a further ten multi-system locomotives and two hybrid shunting engines, HHLA's subsidiary Metrans will have more than 50 shunting engines and locomotives as well as a fleet of around 2,000 carriages. In 2015, Metrans also acquired land in the Hungarian capital of Budapest and laid the foundation for a new rail hub terminal. Its location makes it the perfect interface between the North European seaports and South-East Europe. The terminal is expected to begin operations in 2017. Upon completion, the network of the two HHLA subsidiaries Metrans and Polzug will consist of 13 terminals in the hinterland, of which five will operate as large hub terminals.

Logistics Segment

Key Figures

in € million	2015	2014	Change
Revenue	65.1	65.4	- 0.4 %
EBITDA	4.6	0.5	pos.
EBITDA margin in %	7.0	0.8	6.2 pp
EBIT	- 0.8	- 0.7	- 26.1 %
EBIT margin in %	- 1.3	- 1.0	- 0.3 pp
At-equity earnings	3.0	4.3	- 30.2 %

The key financial figures for the Logistics segment include the vehicle logistics, project and contract logistics, consultancy activities and cruise logistics business divisions. The results from bulk cargo and fruit logistics have been included in earnings from associates, accounted for using the equity method, since 2014 and 2012 respectively. The performance of the various divisions within the segment varied widely once again in the 2015 financial year.

At € 65.1 million segment revenue in the 2015 financial year was on a par with the previous year. EBIT of € - 0.8 million was also nearly unchanged from the previous year despite including extraordinary write-downs in the field of project and contract logistics. The assumption of fixed assets by vehicle logistics from the Holding/Other division had an opposing effect. This intragroup transaction changed the cost structure within the vehicle logistics division with a correspondingly positive impact on segment EBIT. The inter-company profit resulting from the transaction was eliminated on consolidation at the level of the Port Logistics subgroup.

In the reporting period, earnings from associates were down on the previous year due in particular to a change in disclosed taxes. On the whole, however, revenue and the operating result of companies included in this subgroup rose in 2015 compared with the previous year.

The individual business divisions developed as follows:
after a modest first half of the year, higher container throughput saw volumes in the **vehicle logistics** division recover in the second half of 2015. At 1,523 thousand tonnes, handling (including packing) exceeded the prior-year level by 1.4 % (previous year: 1,502 thousand tonnes). However, the number of vehicles handled was 10.7 % down on the previous year at 170 thousand (previous year: 190 thousand). Revenue also fell short of the corresponding prior-year figure. Although EBIT rose year-on-year, comparability is limited by the effect described above.

The **consultancy activities** division completed a number of projects during the year. As a result, revenue and EBIT in 2015 were both up on the previous year.

The market environment for **project and contract logistics** remained very challenging in the reporting period. While revenue was up year-on-year in the first six months, it fell strongly in the second half of the year and fell just short of the prior-year figure for the year as a whole. There was a further deterioration in earnings, due in part to the extraordinary write-downs mentioned above.

In the **cruise logistics** division, the number of ship calls declined by 25.0 % year-on-year to 138 ships in 2015 (previous year: 184). Due to a delay in the delivery of a large ship, there was also a corresponding year-on-year decline in passenger numbers of 23.1 % to 456 thousand (previous year: 593 thousand passengers). Revenue and earnings were also down on the previous year.

Seaborne handling volumes in **bulk cargo logistics** surpassed the prior-year figure by 2.5 % at 14.7 million tonnes (previous year: 14.3 million tonnes), whereby an increase in coal handling more than offset a slight decline in ore handling. Revenue and the operating result also improved compared to the prior-year period.

Volumes in **fruit logistics** rose slightly to 550 thousand tonnes in 2015 (previous year: 545 thousand tonnes). Revenue and earnings exceeded the prior-year figures significantly.

Real Estate Segment

Key Figures

in Mio. €	2015	2014	Change
Revenue	36.5	33.5	9.0 %
EBITDA	20.2	17.9	12.7 %
EBITDA margin in %	55.4	53.6	1.8 pp
EBIT	15.2	13.4	13.2 %
EBIT margin in %	41.5	40.0	1.5 pp

Hamburg's office rental market stabilised considerably over the course of the year. According to the market overview by Grossmann & Berger, 540,000 m^2 of space was let in 2015 – a slight increase of almost 3 % over the prior-year figure. Even taking into account the relatively high proportion of owner-occupied properties, the total amount of space let exceeded that of 2014.

According to Jones Lang LaSalle, Hamburg's vacancy rate at the end of the fourth quarter of 2015 was 5.9 %, and thus significantly below the prior-year figure (6.8 %). In view of the completion of numerous larger projects, however, the trend forecast anticipates an increase in the vacancy rate for the first time in several quarters.

HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued their positive revenue development in this market environment. In 2015, revenue was increased by 9.0 % year-on-year to € 36.5 million (previous year: € 33.5 million). Ongoing project developments in the Speicherstadt historical warehouse district and consistently high occupancy rates in both districts continued to pave the way for this success.

The operating result (EBIT) increased strongly by 13.2 % year-on-year to € 15.2 million (previous year: € 13.4 million). Due to planned maintenance work, earnings growth slowed slightly in the fourth quarter. Earnings for the past financial year include extraordinary income of € 0.9 million. The EBIT margin of 41.5 % achieved in the reporting period (previous year: 40.0 %) is once again testimony to the economic success of HHLA's long-term, value-oriented portfolio development strategy.

The company has owned the Speicherstadt historical warehouse district for more than 130 years. In July 2015, this historical warehouse district – along with the Kontorhaus area – was designated as a UNESCO World Heritage Site. This provides exceptional confirmation of HHLA's strategy of further developing the Speicherstadt whilst maintaining its historical and cultural heritage.

Events after the Balance Sheet Date

The Ukrainian currency – the hryvnia – depreciated by approximately 10 % against the euro between the reporting date and the end of February. In addition to these exchange rate effects, which could have a negative impact on the HHLA Group's financial position and performance, adjustments to the carrying amounts of assets can still not be excluded due to the economic trend and deterioration of economic conditions in Ukraine.

There were no other transactions of special significance after the balance sheet date 31 December 2015.

Business Forecast

Macroeconomic Environment

The global economy is experiencing moderate growth. Although many early indicators signal a revival of the global economy in the forecast period, the International Monetary Fund (IMF) believes that this upturn will be weaker than forecast in October 2015. The institute has therefore lowered its forecast for global GDP in 2016 by 0.2 percentage points and now expects growth of 3.4 %. The IMF has also downgraded its current forecast for global trade by 0.7 percentage points and now expects more moderate growth of 3.4 %.

Growth Expectations for GDP

in %	2016	Trend vs. 2015
World	3.4	↗
Advanced economies	2.1	↗
USA	2.6	↗
Emerging economies	4.3	↗
China	6.3	↘
Russia	- 1.0	↗
Eurozone	1.7	↗
Central and Eastern Europe (emerging european economies)	3.1	↘
Germany	1.7	↗
World trade	3.4	↗

Source: International Monetary Fund (IMF); as of January 2016

Sentiment indicators in the advanced economies point to a slight economic upturn. The upturn is expected to be driven above all by an expansionary monetary policy and low oil prices. However, low commodity prices – combined with structural problems in the producing countries – are at the same time slowing economic development in the emerging economies, though the fundamental trend remains positive. According to the IMF, the Chinese economy will continue to slow down as a result of politically initiated structural changes. In light of the revenue shortfalls from crude oil exports, isolation from the global capital markets and restricted trade due to sanctions, the Russian economy is mired in crisis. The IMF has lowered its forecast by 0.4 percentage points since its outlook in October 2015. Driven by consumer spending, GDP in the eurozone is expected to maintain its upward trajectory. Although growth in the emerging economies of Central and Eastern Europe is likely to fall below the prior-year figure in 2016, the IMF has upgraded its forecast for this region by 0.1 percentage points since October due to positive sentiment indicators. The IMF's experts anticipate further growth for the German economy with a slight improvement on the previous year.

Sector Development

After a surprisingly weak 2015, the market research institute Drewry anticipates a slight recovery in global container throughput in 2016 with growth of 2.4 %. Momentum is expected to come from the US East Coast and Gulf Coast shipping regions (+5.0 % and +4.0 % respectively) as well as the Middle East and South Asia (+4.4 % and +4.3 % respectively). In line with the country's current economic slowdown, significantly lower throughput growth of 3.3 % is forecast for China – the Port of Hamburg's most important shipping region.

Following a strong fall in volumes at European ports in 2015, Drewry expects the situation to stabilise in the outlook period with slight growth of 0.2 %. However, container traffic is not expected to recover in all shipping regions. While the experts forecast an upturn in throughput for the shipping regions of North-West Europe, the Eastern Mediterranean and the Black Sea, further volume losses are expected for the Scandinavian and Baltic regions – although the expected decline of 6.5 % is much less than in the previous year (- 17.3 %).

Growth Expectations for Container Throughput

in %	2016	Trend vs. 2015
World	2.4	↗
Europe as a whole	0.2	↗
North-West Europe	0.9	↗
Scandinavia and the Baltic region	- 6.5	↗
Western Mediterranean	1.2	↗
Eastern Mediterranean and the Black Sea	0.2	↗

Source: Drewry Maritime Research; as of December 2015

In light of the overall subdued volume trend and increased terminal capacity in the North Range, competition between the ports is expected to become even fiercer in 2016. There is also a structural surplus of ship space on the container shipping market in 2016. According to estimates of the market research institute Alphaliner, the total capacity of the container ship fleet will grow by 4.5 % in the forecast period – despite declining orders and delayed delivery. This is still twice as fast as the growth in global container volumes. In order to stabilise the market, despite this growing idle capacity, the sector will continue to consolidate through acquisitions and mergers. This will lead to the formation of new consortia and the pooling of container services.

Despite the modest container throughput forecast for the north-western European ports, stable or rising transport volumes are expected for pre- and onward-carriage systems in hinterland traffic. In light of the ongoing increase in ship sizes, and the associated increase in container volumes per ship call, the pressure on terminals and hinterland transport systems will continue to rise.

Sentiment indicators for European rail freight in the first half of 2016 have picked up slightly. According to Prognos and the Centre for European Economic Research (ZEW), the transport sector is upbeat about future developments in Western Europe and Germany in particular. The outlook for rail freight traffic in Eastern Europe is slightly worse than for Western Europe.

A similar situation is expected in intermodal traffic: here, too, the outlook for transport volumes in the first six months of 2016 is cautiously optimistic. Expectations regarding volume were recently lowered for Eastern Europe, and are well below those for the Western European market.

Expected Group Performance

Comparison with the Forecast of the Previous Year

Developments in the 2015 financial year slightly exceeded the forecast last updated in autumn 2015. The forecast for the 2015 financial year given in the Annual Report 2014, however, was not achieved in revenue, EBIT and container throughput.
▶ see Course of Business and Economic Situation, page 33

Expected Earnings Position in 2016

The earnings forecast for the Group and the Port Logistics subgroup is primarily based on the anticipated macroeconomic and sector trends described above.

For container throughput, HHLA expects figures in 2016 to be on a par with those of the previous year. A slight increase compared to the previous year is expected for container transport. At Group level, this is likely to result in revenue which is similar to that of the previous year.

