The **operating result (EBIT)** increased by 5.9 % year-on-year to € 16.0 million (previous year: € 15.2 million). When comparing with the previous year, it should be noted that earnings in 2015 included extraordinary income of € 0.9 million from an insurance refund. The EBIT margin of 42.6 % achieved in the 2016 financial year (previous year: 41.5 %) once again testifies to the economic success of HHLA's long-term, value-oriented portfolio development strategy.

Events after the Balance Sheet Date

For significant events after the balance sheet date of 31 December 2016, please refer to the Notes to the Consolidated Financial Statements. ▶ see also Note 52 of the Notes to the Consolidated Financial Statements, page 151

Business Forecast

Expected Macroeconomic Environment

After global economic growth stagnated at the prior-year level in 2016, the International Monetary Fund (IMF) expects increased momentum in the forecast period with global GDP growth of 3.4 % in 2017. This trend will be driven by both the advanced and the emerging economies, for which the IMF forecasts a positive economic development. However, the outlook is still subject to economic risks arising from the Brexit vote and the change of government in the USA, among other things. Despite this uncertain environment, the IMF expects world trade to pick up significantly. At 3.8 %, growth is likely to be twice as fast as in the previous year. This would match the 2014 level and global trade would outpace GDP growth for the first time in three years.

Growth Expectations for GDP

in %	2017	Trend vs. 2016
World	3.4	↗
Advanced economies	1.9	↗
USA	2.3	↗
Emerging economies	4.5	↗
China	6.5	↘
Russia	1.1	↗
Eurozone	1.6	↘
Central and Eastern Europe (emerging european economies)	3.1	↗
Germany	1.5	↘
World trade	3.8	↗

Source: International Monetary Fund (IMF), January 2017

Sentiment indicators in the advanced economies point to a slight economic upturn. The IMF has upgraded its forecast slightly and now expects total economic output to increase by 1.9 % in 2017. Growth will be driven by the USA in particular, where the newly elected government has announced a more expansive fiscal policy to stimulate the economy. The emerging economies should see stronger economic growth in 2017 but uncertainties remain. Although the IMF has lowered its economic outlook slightly by 0.1 percentage point, it still expects a significant 4.5 % increase in economic activity for 2017. According to IMF estimates, the downturn in the Chinese economy resulting from politically initiated structural changes will not continue as strongly as expected in October 2016. In view of this more stable trend, the IMF has lifted its outlook for 2017 slightly to 6.5 %. However, this is still 0.2 percentage points below the prior-year figure. Experts believe that the Russian economy will pull out of recession in the forecast period. Higher crude oil prices in particular will provide relief. However, structural bottlenecks and the restrictions on trade imposed by sanctions will prevent a stronger economic recovery. The IMF is therefore upholding its growth forecast of 1.1 %. The IMF assumes that GDP growth in the eurozone in 2017 will be stronger than forecast in October 2016, but still slightly down on the previous year at 1.6 %. After a slowdown in 2016, the IMF anticipates slightly stronger growth of 3.1 % in Central and Eastern Europe in the forecast period. The IMF's experts also anticipate further robust growth of 1.5 % for the German economy – albeit slightly below the prior-year level.

Expected Sector Development

The market research institute Drewry expects global container throughput to rise to 2.1 % in 2017 following weak growth in 2016 and the previous year. Momentum should come from the South Asia (+ 5.9 %), Central America (+ 4.0 %) and the US East Coast (+ 3.7 %) shipping regions in particular. Throughput growth of 2.4 % is forecast for China, the Port of Hamburg's most important shipping region. This represents a recovery of 0.5 percentage points after a significant downturn in 2016. Drewry expects slower growth of 1.6 % for the European ports in the forecast period. However, trends in the individual shipping regions will be mixed. Whereas Drewry's experts anticipate weaker throughput for the shipping regions of North-West Europe, the Eastern Mediterranean and the Black Sea, growth rates in Scandinavia and the Baltic region are expected to more than double. This could have a positive impact on transshipment volumes at the North Range ports, although some cargo will find its way to the Baltic Sea via direct routes.

Growth Expectations for Container Throughput

in %	2017	Trend vs. 2016
World	2.1	↗
Europe as a whole	1.6	↘
North-West Europe	1.2	↘
Scandinavia and the Baltic region	3.2	↗
Western Mediterranean	2.1	↘
Eastern Mediterranean and the Black Sea	1.4	↘

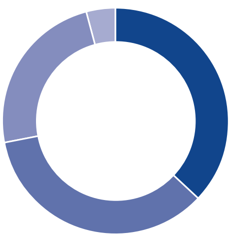
Source: Drewry Maritime Research, December 2016

However, in light of the subdued volume trend as a whole and existing terminal capacities in the North Range and Baltic Sea, competition between the ports is likely to remain fierce in 2017. The container shipping market will continue to see a structural surplus of ship space in 2017. According to estimates of market research institute Alphaliner, growth in total capacity of the container ship fleet will slow as a result of declining orders from shipping companies and delayed deliveries. However, at 3.4 %, growth in total capacity of the container shipping fleet will outpace global container volumes at the ports in the forecast period.

In order to stabilise the market amid this growing capacity surplus, the sector has been dominated by acquisitions and mergers as well as the formation of new alliances since 2015. After the world's two largest shipping companies – Maersk and MSC – launched joint operations as the 2M alliance in early 2015, two further newly formed alliances will begin operating in April 2017: Cosco, Evergreen, OOCL and CMA CGM will pool their services on the east–west trades under the name "OCEAN ALLIANCE". Hapag-Lloyd/UASC, K-Line, NYK, Yang Ming and MOL are combining their services as "THE Alliance". Maersk announced that Hamburg Süd will continue to operate as an independent brand following the planned takeover. However, exact details of the integration are not yet known. The takeover is currently being examined by the competition authorities. The ongoing concentration process and the formation of new consortia will lead to the pooling of container services and timetable changes.

Capacity Breakdown by Shipping Line Alliances Following Reorganisation

on Far East–Europe Services as of 31 December 2016



Source: own presentation, Alphaliner Monthly Monitor, January 2017

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. Based on the throughput forecasts, hinterland traffic between the Northern Adriatic seaports and