The operating result (EBIT) in the Port Logistics subgroup is expected to be in the range of € 100 million to € 130 million in the year 2016. This includes one-off expenses due to a planned consolidation in the field of project and contract logistics.

The range of expected earnings will largely be determined by the Container segment. Also in light of the ongoing uncertainties in Ukraine. Developments in volume and revenue will correlate with the forecast range of earnings.

The operating result in the Logistics segment is expected to fall approximately € 15 million below the previous year's result due to the consolidation mentioned earlier.

As the operating result of the Real Estate subgroup is expected to be on a par with 2015, Group EBIT is likely to be between € 115 million and € 145 million. Earnings in the Port Logistics subgroup and at Group level may continue to be burdened by exchange rate effects reported below EBIT as part of the financial result.

In a competitive environment of competing transport routes, the vertical dovetailing and optimisation of processes along the transport chain between the seaport and customers in the European hinterland will remain another key competitive factor for Hamburg as a logistics hub. HHLA is confident that the results achieved in 2015 confirm its strategy and will therefore continue to increase vertical integration by investing in its own rolling stock and facilities in 2016.

Despite the increasing handling demands caused by the trend in ship sizes, the company will strive to maintain high productivity in container handling. The focus will remain on improving operating performance by preparing the Container Terminal Burchardkai to handle container mega-ships and expanding block storage to cope with peak loads.

In order to achieve this, the necessary nautical accessibility is decisive for the competitiveness of the Port of Hamburg and thus for HHLA. Future developments will be hugely affected by the final decision of the Federal Administrative Court regarding the dredging of the lower and outer stretches of the river Elbe. The Federal Administrative Court will make its decision following a ruling by the European Court of Justice regarding the interpretation of the Water Framework Directive. The necessary planning supplement decision is expected to be submitted to the court in the first quarter of 2016. There have been no concrete statements made by either the court or those involved with the proceedings thus far about when a decision can be expected.

Should the expectations outlined in this forecast fail to materialise and lead to a substantially setback Group earnings position than the one described above, may result in additional value adjustments of assets.

Expected Financial Position

Due to the measures described above to increase value added in the Intermodal segment and to improve productivity in the Container segment, capital expenditure at Group level in 2016 is expected to be in the region of € 180 million, most of which will go towards the Port Logistics subgroup. HHLA's investment activities can generally be scaled in line with demand. Due to the ongoing trend in ship sizes, the Group reserves the right to decide on investment activities which are not purely driven by volume developments.

HHLA will continue to pursue its yield-orientated dividend distribution policy which aims to pay out between 50 and 70 % of net profit for the year after non-controlling interests in the form of dividends.

In order to achieve this objective and enable further value-oriented growth, the preservation of financial stability is the company's top priority. Based on available liquidity reserves and the positive cash flows generated by anticipated earnings, HHLA is confident that sufficient financial funds will continue to be available in future, which can be supplemented by borrowing where necessary.

Risk and Opportunity Report

Overall Assessment

The risks and opportunities for the HHLA Group reflect possible positive or negative deviations from the reported forecast.

The HHLA Group's risk position is characterised by market risks that have occurred. Major factors influencing the risk and opportunity profile are the global economic trend, ongoing geopolitical tensions, developments on the market and in the competitive environment as well as uncertainties regarding the implementation of infrastructure projects. The development of these factors is monitored closely, and controllable costs and capital expenditure – where scalable – are adjusted flexibly to foreseeable developments.

There are no discernible risks at present which could jeopardise HHLA's continued existence. The Executive Board of HHLA is confident that it will be able to exploit any future opportunities while avoiding exposure to unacceptably high risks. Since the economic prospects, in particular, are highly unforeseeable, this description of risks and opportunities merely serves as a snapshot. The HHLA Group's quarterly reports contain information on any changes to the company's risk and opportunity profile.

The following key risks and opportunities for the HHLA Group – with due consideration of relevant measures – have been identified as such based on the risk and opportunity management systems used for the Group's internal control purposes.

Above and beyond the risks mentioned, no further significant risks have currently been identified, while those that do exist are largely insured against.

HHLA's SWOT Profile (Strengths, Weaknesses, Opportunities, Threats)

Strengths

- Efficient container terminals with cutting-edge technology for all current ship sizes
- Unique network between overseas ports and their European hinterland
- Shuttle and direct rail systems for central transport corridors
- Specialised inland terminals for rail traffic
- Highly qualified staff with low fluctuation rate

Weaknesses

- Dependence on the expansion and maintenance of public infrastructure to improve nautical accessibility and connections to the hinterland
- Limited cost-side flexibility due to capital-intensive business model
- High dependence on Hamburg location
- Considerable investments required for major equipment and terminal development
- Dependence on services of the national railway companies (mainly track pricing systems)

Opportunities

- Increased pace of global economic growth
- Distance advantages in the natural catchment area as an easterly hub located well inland
- Increasing use of rail transportation for freight traffic
- Freight volume concentrated at major international handling sites
- Rising importance of efficiency, productivity and reliability in the transport chain
- Growing demand for eco-friendly transport solutions

Threats

- Structural changes and negative economic developments in economies relevant to HHLA and the corresponding impact on trade.
- North Range's throughput trend slower than global economic development
- Idle capacity in rival European ports
- Increased volatility in volumes due to alliances among shipping companies
- Tense financial position for shipping lines in general
- Worsening of the peak load situation at the Hamburg container terminals due to the trend in ship sizes

Risks and Opportunities

Strategic Environment

Infrastructure

HHLA's competitiveness largely depends on Hamburg's infrastructure as a port and logistics hub. Hamburg's offshore, onshore and regional transport networks must be able to cope with the flows of goods and their carriers. Infrastructural deficits could make it impossible to handle peak loads in ship handling – arising from the ongoing trend towards a growing number of ever-larger vessels – with the same level of reliability for all carriers.

Following the European Court of Justice's ruling regarding the interpretation of the Water Framework Directive, the final decision on dredging the lower and outer stretches of the river Elbe now lies with the Federal Administrative Court. The planning supplement decision is expected to be submitted to the court in the first quarter of 2016. There have been no concrete statements made by either the court or those involved with the proceedings thus far about when a decision can be expected. As a result, shipping companies may reschedule their mega-ship liner services and traffic could bypass the Port of Hamburg – possibly permanently. This would result in a corresponding loss in earnings.

As well as swiftly dredging the navigation channel, the regional road and rail infrastructure must be modernised and expanded if the Port of Hamburg wants to retain and enhance its competitiveness and optimise its processes for the in- and outbound flows of goods in its hinterland. The rising volume of replacement investments and maintenance work resulting from the rail infrastructure modernisation drive will continue to affect the availability of routes in the medium term. Projects of special significance for HHLA include constructing the transversal port highway and upgrading the Kiel canal, including its locks.

As an infrastructure-related operator, HHLA and its subsidiaries depend on prompt provision of the scheduled volume of public investments and services which are frequently necessary to support their own investments. Otherwise, HHLA's investment plans themselves or the expected economic results could also be delayed. This in turn could cause throughput and transport volumes to bypass HHLA's sites. Moreover, the risk to HHLA of having to fund the costs of individual projects cannot be excluded.

For this reason, HHLA closely cooperates with the relevant public institutions for these projects. It also safeguards its interests by participating in relevant committees and through lobbying and active public relations activities.

Market Environment

Developments in Container Throughput, Transport Volume and Logistics Services

The pace of growth in those economies whose goods flows HHLA serves is a key precondition for the development of container throughput, transport volumes and logistics services. If demand for HHLA's services fails to materialise as expected, the high level of fixed costs associated with this business model means that it might not be possible to compensate fully for negative divergences in earnings in the short and medium term. An economic trend which falls short of expectations may also lead to write-downs on assets (mainly property, plant and equipment and financial assets). HHLA regularly checks for any impairment of its assets and makes adjustments where necessary.

Global economic growth slowed over the course of the year. While the advanced economies continue to chart low but stable growth, structural changes in economic growth, particularly in China, led to a decline in global trade. Following a marked decline in economic output, market research institutes now forecast moderate growth for Ukraine based on reforms. Sanctions against the Russian Federation and persistently low oil prices are having a decidedly negative impact on transit traffic in the Baltic region. On the other hand, there are opportunities for a stronger volume trend in connection with the growth potential of Central and Eastern European economies such as Poland, the Czech Republic, Slovakia and Hungary, which use the Port of Hamburg for a large proportion of their transcontinental trade. Should the economic trend exceed expectations, prompting stronger volume growth, this could present an opportunity to profit from higher earnings by achieving economies of scale in handling and boosting volumes in downstream transport systems.

Following the decline in container volumes in Northern Europe and along the Asia–Northern Europe trade route in 2015, the market research institute Drewry anticipates a slight recovery in 2016. However, volume and capacity risks remain relevant to HHLA.

Throughput and transport volumes in the markets of relevance for HHLA, as well as the growth in ship sizes, are monitored closely to ensure trends are recognised at an early stage. Where they are scalable, controllable costs and investments – e.g. for the further expansion of the container terminals – are adjusted flexibly in line with the foreseeable level of demand.

Competitive Environment

In the area of container handling, HHLA competes directly with other terminal operators in Northern Europe. Primary competitive factors – apart from pricing – are the reliability and quayside productivity as well as the scope and quality of container handling services. Other factors affecting the terminal operators' competitive position are the ports' geographical position, the scope and quality of their hinterland links and their accessibility from the sea.

The development of additional handling capacity in the Northern European ports, coupled with current economic developments, have led to a significant increase in competition. Risks associated with a shift in volumes have partially emerged for freight volume with greater geographical flexibility, such as transshipment services. Due to fierce competition for container transport by rail, HHLA's Intermodal subsidiaries also face the risk of volumes being re-routed with a resulting risk for revenue.

HHLA constantly improves its competitiveness by further enhancing its service quality and technological capabilities. Its ship handling activities focus primarily on increasing the efficiency of its handling services and addressing the increasing number of peak loads prompted by the handling of container mega-ships. HHLA is working on innovating its systems and optimising processes to further strengthen its position in handling technology. HHLA's rail companies also connect the European seaports with the Central and Eastern European hinterland via a growing number of highly frequent shuttle services and direct links. Investments in its own hub terminals, such as the one currently under construction in Hungary, are intended to further increase the service quality and performance of HHLA's hinterland network.

Customer Structure

HHLA's shipping company customers operate in a tough competitive environment for container liner shipping. Reasons for this include high idle capacities due in particular to new mega-ships entering the market and low freight rates, twinned with weak growth in the global container transport industry. The cost pressure on shipping companies will therefore remain high in future. HHLA's clients are responding to this situation with mergers and acquisitions, as well as by restructuring and reducing their services. These developments present both risks and opportunities for HHLA in connection with the temporary or structural re-routing of services between the North Range ports. Furthermore, shipping company customers could become even more price-sensitive, especially for transshipment loads.

In the field of ship handling, HHLA cooperates with many shipping companies on a neutral basis ("multi-user principle"). In the 2015 financial year, HHLA's customer base included all of the top 20 container shipping companies. This enables HHLA to respond flexibly to changes in the container liner shipping sector. In addition, HHLA aims to enhance added value for its customers by expanding its mega-ship handling activities, continuing to develop the quality of its services and its technological capabilities, and optimising client-specific processes.

Intermodal Services and Services Procurement
The HHLA companies operating in the Intermodal segment pay track fees to the national railway companies or network operators for their rail network usage and also purchase traction services in some cases.

As the rail infrastructure in Germany is largely publicly owned, various authorities guard against discrimination in access and track fees. These authorities include the Federal Network Agency and the Federal Railway Authority in Germany and corresponding bodies abroad at EU level. Nevertheless, as the national rail network owners and operators have a monopoly, the profitability of rail firms may be impaired by a track pricing policy which does not take a neutral approach to carriers and distorts competition.

To reduce the level of dependency on national railway companies for traction services and to enhance production quality, HHLA is expanding its own facilities, rolling stock and locomotives in line with demand. As part of this strategy, it also purchases services from private suppliers. Providing end-to-end transport services using the company's own operating assets guarantees high quality along the process chain. HHLA's objective is to offer its customers a logistics chain of unparalleled quality and reliability. This will further strengthen Hamburg's appeal: high-performance seaport terminals promote higher volumes in the hinterland, while intelligent transport systems with low-cost structures boost container flows at the port.

Finance

Currency
The bulk of HHLA's services are rendered within the eurozone, so the majority of its invoices are issued in euros. The Logistics and Intermodal segments operate internationally, and a container terminal is operated in the Ukraine. Invoicing here is based primarily on euros or dollars. Currency or transfer risks therefore result primarily from exchange rate fluctuations affecting Central and Eastern European currencies. Due to the political situation in Ukraine in the first half of 2015, the Ukrainian currency, the hryvnia, fell strongly in value. The risk of a further devaluation remains. It remains to be seen whether the political situation will stabilise in the short term.

All HHLA companies that operate with foreign currencies reduce the risk of exchange rate fluctuations by monitoring rates regularly and, where possible, transferring free liquidity in local currency to hard-currency accounts .

Bad Debt Losses
The continuing idle vessel capacity means that freight rates are low. The liquidity and earnings position of shipping companies is thus expected to remain strained. The risk of bad debt losses cannot therefore be ruled out.

HHLA uses credit checks to reduce del credere collection risks. Active receivables management is used to enable the precise monitoring of receivables and payment patterns. HHLA has also taken out loan loss insurance to minimise default risks. Should the financial position of specific debtors change significantly, the insurer may limit the amount of cover it offers for new receivables payable by these debtors and/or no longer be able to provide coverage.

Pension Obligations
The reference interest rate for measuring the necessary provisions for company pensions recovered slightly over the course of the year. The actuarial losses carried in equity have fallen as a result. A reduction in interest rates would prompt an additional increase in pension provisions. This would result in a fall in the equity ratio Due to the volatility of the interest rate, this risk remains. HHLA monitors interest trends so that it can adjust its provisions as necessary.

Please see the reporting on financial instruments in the Notes to the Consolidated Financial Statements for further details of downstream default risks, liquidity risks, interest and exchange rate risks, including risk mitigation measures and the management of these risks.

Legal Risks

Compliance Incidents
Well-trained, motivated employees are the foundation for responsible business activities. The Group's relationship with its employees is dominated by its sense of social responsibility. Staff representatives are closely and actively involved in Group decision-making and take their responsibilities seriously. This paves the way for a successful working relationship.

However, it is impossible to completely rule out the risk of employees committing fraudulent acts or legal and competitive violations in the course of their work. ▶ see also Note 47 in the Notes to the Consolidated Financial Statements, Management of Financial Risks, page 135

To reduce these risks, HHLA has introduced guidelines, manuals and double-checking, embedded controls in its processes and established spot checks as part of its compliance management system. Furthermore, the Group has issued a code of conduct which applies to all Group managers and staff. Training sessions are held regularly on the contents of this code of conduct. New employees and apprentices also receive training on the code. Regular induction and training sessions focusing on special topics – such as occupational health and safety, environmental protection, conduct in the competitive environment, preventing corruption and insider trading rules – are also held for those staff affected by these issues. All of these activities are supported by additional communication measures, for example via the HHLA intranet and staff newsletter.

Provision of Services

Failure of Technical Equipment

In the case of equipment-based companies, there is a risk that a failure of central technical equipment may restrict the ability of these companies to render their services. Depending on the length of the downtime, unavailable equipment leads to additional costs for providing services. Preventive maintenance, contingency plans/repair services, regular inspections and tests are performed in order to identify possible faults before they happen.

As part of the expansion of terminal capacity, major investments have been made in hardware and software components. Ever-greater process automation, the increasing integration of customers and service providers into organisational processes and the related growth of data transfer mean that the availability of IT systems is becoming increasingly important. Redundant copies of key IT components such as data centres, computer networks and telecommunications systems substantially reduce the probability of downtime and data loss.

Other Risk and Opportunity Factors

Risk of Storm Surges

As a result of the existing structural situation and the fact that HHLA's port facilities and buildings necessarily operate close to water, there is a fundamental risk of storm surges. Flood protection work undertaken by HHLA and the Free and Hanseatic City of Hamburg in previous years has reduced this risk considerably, however.

Should this risk ever become reality, comprehensive emergency programmes have been put in place by public authorities and companies operating in the port to minimise the potential damage. In addition, the risk of damage to property is sufficiently covered by insurance policies.

Investment Options

In addition to organic growth, HHLA regularly examines opportunities for acquisitions. Potential equity investments focus on port projects in attractive growth markets. In addition to strategic aspects and synergies with HHLA's existing activities, key decision-making criteria include growth prospects, the anticipated return on capital employed, and the extent to which entrepreneurial risks can be justified.

HHLA is in a sound financial position. This means that the company has the financial means to take advantage of strategically beneficial acquisition opportunities.

Risk and Opportunity Management

All commercial activities inevitably entail both opportunities and risks. HHLA believes that the effective management of opportunities and risks is a significant success factor for the sustainable enhancement of enterprise value.

Managing opportunities and risks is a key component of the HHLA Group's management strategy. The planning and controlling process, the committees of the Group's affiliates and reporting are all cornerstones of this opportunity and risk management system. At regular business development meetings, HHLA's Executive Board discusses strategy, targets and control measures, with due consideration of the opportunity and risk profile.

Opportunity management is comparable to the risk management process. Opportunities are systematically identified and measures are developed in an annual planning process. When opportunities are identified, there is no requirement for them to be quantified. Opportunity management focuses on the monitoring and analysis of individual markets and on the early recognition and identification of trends as a means of identifying opportunities.

This includes developments affecting the overall economy or individual sectors as well as regional and local trends. The affiliates' responsibilities include identifying strategic opportunities in their core markets. HHLA's Executive Board defines the strategic framework for this objective. In addition, opportunity-oriented projects which affect more than one affiliate are centrally coordinated. HHLA's Corporate Development department assists the Executive Board with planning, controlling and monitoring multi-segment projects relating to the long-term development of the HHLA Group. Through its role as a link to the Executive Board, Corporate Development also helps central units and affiliates with strategic issues, such as market and competition analyses, business plans, product portfolio alignment and project management.

HHLA's risk management system fosters a keen awareness of dealing with corporate risks. It aims to identify risks in good time and take steps to manage or avert them, thus exploiting opportunities but preventing situations which could jeopardise the continued existence of the HHLA Group. An important element of the system is the promotion of entrepreneurial thinking and independent, responsible action.

In order to enable proactive steps to be taken to deal with the risk and opportunity profile, the risk management system comprises the necessary organisational rules and procedures for identifying risks at an early stage. To this end, HHLA has created a system based on risk policies covering economic and ecological activities as well as its dealings with society. Risk management is carried out according to systematic principles and is subject to a continual improvement process.

The Executive Board, Internal Audit and Controlling have worked together closely to establish clear lines of responsibility for the identification, assessment, control, monitoring and reporting of risks, as a key element of the risk management system. The Executive Board of HHLA bears overall responsibility for the risk management system of the HHLA Group. The risk consolidation group includes all of the majority shareholdings as well as all companies consolidated using the equity method.

Risks are catalogued regularly in the course of the annual planning process. All identified risks are described clearly, classified according to defined risk areas and assigned to a risk manager.

Risks are categorised by the likelihood of their occurrence and the amount by which such an occurrence would reduce the operating result or cash flow before taxes.

When assessing a risk, the level of loss or damage plus the anticipated probability must be stated. A distinction is made here between the gross risk (excluding reduction and management measures) and the net risk (including reduction and management measures). Risks are assessed in the context of the existing circumstances or a realistic projection. In addition to estimates and economic or mathematical/statistical inferences, sensitivities derived from planning can be used as a basis for assessment.

To ensure that risks of the same kind are portrayed uniformly, staff work together at Group level when assessing identified risks to establish and calculate the likelihood of the risks arising and the associated potential loss or damage.

After identifying and assessing the risk, the company then defines control measures aimed at reducing the likelihood of its occurrence and/or the loss or damage. Risks are monitored continuously and any significant changes are reported and documented on a quarterly basis. Additional ad hoc reports are issued whenever significant risks emerge, cease to apply, or change. Risks are reported using standard Group-wide reporting formats in order to ensure a consistent overall picture of current risks.

The most important elements of the risk management system and risk reporting are described in a corporate guideline. The system remains largely unchanged from the previous year. The Internal Audit department is responsible for auditing the risk management system. HHLA's Supervisory Board monitors the effectiveness of the risk management system. The external auditors assess the risk management system on behalf of the Supervisory Board as part of their audit of the Annual Financial Statements.

Structure of the Internal Control System

HHLA's internal control system is designed to ensure that the (financial) reporting processes used throughout the company are consistent, transparent and reliable. Furthermore, it makes sure they comply with legal standards and the company's own guidelines. It comprises principles, procedures and methods designed to reduce risk and ensure the effectiveness and propriety of HHLA's processes.

The internal control system is regularly monitored and assessed according to documented processes, risks and controls. It therefore ensures transparency with regard to its structure and functionality for the purposes of internal and external reporting.

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

Internal controls are intended to reduce accounting risks and make sure that transactions are documented, recorded, processed and assessed correctly in the balance sheet, as well as being quickly and correctly adopted in financial reporting. Controls are in place for all accounting processes.

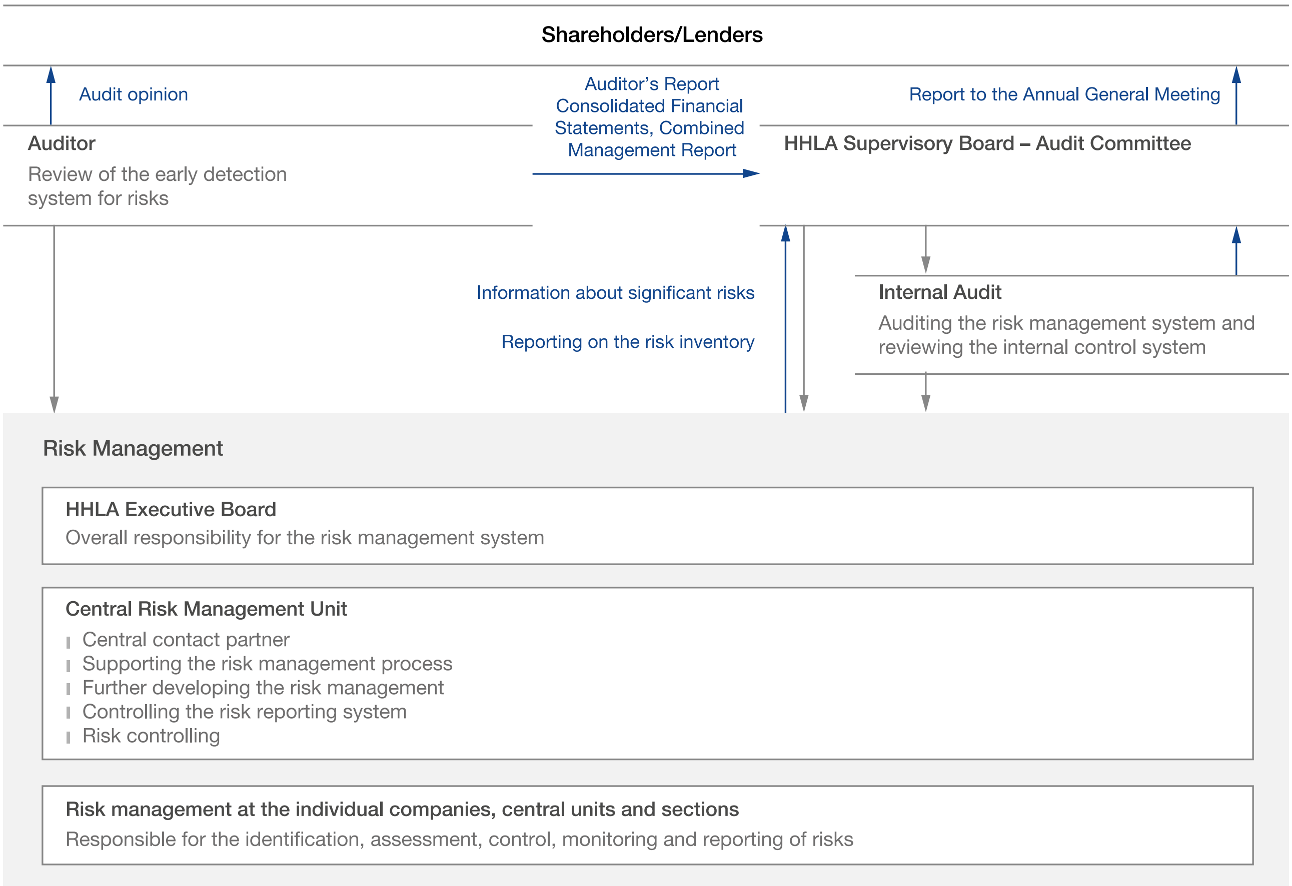
The Internal Audit department is responsible for monitoring HHLA's internal accounting control and risk management systems. The external auditor also assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks.

The internal accounting control and risk management systems will always have certain limitations, regardless of how carefully they are designed. For this reason, it is impossible to fully guarantee that accounting standards will always be met or that every incorrect statement will always be avoided or identified.

Significant Regulations and Controls

Accounting tasks and functions are clearly defined within the Group. There is a clear functional demarcation between accounts payable and accounts receivable as well as the preparation of Separate Financial Statements and the preparation of Consolidated Financial Statements. There is also a clear demarcation between these departments and the respective segment accounting. Separating execution, settlement and authorisation functions and giving these responsibilities to different members of staff reduces the risk of fraud. Multi-stage approval and authorisation thresholds for ordering, payment transactions and accounting are employed across the Group.

Internal Control System and Management of Accounting Risks



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

Most bookkeeping procedures are recorded using accounting systems developed by SAP. For the purpose of preparing HHLA's Consolidated Financial Statements, affiliates add more information to their Separate Financial Statements to form standardised report packages, which are then fed into the SAP ECCS consolidation module for all Group companies.

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

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

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

Corporate Governance

Corporate Governance Report and the Corporate Management Declaration

In this declaration, HHLA's Executive Board and Supervisory Board provide details on the principles of corporate management in accordance with Section 289a of the German Commercial Code (HGB) and on the company's corporate governance in line with Section 3.10 of the German Corporate Governance Code (hereafter "the Code" or "GCGC"). The following declaration includes in particular the declaration of compliance of the Executive Board and Supervisory Board, relevant practices of corporate management that go beyond the legal requirements, details regarding the composition and functions of the Executive Board, Supervisory Board and Supervisory Board committees as well as details regarding other material corporate governance structures.

Implementation of the Code

Corporate governance stands for the responsible management and control of a company aimed at creating sustainable value. The management and corporate culture of HHLA complies with legal regulations and – with only a few exceptions – the recommendations of the Code as well as the majority of the Code's additional suggestions. HHLA's Supervisory Board and Executive Board expressly support the Code and the objectives and purposes which it pursues. Responsible and transparent corporate management geared towards sustainable value has always been an essential foundation of HHLA's commercial success.

The Executive Board and Supervisory Board once again took great care to ensure the Code's standards were met in the 2015 financial year. They took into account the amendments to the Code of 5 May 2015 (published in the German Federal Gazette on 12 May 2015), submitted their annual declaration of compliance with the Code's recommendations in December 2015 in accordance with Section 161 of the German Stock Corporation Act (AktG) and explained in detail the reasons for the few exceptions to its recommendations. The current declaration and the declarations of compliance relating to previous years can be viewed by shareholders and the public on HHLA's website at www.hhla.de/corporategovernance.

Declaration of Compliance in Accordance with Section 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Board submitted the following joint declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) in December 2015:

The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that in the period starting 17 December 2014 (the date on which the previous declaration of compliance was issued), HHLA complied and shall comply in the future with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 24 June 2014 and – subsequent to its taking effect – the version dated 5 May 2015 with the following exceptions:

a) Section 4.2.3 of the GCGC specifies that in concluding Executive Board contracts, care is to be taken to ensure that payments made to an Executive Board member on premature termination of contract without serious cause or as a result of change of control do not exceed certain levels (severance payment caps) and that the severance payment cap in question is based on the total remuneration for the previous year and, where applicable, on the probable total compensation for the current financial year. Since the amendment of two Executive Board contracts in September 2015, there are currently still two active contracts of employment with compensation provisions stating that any Executive Board member whose contract is terminated early without good cause, or who loses their Executive Board seat due to a change of control or similar circumstances, does not receive compensation exceeding the remaining term of their contract. This arrangement only partially complies with the GCGC's requirements. In the event that other contracts are amended or renewed, or new contracts drawn up, they should be amended to meet the requirements of Section 4.2.3 of the GCGC.

b) Section 4.2.2 (2) sentence 3 of the GCGC requires that the Supervisory Board, in determining the remuneration of the Executive Board, takes into account the relationship of the remuneration of the Executive Board to the remuneration of the upper levels of management and the staff in general, including its development over time. The Supervisory Board determines where to draw the line between the upper levels of management and the relevant staff for the sake of its comparison. Section 4.2.3 (2) sentence 6 of the GCGC requires that total remuneration for members of the Executive Board and the individual variable components of remuneration be capped. Furthermore, Section 4.2.3 (3) of the GCGC requires that the Supervisory Board takes into account the planned level of the benefits to be provided when making benefit commitments, also based on how long the Executive Board member has been on the Board, as well as the annual and long-term expense for the company. Since the amendment of two Executive Board contracts in September 2015, these provisions have not been fully implemented in the two other Executive Board contracts that are currently still running. The intention is to implement these recommendations of the Code when other existing Executive Board contracts are amended or renewed, or new contracts are being concluded.

c) According to Section 7.1.2 of the Code, half-yearly and any quarterly financial reports are to be discussed by the Executive Board with the Supervisory Board or its Audit Committee prior to publication. HHLA does not comply with this recommendation because

compiling such reports on the basis of individual segment reporting for the A and S divisions takes more time than for companies with only one type of share. As a result, an effective prior discussion by the Supervisory Board or its Audit Committee cannot be assured at present. In order to increase the level of detail and frequency with which the company's reports are examined, the half-yearly financial report and the interim management report were also reviewed by the auditors this year. It is intended that this will continue in the future.

Hamburg, 9 December 2015

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board
The Supervisory Board

Function of the Executive Board and the Supervisory Board

Division of Responsibilities between the Executive Board and the Supervisory Board

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

Composition and Function of the Executive Board

The Executive Board manages the company's business under the joint responsibility of its members. It determines the company's goals, its fundamental strategic orientation and Group policy and organisation. These tasks include, in particular, steering the Group and managing its financing, developing a personnel strategy, appointing and developing managers and representing the company before the capital markets and the general public. It is also responsible for appropriate risk management and controlling within the company.

HHLA's Executive Board currently consists of four members. ▶ See also Note 49 in the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146

In accordance with Article 8 of the articles of association, the Executive Board must consist of at least two members. The Executive Board's members are appointed by the Supervisory Board. The Executive Board assumes management responsibility as a collegial body. Regardless of the overall responsibility to manage the company, the individual members of the Executive Board also bear responsibility for the departments assigned to them by Executive Board resolutions. The schedule of responsibilities states which Executive Board members are responsible for which departments. ▶ See also Management Structure, page 15

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

Conflicts of interests concerning members of the Executive Board must be immediately disclosed to the Supervisory Board. Other members of the Executive Board must also be informed. Executive Board members may only take on other duties, especially supervisory board posts at companies outside the Group, with the approval of the Supervisory Board. Transactions of material importance between Group companies and members of the Executive Board and parties and companies related to them also require the approval of the Supervisory Board. All such transactions must be performed on an arm's length basis. There were no transactions of this nature in the reporting period. There were also no conflicts of interest in the year under review.

The Executive Board's work is outlined in more detail in the **rules of procedure** compiled by the Supervisory Board for the Executive Board. The rules of procedure for the Executive Board were last amended on 11 September 2015. The rules state that decisions on fundamental organisational questions, business policy and corporate planning are to be made by the Executive Board as a whole. The rules also state that decisions and transactions of considerable importance for the company must be discussed and decided upon together and that certain transactions of fundamental importance require the prior approval of the Supervisory Board.

The company has taken out **D&O insurance** for the members of the Executive Board that meets the requirements of Section 93 (2) sentence 3 of the German Stock Corporation Act (AktG).

Composition and Function of the Supervisory Board
The Supervisory Board oversees the Executive Board's management of the company, advises it on company management, and is involved in fundamental and important decisions. Decisions and transactions of fundamental importance require the approval of the Supervisory Board in accordance with the Executive Board's rules of procedure. The Supervisory Board also decides on the composition of the Executive Board. The examination and approval of the Annual Financial Statements is another of the Supervisory Board's main tasks.

The **composition of the Supervisory Board** is based on the company's articles of association as well as Sections 95 and 96 of the German Stock Corporation Act (AktG) and Section 7 of the German Co-Determination Act (MitbestG): The Supervisory Board consists of six shareholder representatives elected by the Annual General Meeting and six employee representatives elected in accordance with the German Co-Determination Act (MitbestG). Unless the Annual General Meeting specifies a shorter period of office, **Supervisory Board members are elected** for a period ending with the Annual General Meeting which passes a resolution discharging the Board for the fourth financial year following the start of its term of office. The financial year in which the term of office begins is not included.

The Supervisory Board carries out its work both in full council and in individual **committees**. The work done by the committees is aimed at increasing the efficiency of work done by the Supervisory Board. The Supervisory Board has adopted its own rules of procedure, which also outline the committees' responsibilities. In order to fulfil its duties as efficiently as possible, the Supervisory Board has currently constituted the following six committees: the Finance Committee, the Audit Committee, the Personnel Committee, the Nomination Committee, the Arbitration Committee and the Real Estate Committee. The chairpersons of the committees provide the Supervisory Board with regular reports on the work of their respective committees.

- The **Finance Committee** prepares Supervisory Board meetings and resolutions of major financial importance, such as resolutions to be adopted concerning significant borrowing and lending, guarantees for third-party liabilities, financial investments and other financial transactions. It also deals with planning and investment issues, such as the budget and medium-term planning.
- The **Audit Committee** monitors accounting processes and the audit of financial statements, including the independence of the auditor and the additional services provided by the auditors. The committee prepares the Supervisory Board's resolution proposal to the Annual General Meeting on the election of the auditor and, after the auditor has been elected by the Annual General Meeting, awards the audit assignment for the Consolidated Financial Statements and the
- Annual Financial Statements of the Parent Company. It also deals with the fee agreements and determines which areas the audits should focus on. In addition, it concerns itself with the effectiveness of the internal accounting control system, the risk management system, the internal audit system and the compliance management system.
- The **Personnel Committee** prepares the personnel decisions to be taken by the Supervisory Board, ensures together with the Executive Board that a long-term succession plan is in place and takes account of diversity considerations in the Executive Board's composition. It prepares the Supervisory Board resolution specifying the remuneration of the Executive Board and the examination of the remuneration system for the Executive Board and handles the Executive Board contracts, provided the German Stock Corporation Act (AktG) does not require the full council of the Supervisory Board to handle these responsibilities.
- The Personnel Committee also fulfils the role of **Nomination Committee** – consisting solely of shareholders' representatives when performing this role – in compliance with the Code. In line with the criteria stipulated in Section 96 (2) of the German Stock Corporation Act (AktG) and Section 5.4.1 of the GCGC, it proposes suitable candidates to the Supervisory Board for its suggestions to the Annual General Meeting for the shareholder representatives on the Supervisory Board. During its deliberations, the Nomination Committee also ensures that the candidate is able to devote the necessary amount of time to the role.
- The **Arbitration Committee** was constituted for the purposes laid down in Section 31 (3) of the German Co-Determination Act (MitbestG). Its task is to make proposals for appointing members of the Executive Board if the statutory majority of two thirds of the Supervisory Board members' votes is not reached after the first round of voting.
- As HHLA is divided into the two subgroups Port Logistics (A division) and Real Estate (S division), a **Real Estate Committee** was constituted for the latter. This committee receives all Executive Board reports on behalf of the Supervisory Board and is involved in discussing all affairs that relate to the Real Estate subgroup. It also decides on whether to grant Supervisory Board approval for all legal transactions which require such approval and all other matters which affect the Real Estate subgroup, either primarily or in their entirety. In addition, the Real Estate Committee is responsible for examining and preparing the Supervisory Board's decision on the adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements,

insofar as these relate to the affairs of the Real Estate subgroup. It is also responsible for preparing the Supervisory Board's decision on appropriating the distributable profit of the Real Estate division based on the Executive Board's proposal.

Further information on the Supervisory Board and Supervisory Board committees, as well as the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the ▶ Report of the Supervisory Board, page 6. More information on the composition of the Executive Board, the Supervisory Board and Supervisory Board committees can be found in ▶ Note 49 of the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146.

Regulations on preventing and dealing with conflicts of interest are laid out in the Supervisory Board's rules of procedure, ▶ see also Objectives of the Composition of the Supervisory Board. The Supervisory Board provides information on conflicts of interest and their treatment in its report to the Annual General Meeting. ▶ see also Report of the Supervisory Board, page 6
No former members of HHLA's Executive Board sit on the Supervisory Board.

The company has arranged for **D&O insurance** for the members of the Supervisory Board that complies with Section 3.8 of the Code.

Objectives of the Supervisory Board
The HHLA Supervisory Board must always be composed in such a way that its members have the necessary knowledge, skills and industry expertise to fulfil their responsibilities properly. In addition, Section 5.4.1 of the Code calls for concrete objectives to be defined regarding the Supervisory Board's composition. Whilst considering the specifics of the enterprise, these should take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Section 5.4.2, an age limit to be specified and a regular limit of length of membership to be specified for the members of the Supervisory Board as well as diversity.

HHLA's Supervisory Board adopted the corresponding targets at its meeting on 7 December 2012 and last updated the targets in a meeting on 9 December 2015 in line with the recommendations made in Section 5.4.1 of the Code. The following objectives have been defined for the composition of the Supervisory Board:

- **Diversity** should be taken into account in the composition of the Supervisory Board. Diversity in the Supervisory Board is – inter alia – reflected by shareholder representatives with different career paths and fields of activity who can draw on a wide range of different experiences (such as industry experience). With regard to the appropriate inclusion of women on the Supervisory Board, the company continues to pursue the medium-term goal – beyond the legal requirements – of increasing the proportion of female shareholder representatives to at least 40 %.
- **International orientation** also plays a role when appointing members to the Supervisory Board. Due to HHLA's business model, the company's operations have a predominantly regional and local focus, which means that it is currently not of paramount importance that members have extensive relevant experience of managing international companies. However, some of the members of the company's Supervisory Board are in possession of such experience. This will remain a target in the future.
- Regarding an **age limit** for members of the Supervisory Board, the rules of procedure of HHLA's Supervisory Board (Section 7 (1) sentence 3) stipulate that only candidates who are under the age of 70 at the time of election may stand for election or re-election as members of the company's Supervisory Board.
- According to Section 7 (1) sentence 5 of the rules of procedure, **membership** of the Supervisory Board should not exceed three terms of office.
- Regulations on how to prevent and deal with potential **conflicts of interest** can be found under Section 7 (2) and (3) of the Supervisory Board's rules of procedure. These stipulate that members of the Supervisory Board may not hold a seat on an executive body of any organisation in direct competition with the company, nor fulfil an advisory role for such organisations. Moreover, Supervisory Board members that are on the executive board of a listed company may not serve on the supervisory boards of more than three listed companies (including HHLA) or on supervisory board committees at third-party companies with similar duties. Each member of the Supervisory Board is obliged to disclose any conflicts of interest to the Supervisory Board as a whole, especially conflicts which may arise as a result of an advisory role or seat on an executive body involving customers, suppliers, creditors or other third parties. If a member of the Supervisory Board has significant conflicts of interest which are not merely temporary, this should result in the termination of his/her period of office. The Supervisory Board gives notification of any conflicts of interest which arise and how they are being handled in its report to the Annual General Meeting.
- Beyond the regulations listed in the rules of procedure regarding the prevention and treatment of potential conflicts of interest, the Supervisory Board should include **at least two independent members** from among the company's shareholders. In the view of the Supervisory Board, this currently corresponds to the structure of equity investments, business sectors and, by extension, HHLA's specific situation. However, it is the opinion of the Supervisory Board that

employee representatives should not automatically be considered independent either. It is important to consider the specific circumstances in each case. The Supervisory Board must have at least one member who is independent as defined by Section 100 (5) of the German Stock Corporation Act (AktG) and who has expertise in the fields of accounting or the auditing of financial statements.

As far as the **implementation status** is concerned, the current composition of the Supervisory Board largely fulfils the specified targets. The Supervisory Board comprises members with different career paths and a wide range of experience. The age limit was not exceeded by any member at the time of their election. No member has served more than three terms of office on the Supervisory Board. In addition to Prof. Dr. Peer Witten, Chairman of the Supervisory Board and long-serving former member of the Executive Board of the Otto Group, the Supervisory Board includes a further independent member in Dr. Norbert Kloppenburg, Chairman of the Audit Committee, who also has expert knowledge and experience in the fields of accounting, auditing and internal controlling processes.

Shareholders and Annual General Meeting

Shareholders exercise their rights, in particular their voting rights, at the Annual General Meeting. The Annual General Meeting is held in Hamburg, another major German city or the seat of a German stock exchange to which the company's shares have been admitted for trading, within the first eight months of each financial year. Each share entitles its holder to one vote at the Annual General Meeting. There are no shares with multiple voting rights, no preference shares and no caps on voting rights.

Shareholders may exercise their voting rights at the Annual General Meeting in person, by appointing a representative of their choice or by giving voting instructions to a proxy designated by the company. The articles of association also authorise the Executive Board to allow shareholders to cast their vote in writing or by means of electronic communication (postal vote). The invitation to the Annual General Meeting includes explanations of the participation conditions, the voting procedure (including proxy voting) and the rights of shareholders. In addition, the company has a telephone hotline for shareholders' questions. The reports and documents required by law for the Annual General Meeting, including the Annual Report, are published on the company's website at www.hhla.de/agm together with the agenda. Information on attendance at the Annual General Meeting and the voting results can likewise be found on the company's website after the Annual General Meeting.

German Act on the Equal Participation of Women and Men in Leadership Positions

The German legislation on the equal participation of women and men in leadership positions in the private and public sectors requires that the Supervisory Board of HHLA, as a listed and equally co-determined company, has a minimum of 30 % of each gender. The gender quota for the Supervisory Board applies to positions on the Supervisory Board that become vacant from 1 January 2016. The Supervisory Board is also obliged to set a target quota for women on the Executive Board and a deadline for achieving this target. The Executive Board is obliged to set target quotas for women in the two management levels below the Executive Board and deadlines for achieving these targets. The first target quotas for women on the Executive Board and women in the two management levels below the Executive Board were to be set by 30 September 2015, and the deadline for achieving these targets was 30 June 2017 at the latest.

According to Section 289a (2) (4) of the German Commercial Code (HGB) the corporate management declaration must state whether the target quotas set by the Supervisory Board for the Executive Board and the Executive Board for the two management levels below the Executive Board were achieved in the period under review and, if not, what the reasons for not achieving the quotas were.

At its meeting on 11 September 2015, the Supervisory Board set a quota of 25 % for women on the Executive Board (status as of 31 December 2015: 0 %). The deadline for achieving this target is 30 June 2017.

The Executive Board has set a target quota for women in the first management level below the Executive Board of 25 % (status as of 31 December 2015: 15 %) and 30 % for the second management level (status as of 31 December 2015: 21 %). The deadline for achieving these targets is 30 June 2017.

The gender quota for the Supervisory Board only applies to new members as of 1 January 2016, and thus only to new members joining after the end of the period under review. At present, there are two female shareholder representatives on the Supervisory Board. Consequently, the proportion of women on the Supervisory Board as a whole is around 16.7 %, and approximately 33.3 % for the shareholder representatives.

Disclosures on Corporate Management Practices

Compliance

Compliance with corporate guidelines and the statutory provisions relevant to the company's activities (hereinafter also referred to as "compliance") is regarded as an essential part of corporate governance at HHLA. The management team in each corporate unit is therefore responsible for working to achieve compliance with the regulations that are relevant for their field of activity and area of responsibility. Workflows and processes must be structured in line with these regulations. The cornerstone of HHLA's compliance management system is a code of conduct, which formulates overriding principles on topics with special relevance for compliance, such as conduct in the competitive environment, the prevention of corruption, discrimination and conflicts of interest, and how to deal with sensitive corporate information, especially insider information, www.hhla.de/compliance. The overall coordination of the compliance management system is performed by a Compliance Officer, who reports directly to the Executive Board and synchronises his or her activities closely with those of the Internal Audit and Risk Management departments. In the 2015 financial year, further extensive steps were taken to enhance HHLA's compliance management system. These included stepping up preventive work, e.g. by updating and supplementing Group guidelines, systematically analysing compliance risks, and training staff at HHLA companies in Germany and abroad on the code of conduct and special issues, such as the prevention of corruption, conduct in the competitive environment and observing insider trading rules. The Audit Committee monitored the further development of the compliance management system in the reporting period by means of regular reports from the Executive Board and the Compliance Officer. In the reporting period, the system was audited in line with IDW PS 980 by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, which confirmed its effectiveness. Further improvements are constantly being made to the system.

Sustainability

Sustainability has been an integral part of HHLA's business model since the company was established. ▶ see also Sustainability, page 156

Risk Management

The HHLA Group's risk management system is described in detail in the Risk and Opportunity Report, which forms part of the Group Management Report. ▶ see Risk and Opportunity Report, page 44

Transparency

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

Accounting and Auditing

HHLA prepares its Consolidated Financial Statements and its Interim Reports in accordance with International Financial Reporting Standards (IFRS). This Annual Report provides further information on IFRS in the Notes to the Consolidated Financial Statements. ▶ see Notes to the Consolidated Financial Statements, General Notes, page 82

The Separate Financial Statements of HHLA (parent company) are prepared in line with the accounting regulations of the German Commercial Code (HGB). The appropriation of profits is based solely on the Separate Financial Statements of the Parent Company.

Arrangements have been made with the auditor for the 2015 financial year – Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hamburg – for the Chairman of the Audit Committee to be informed immediately of any possible grounds for exclusion or bias arising during the audit, insofar as these are not rectified without delay. The auditor should also report immediately on any findings or incidents arising from the audit of the financial statements which are of significance for the Supervisory Board's remit. Furthermore, the auditor is to inform the Supervisory Board and/or record in its report if – when conducting the audit – it identifies facts which indicate that the declaration of compliance issued by the Executive Board and Supervisory Board as per Section 161 of the German Stock Corporation Act (AktG) is incorrect. The audit conducted includes an extended audit as stipulated under Section 53 of the German Budgetary Procedures Act (HGrG). This requires an audit and assessment of the propriety of the company's management and its financial situation as part of the audit of the Annual Financial Statements.

Directors' Dealings

In the 2015 financial year, the company did not receive any notifications regarding directors' dealings with HHLA shares. As of 31 December 2015, the Executive Board and Supervisory Board as a whole did not possess more than 1 % of the shares issued by HHLA.

Remuneration Report

Executive Board Remuneration

Following preparatory work by its Personnel Committee, the full Supervisory Board is responsible for setting remuneration for individual Executive Board members. The full Supervisory Board is also responsible for regularly examining and making decisions about adjustments to the remuneration system for the Executive Board, although the preparatory work is actually done by the Personnel Committee. When conducting their reviews, the Personnel Committee and the Supervisory Board take into account the recommendations of the German Corporate Governance Code, the tasks and services provided by each member of the Executive Board, and in particular HHLA's size and activities, its financial and economic position, the amount and structure of Executive Board remuneration at comparable companies, and the relationship of the remuneration of the Executive Board to the remuneration of the upper levels of management and the staff in general.

The current remuneration system for members of the Executive Board was approved by the company's Annual General Meeting on 14 June 2012. Under this system, remuneration for members of the Executive Board consists of a non-performance-related fixed component, a performance-related bonus, pension commitments and fringe benefits.

Executive Board members receive their fixed remuneration in the form of twelve monthly payments. This fixed salary also includes fringe benefits in the form of non-monetary compensation. These consist of the right to use an appropriate company car (also for private purposes) and the payment of insurance premiums by the company. The members of the Executive Board pay tax on these benefits as components of their remuneration.

The performance-related bonus is set on the basis of a three-year assessment period. The calculation is based on the average earnings before interest and taxes (EBIT) for the last three years (before additions to pension provisions and reduced by any extraordinary income from the disposal of real estate and companies), the total average return on capital employed (ROCE) and the achievement of targets relating to environmental issues (reduction of the carbon footprint of each container handled and transported) and social issues (broken down into training and continuing professional development, health and employment) in the same period. Target ranges were set for each of the sustainability components. Achieving these targets triggers the payment of the relevant bonus. When making these calculations, roughly equal weight is given to EBIT on the one hand and the above-mentioned sustainability components on the other. The variable remuneration is capped at 150 % of basic salary. It is paid out once the Annual Financial Statements have been approved.

In addition to this, there is a pension commitment for each Executive Board member. Pensions are paid to former Executive Board members after a minimum of five or eight years' service on the Executive Board if they leave the Board for reasons unrelated to their person or for which they are not responsible, or as a result of incapacity or reaching retirement

Level of Remuneration for Executive Board Members in 2015 Based on Different Scenarios

	0 % minimum	The payment level of the variable remuneration is capped at 150 % of the basic salary.		150 % maximum
Performance-related components Calculated based on a three-year assessment period		**Average EBIT** (before pension provisions, less extraordinary income)		
		Sustainability targets		
		Economy	Average return on capital employed (ROCE)	
		Environment	CO_2 reduction[1]	
		Society	Continuing education and training, health and employment	
Non-performance related basic salary[2]				

1 Per container handled and transported
2 Plus fringe benefits

age. Pensions consist of a percentage of the entitlement salary, which in turn is based on the annual basic salary. This percentage is between 35 and 50 %. The actual amount depends on the Executive Board member's length of service, whereby adjustments are made not on a linear basis over the contract term, but rather in the case of contract extensions. Several different forms of income are taken into account on an individual basis, such as earnings from self-employment or employment and, in some cases, income from statutory pensions and related benefits from public funds.

Surviving spouses of Executive Board members receive a widow(er)'s pension of 55 to 60 % of the pension entitlement and children receive an orphan's allowance of 12 to 20 % of the pension. Should the pension entitlement have been suspended or no longer apply, transitional or interim pay applies for a limited period on the basis of the fixed remuneration.

The service contracts valid in the reporting period include a compensation provision relating to change of control or comparable circumstances. This entitles Executive Board members to receive their remuneration entitlements as a lump sum for the remaining duration of their respective contracts, discounted by 2 % per annum, should they lose their Executive Board seat in such circumstances. This does not affect their pension entitlements. Should the service contracts be terminated prematurely for another reason without good cause, the payment of compensation by the company shall be limited to the remaining term of the contract.

The members of the Executive Board were not granted any loans or similar payments. Total remuneration disbursed to the members of the Executive Board for their services in the 2015 financial year amounted to approximately € 2.93 million (previous year: € 2.96 million). Former members of the Executive Board and their surviving dependants received total payments of € 684,938 (previous year: € 695,281). Total provisions of € 11,398,460 were formed for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 12,740,591).

While extending Dr. Behn's and Dr. Lappin's memberships on the Executive Board and the corresponding employment contracts in the 2015 financial year, the Personnel Committee and the Supervisory Board also reviewed remuneration for Executive Board members with the aid of an independent external consultant. Based on the recommendations made by the independent expert, the Supervisory Board resolved to increase fixed remuneration from € 325,000 to € 350,000. Variable remuneration was also limited to 100 % of the fixed remuneration (rather than 150 %, as it was). Both of these adjustments will come into force with the beginning of the term of contract on 1 May 2016. Dr. Lappin's contract extension also includes a 50 % increase in his pension entitlement salary due to his 13 years of service with the company and as there is otherwise no linear increase. This increase will come into force in May 2016. In addition to the service cost for the 2015 financial year of € 160,044, this resulted in a past service cost of € 547,172 that was also recognised in the reporting period.

Finally, in the course of their extension, the two employment contracts were also adjusted to comply more closely with the recommendations of the German Corporate Governance Code. These contracts now fully comply with the recommendations of the German Corporate Governance Code. A severance cap now also applies for these contracts, which states that not more than two annual salaries (including other benefits) and also not more than the total remuneration for the remaining term may be paid in cases of premature termination of Executive Board contracts (including termination due to a change of control). The employment contracts of the two other Executive Board members do not currently contain any corresponding restriction to two annual salaries as the contracts were concluded for the duration of the term of office and cannot be changed by either party during this term. Should new contracts or extensions be agreed, a corresponding restriction will be included.

Supervisory Board Remuneration

In accordance with Article 16 of HHLA's articles of association, Supervisory Board members are remunerated as resolved by the Annual General Meeting. This remuneration is based on the scope of the Supervisory Board members' activities as well as on the company's financial position and results. The current remuneration clause was adopted at the Annual General Meeting held on 13 June 2013. The members of the Supervisory Board receive fixed remuneration of € 13,500 per financial year. The Chairman receives three times this amount and the Vice Chairman is paid one and a half times the basic figure. Supervisory Board members who belong to a committee receive an additional € 2,500 per committee per financial year, while the Chairman of the respective committee receives € 5,000, but altogether no more than € 10,000. Supervisory Board members who have belonged to the Supervisory Board or a committee for less than an entire financial year receive a corresponding pro rata payment. Furthermore, Supervisory Board members receive a meeting attendance fee of € 250 for each meeting of the Supervisory Board or one of its committees. There are no plans for a variable remuneration component.

No loans or similar payments were granted to members of the Supervisory Board. Other than the remuneration payable to the employee representatives under their contracts of employment, the members of the Supervisory Board did not receive any other payment for additional services rendered. The total remuneration paid to members of the Supervisory Board amounted to € 299,625 (previous year: € 274,500).

Individual Remuneration of the Executive Board

The following figures comply with the recommendations in Section 4.2.5 of the German Corporate Governance Code (GCGC) newly introduced in 2013.

	Klaus-Dieter Peters, Chairman of the Executive Board					
	Benefits granted (target)[2, 3]				Allocation (amount disbursed)	
in €	**2015**	2015 Minimum	2015 Maximum	2014	**2015**	2014
Fixed remuneration	465,000	465,000	465,000	465,000	465,000	465,000
Other benefits	13,772	13,772	13,772	13,772	13,772	13,772
Total	**478,772**	**478,772**	**478,772**	**478,772**	**478,772**	**478,772**
One-year variable remuneration[1]	453,755	0	697,500	446,888	463,072	474,091
Other	0	0	0	0	0	0
Total remuneration	**932,527**	**478,772**	**1,176,272**	**925,660**	**941,844**	**952,863**
Service cost[4]	357,978	357,978	357,978	296,879	357,978	296,879
Total expenses	**1,290,505**	**836,750**	**1,534,250**	**1,222,539**	**1,299,822**	**1,249,742**

	Dr. Stefan Behn, Executive Board member					
	Benefits granted (target)[2, 3]				Allocation (amount disbursed)	
in €	**2015**	2015 Minimum	2015 Maximum	2014	**2015**	2014
Fixed remuneration	325,000	325,000	325,000	325,000	325,000	325,000
Other benefits	13,007	13,007	13,007	12,496	13,007	12,496
Total	**338,007**	**338,007**	**338,007**	**337,496**	**338,007**	**337,496**
One-year variable remuneration[1]	317,283	0	487,500	312,481	323,843	331,544
Other	0	0	0	0	0	0
Total remuneration	**655,290**	**338,007**	**825,507**	**649,977**	**661,850**	**669,040**
Service cost[4]	163,091	163,091	163,091	123,407	163,091	123,407
Total expenses	**818,381**	**501,098**	**988,598**	**773,384**	**824,941**	**792,447**

	Heinz Brandt, Executive Board member					
	Benefits granted (target)[2, 3]				Allocation (amount disbursed)	
in €	**2015**	2015 Minimum	2015 Maximum	2014	**2015**	2014
Fixed remuneration	325,000	325,000	325,000	325,000	325,000	325,000
Other benefits	12,812	12,812	12,812	12,812	12,812	12,812
Total	**337,812**	**337,812**	**337,812**	**337,812**	**337,812**	**337,812**
One-year variable remuneration[1]	317,283	0	487,500	312,481	323,843	331,544
Other	0	0	0	0	0	0
Total remuneration	**655,095**	**337,812**	**825,312**	**650,293**	**661,655**	**669,356**
Service cost[4]	277,763	277,763	277,763	227,150	277,763	227,150
Total expenses	**932,858**	**615,575**	**1,103,075**	**877,443**	**939,418**	**896,506**

	Dr. Roland Lappin, Executive Board member					
	Benefits granted (target)[2, 3]				Allocation (amount disbursed)	
in €	**2015**	2015 Minimum	2015 Maximum	2014	**2015**	2014
Fixed remuneration	325,000	325,000	325,000	325,000	325,000	325,000
Other benefits	10,869	10,869	10,869	11,169	10,869	11,169
Total	**335,869**	**335,869**	**335,869**	**336,169**	**335,869**	**336,169**
One-year variable remuneration[1]	317,283	0	487,500	312,481	323,843	331,544
Other	0	0	0	0	0	0
Total remuneration	**653,152**	**335,869**	**823,369**	**648,650**	**659,712**	**667,713**
Service cost[4, 5]	707,216	707,216	707,216	91,462	707,216	91,462
Total expenses	**1,360,368**	**1,043,085**	**1,530,585**	**740,112**	**1,366,928**	**759,175**

1 *Variable remuneration includes the elements of the performance-related bonus (EBIT and sustainability components), calculated on the basis of a three-year assessment period.*

2 *For each sustainability component was assumed a target achievement of 100 % and an average probability scenario was used for the EBIT figure based on the forecasts announced to the capital market at the start of each year (in accordance with the comments on model table 1 in the appendix to the GCGC).*

3 *The maximum figure indicated corresponds to the maximum possible variable remuneration in line with the upper limit of 150 % indicated in the text.*

4 *Service expense as defined in IAS 19 service cost component (in accordance with the comments on model table 1 in the appendix to the GCGC).*

5 *The figure of 2015 included past service costs of € 547,172 million associated with the adjustment of the pensions comittment for Mr. Dr. Roland Lappin with effect from 1 May 2016.*

Individual Remuneration of Supervisory Board Members

in €	Fixed remuneration 2015	Fixed remuneration 2014	Remuneration for committee work 2015	Remuneration for committee work 2014	Meeting fee 2015	Meeting fee 2014	Total 2015	Total 2014
Prof. Dr. Peer Witten	40,500	40,500	5,000	0	2,250	1,000	47,750	41,500
Wolfgang Abel	20,250	20,250	2,500	0	2,250	1,000	25,000	21,250
Torsten Ballhause	13,500	13,500	5,000	5,000	3,250	3,000	21,750	21,500
Petra Bödeker-Schoemann	13,500	13,500	7,500	7,500	2,000	2,500	23,000	23,500
Dr. Bernd Egert	13,500	13,500	2,500	0	2,000	750	18,000	14,250
Holger Heinzel	13,500	13,500	2,500	2,500	1,750	1,500	17,750	17,500
Dr. Norbert Kloppenburg	13,500	13,500	7,500	7,500	3,250	3,000	24,250	24,000
Frank Ladwig	13,500	13,500	5,000	2,500	3,000	2,000	21,500	18,000
Stephan Möller-Horns[1]	1,125	0	0	0	0	0	1,125	0
Arno Münster	13,500	13,500	10,000	7,500	4,750	3,500	28,250	24,500
Norbert Paulsen	13,500	13,500	5,000	5,000	2,250	2,500	20,750	21,000
Michael Pirschel[2]	13,500	13,500	7,500	7,500	3,500	3,000	24,500	24,000
Dr. Sibylle Roggencamp	13,500	13,500	10,000	7,500	2,500	2,500	26,000	23,500
Total	196,875	195,750	70,000	52,500	32,750	26,250	299,625	274,500

All figures exclude VAT.

1 From 11 December 2015.

2 Unitl 10 December 2015.

Additional Information on Takeover Law and Explanatory Notes

1. The subscribed capital of the company is now € 72,753,334.00. It is divided into 72,753,334 registered no-par-value shares with a pro-rata share of the company's nominal capital of € 1.00. Of this amount, 70,048,834 are Class A shares and 2,704,500 are Class S shares (class of shares). The Class S shares constitute only shareholdings in the net profit/loss and net assets of the S division, and the Class A shares constitute only shareholdings in the net profit/loss and net assets of the remainder of the company (A division). The S division consists of the part of the company which deals with the acquisition, holding, selling, letting, management and development of properties not specific to port handling (Real Estate subgroup). All other parts of the company (Port Logistics subgroup) form the A division. The dividend entitlement of holders of Class S shares is based on the proportion of the distributable profit for the year attributable to the S division, and the dividend entitlement of holders of Class A shares is based on the remaining proportion of distributable profit for the year (Article 4 [1] of the articles of association). Each share entitles the holder to one vote at the Annual General Meeting (Article 20 [1] of the articles of association) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG) and the articles of association. If the statutory provisions require a special resolution to be adopted by holders of a given class of shares, only the holders of that class of shares shall be entitled to vote.

2. To the Executive Board's knowledge there are no restrictions on voting rights or the transfer of shares, including those arising from agreements between shareholders.

3. For details on direct or indirect capital shareholdings which entitle the holder to more than 10 % of the voting rights. See the Notes to the Consolidated Financial Statements, ▶ Note 35, page 116 and Note 48, page 141

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

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

6.1 As per Article 8 (1) of the articles of association of Hamburger Hafen und Logistik Aktiengesellschaft, the Executive Board consists of two or more people. Members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Co-Determination Act (MitbestG) and Article 8 of the articles of association.

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

7.1 Subject to the approval of the Supervisory Board, the Executive Board was authorised by the Annual General Meeting on 14 June 2012 to increase the company's share capital until 13 June 2017 by up to € 35,024,417.00, by issuing up to 35,024,417 new registered Class A shares for subscription in cash and/or kind in one or more stages (authorised capital I, cf. Article 3 (4) of the articles of association). The statutory subscription right of the holders of Class S shares shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class A shares in those cases covered in more detail in the resolution, such as issue for contributions in kind.

7.2 Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised under Article 3 (5) of the articles of association to increase the company's share capital until 13 June 2017 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares by subscription in cash and/or kind in one or more stages (authorised capital II). The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is further authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class S shares as is necessary to equalise fractional amounts.

7.3 The Annual General Meeting on 13 June 2013 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 12 June 2016 bearer or registered bonds with warrants or convertible bonds (hereinafter known collectively as "debenture bonds") and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for new Class A company shares subject to the detailed terms of the debenture bonds. The total nominal amount of the debenture bonds issued under this authorisation may not exceed € 200,000,000.00. Option and conversion rights may only be issued for Class A company shares accounting for up to € 6,900,000.00 of the company's total share capital accounted for by Class A shares. The debenture bonds are to be divided into separate securities, each with equal rights. Class S shareholders' subscription rights are excluded. The Executive Board is also authorised, subject to the approval of the Supervisory Board, to exclude Class A shareholders' subscription rights to the separate securities in full or in part in order to equalise fractional amounts, to grant subscription rights to the holders or creditors of warrants and/or convertible bonds and to the extent that debenture bonds are issued for cash, whereby separate securities with rights, options or obligations to convert them into shares may account for no more than 10 % of share capital. As per Article 3 (6) of the articles of association, conditional capital of € 6,900,000.00 is available to service warrants and conversion rights. This is made up of 6,900,000 new registered Class A shares.

7.4 The Annual General Meeting held on 16 June 2011 authorised the company until 15 June 2016 to acquire Class A shares in the company amounting to up to 10 % of the current nominal capital attributable to Class A shares. This authorisation may be used for any legally permissible purpose, except for trading in treasury shares. At the discretion of the Executive Board, the purchase can be made via the stock exchange or by means of a public purchase offer made to all Class A shareholders or by means of a public request for a purchase offer. The Executive Board was also authorised, subject to the approval of the Supervisory Board, to use Class A shares purchased under the authorisation to acquire the company's own Class A shares for any legally permissible purpose. This includes in particular offering shares to Class A shareholders at a price that is not significantly lower than the price of shares in the company of the same rights at the time of the sale, the sale of shares to third parties in return for contributions in kind, using shares to settle rights or obligations of bearers or creditors resulting from convertible bonds or bonds with warrants issued by the company or by companies in which the company holds a majority stake, issuing or offering shares for sale to employees of the company or an associated company as well as cancelling shares, even in a simplified process in accordance with Section 237 (3–5) of the German Stock Corporation Act (AktG). In the above cases – excluding cancellation – the rights of shareholders to subscribe for the company's own shares is also excluded.

7.5 Under Article 6 of the articles of association and Section 237 (1) of the German Stock Corporation Act (AktG), the company is authorised to mandatorily cancel Class A or S shares against payment of appropriate compensation if the shareholders whose shares are to be cancelled have given their consent.

8. The following material agreements include regulations that apply in the case of a change of control, as may result from a takeover bid:

In September 2015 the company took out three promissory note loans amounting to € 53,000,000 in total. The original lender is HSH Nordbank AG. The company does, however, have the right to pass on the promissory note loans to third parties in tranches of € 1,000,000. Partial repayments for the promissory note loans will be due between 30 September 2022 and 30 September 2025. If there is a change of control at HHLA, the lenders have the right to demand repayment of tranches, including accumulated interest, prematurely at the next interest payment due date if the parties cannot come to an agreement regarding the loan, and the lender cannot be reasonably expected – taking into account HHLA’s legitimate interests – to accept an unchanged loan agreement. A change of control can be said to have taken place if the Free and Hanseatic City of Hamburg directly holds less than 50.1 % of the voting rights in HHLA.

In addition, HHLA issued a total of 44 registered bonds with a nominal value of € 500,000 each, and therefore a total nominal value of € 22,000,000, on 30 September 2015, which are due in two repayments of € 11,000,000 each on 30 September 2027 and 30 September 2030. The registered bonds were initially issued to HSH Nordbank AG, which has the right to transfer the individual registered bonds. The terms of the bond provide for the registered bond to be repaid prematurely if there is a change of control at HHLA. The regulation, including the definition of a change of control, corresponds to that in the promissory note loan contracts.

The service contracts valid during the reporting period for Executive Board members also contain a regulation that states they have a right to severance if their membership of the Executive Board is terminated due to a change of control or comparable circumstances (see item 9 below).

9. The contracts of employment with the Executive Board members valid during the reporting period contain clauses which provide for a payment to the respective Executive Board members in the event of them losing their Executive Board seats due to a change of control or similar circumstances.

The company is obliged to make a one-off payment to the Executive Board member, with 2 % p.a. interest discount, for the outstanding term of office according to their contract, whereby other income that the Executive Board member may receive until the end of the employment contract could be deducted under certain circumstances.

The average annual result of the last three complete financial years is used to calculate variable remuneration.

During the extension of two Executive Board service contracts in the 2015 financial year, the entitlements in the contracts listed above were restricted – in line with the recommendations of the German Corporate Governance Code – to not more than two annual salaries (including other benefits) and also not more than the total remuneration for the remaining term in cases of premature termination of Executive Board contracts (including termination due to a change of control).

The provisions described above correspond to the legal situation and are standard practice at comparable listed companies. Their intention is not to complicate any possible takeovers.

Notes to the Separate Financial Statements for HHLA Prepared in Line with the German Commercial Code (HGB)

Unlike the Consolidated Financial Statements, the Annual Financial Statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) are not prepared in accordance with International Financial Reporting Standards (IFRS). Instead, they are based on the regulations contained in the German Commercial Code (HGB).

Company Overview

Structure and Commercial Activities

Hamburger Hafen und Logistik AG (HHLA) is a leading European port logistics group. HHLA is the parent company of the HHLA Group and runs the Group as a strategic management holding company. Its operations are carried out by the 30 domestic and nine foreign subsidiaries which make up the consolidated group.

HHLA is a legally independent company and was split into two divisions – the A division and the S division – as part of the initial public offering on 2 November 2007.

The A division represents the Port Logistics subgroup. The Class A shares, which are listed on the stock exchange, entitle shareholders merely to participate in the result and net assets of these commercial operations. The performance and financial result of the Real Estate subgroup are attributed to the S division. Class S shares are not traded on the stock exchange and are held solely by the Free and Hanseatic City of Hamburg (FHH). In the unlikely and unprecedented event of the Real Estate subgroup reporting a loss, this would be indirectly transferred to the Free and Hanseatic City of Hamburg in line with a separate agreement to assume losses.

The following changes were made to the company structure in the 2015 financial year.

Effective 1 January 2015, HHLA transferred assets, mainly warehouse blocks and other buildings, and associated financing to HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg. In return HHLA 2. Speicherstadt Immobilien GmbH & Co. KG granted HHLA an increase in the limited partnership share as of the same date. The amount for which HHLA is liable, however, remains unaffected by this increase in the limited partnership contribution.

In addition, effective 1 January 2015, various buildings and other facilities belonging to HHLA were sold to UNIKAI Lagerei- und Speditionsgesellschaft mbH. All contracts relating to the goods sold were also transferred, excluding the space rental contract.

Effective 1 August, a functional management structure was introduced at the holding company for the Container segment. As a result, tasks previously assigned to HHCT Container Terminals GmbH, such as Container Sales and Container Operations, including the associated assets and contracts, are now assigned to HHLA.

Employees

HHLA had a total of 1,237 employees as of 31 December 2015 (previous year: 1,206). Of this number, 363 received wages (previous year: 398), 783 received a salary (previous year: 702) and 91 were apprentices (previous year: 106). Of the 1,237 staff members, 621 were assigned to companies within the HHLA Group in the reporting year.

Economic Environment

Industry and macroeconomic developments are largely in line with those at the HHLA Group.

Earnings Position

Key Figures

in € million	2014	2014	Change
Revenue	121.2	135.8	- 10.8 %
Other income and expenses	- 131.6	- 145.7	9.7 %
Operating result	- 10.4	- 9.9	- 5.1 %
Financial result	- 36.0	- 23.3	- 54.9 %
Result from equity investments	81.7	110.8	- 26.3 %
Income taxes	- 6.2	- 27.6	77.7 %
Net profit	29.1	50.0	- 41.8 %

The **revenue** recorded by Hamburger Hafen und Logistik AG (HHLA) resulted mainly from the charging of personnel expenses for holding company staff assigned to the spun-off Container and Logistics units and from billing administrative services for IT systems which are pooled with HHLA. Revenue totalled € 121.2 million in the reporting year (previous year: € 135.8 million). This € 14.6 million decline is largely the result of the transfer of assets and associated rental contracts to HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg.

Other income and expenses improved by € 14.1 million year on year. This was largely due to the transfer of property, plant and equipment. However, increase in pension provisions compared to the previous year had a negative impact.

The year-on-year decrease in the **financial result** resulted mainly from changes in provisions due to interest rate fluctuations.

The **change in income from equity investments** was mainly due to the performance of the Container segment. The net profits of HHLA's affiliates and equity investments recognised in profit or loss declined by € 29.1 million to € 81.7 million (previous year: € 110.8 million).

The € 21.4 million decrease in **income taxes** resulted mainly from a significant reduction in the financial result and income from equity investments.

The company's **annual net profit** amounted to € 29.1 million in the reporting period (previous year: € 50.0 million). The A division accounted for € 22.5 million of this amount (previous year: € 42.4 million) and the S division for € 6.6 million (previous year: € 7.6 million).

Forecast and Actual Figures

in € million	2014	Forecast 2015	Actual 2015
Result from equity investments	110.8	At previous year's level	81.7
Net profit	50.0	At previous year's level	29.1

The differences between forecast and actual figures were mainly due to those circumstances listed in the section on the Group's earnings position, ▶ see Course of Business and Economic Situation, page 33

Assets

Balance Sheet Analysis

Balance Sheet Structure

in € million	31.12.2015	31.12.2014
Assets		
Intangible assets and property, plant and equipment	10.6	107.0
Financial assets	387.4	317.4
Other assets	641.3	651.3
Balance sheet total	1,039.3	1,075.7
Equity and liabilities		
Equity	495.4	506.8
Pension provisions	313.1	293.5
Other liabilities	230.8	275.4
Balance sheet total	1,039.3	1,075.7
Equity ratio in %	47.7	47.1
Intensity of investments in %	1.0	9.9

The carrying values of intangible assets and property, plant and equipment amounted to € 10.6 million at the end of the reporting period (previous year: € 107.0 million). Capital expenditure totalled € 4.2 million in the reporting period (previous year: € 25.0 million). Capital expenditure focused mainly on expanding the IT landscape. Additions were opposed by a disposal of assets amounting to € 96.6 million, which mostly resulted from the transfer or sale of assets.

Financial assets primarily rose due to the increase in limited liability capital in HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg. In total, financial assets rose by € 70.0 million to € 387.4 million.

Development in Pension Provisions

in € thousand	2015	2014
Carrying amount on 1 January	293,516	292,692
Expense recognised in profit and loss	38,250	19,664
Pension payments	- 18,671	- 18,840
Carrying amount on 31 December	313,095	293,516

Hamburger Hafen und Logistik AG uses the projected unit credit method to value entitlements associated with existing pension obligations. Future obligations are projected based on past service and possible future service prior to the insured event occurring. Anticipated future pension and pay increases are also taken into account. The average market interest rate of 3.89 % stipulated by the Deutsche Bundesbank was applied for the reporting year (previous year: 4.58 %).

In accordance with Section 253 (2) sentence 2 of the German Commercial Code (HGB), a remaining term of 15 years is used as basis. Pension provisions amounted to € 313.1 million at the at the end of the reporting period (previous year: € 293.5 million).

Financial Position

Financial Position

in € million	2015	2014
Cash flow from operating activities	54.4	34.2
Cash flow from investing activities	7.6	- 24.2
Cash flow from financing activities	- 31.4	- 37.0
Effect from the accrual of HLA	0	13.2
Financial funds as of 31.12.	399.3	368.7
of which receivables from subsidiaries	191.2	118.8
of which cash and cash equivalents	208.1	249.9

Cash flow from operating activities totalled € 54.4 million in the reporting year (previous year: € 34.2 million). It was dominated by income from equity investments. Cash flow in the reporting year was sufficient to fund capital expenditure.

In connection with existing cash pooling agreements, financial funds comprised receivables from subsidiaries in the amount of € 191.2 million (previous year: € 118.8 million), cash and cash equivalents in the form of bank balances totalling € 164.2 million (previous year: € 226.5 million) – of which € 70.0 million (previous year: € 90.0 million) was short-term bank deposits – and clearing receivables of € 43.9 million (previous year: € 23.4 million) from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV).

The S division of Hamburger Hafen und Logistik AG (HHLA) participates in the cash clearing system operated by HGV. The A division also utilises the option of investing surplus liquidity with HGV whenever this is advantageous for HHLA.

As expected, the financial position remained stable in the reporting period.

Risk and Opportunity Report

Business developments at Hamburger Hafen und Logistik AG are mostly subject to the same risks and opportunities as those of the HHLA Group. Hamburger Hafen und Logistik AG shares in the risks of its subsidiaries and equity investments in line with its respective shareholding.

As the parent company of the HHLA Group, Hamburger Hafen und Logistik AG is incorporated into the Group-wide risk and opportunity management system. The Risk and Opportunity Report contained in the Combined Management Report provides a description of the internal control system as required by Section 289 (5) of the German Commercial Code (HGB). ▶ see Risk and Opportunity Report, page 44

Events after the Balance Sheet Date

Events after the balance sheet date are broadly the same as those listed for the HHLA Group. ▶ see Events after the Balance Sheet Date, page 42

Business Forecast

Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for Hamburger Hafen und Logistik AG are reflected in the business forecast for the Group as a whole. It is anticipated that the statements made for the HHLA Group regarding market and revenue developments will largely be mirrored by the revenue of Hamburger Hafen und Logistik AG. Furthermore, the income from equity investments is expected to make a substantial contribution towards Hamburger Hafen und Logistik AG's earnings. Any changes to regulations under commercial law regarding interest rates for calculating the present value of pension provisions would lead to a significant reduction in interest expenses in 2016 compared to the previous year. If the legal situation does not change, further high burdens from interest rate-related changes to provisions can be expected. ▶ see Business Forecast, page 42

Expected Earnings Position in 2016

Based on the expected developments, HHLA anticipates net income for the year on a par with the previous year.

Expected Financial Position in 2016

Hamburger Hafen und Logistik AG expects its financial position to remain stable.

Dividend

As in the previous year, HHLA's appropriation of profits is oriented towards the development of earnings in the financial year ended. The distributable profit and stable financial position provide the foundation for a continuation of the company's consistent dividend policy.

Statement of the Executive Board

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

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

Hamburg, 2 March 2016

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Klaus-Dieter Peters

Dr. Stefan Behn

Heinz Brandt

Dr. Roland Lappin

Some of the disclosures in the Management Report – including statements on revenue and earnings developments and on possible changes in the sector or the financial position – contain forward-looking statements. These statements are based on the current best estimates and assumptions by the company. Depending on whether uncertain events materialise, HHLA's actual results, including its earnings and financial position, may differ materially from those explicitly or implicitly assumed or described in these statements.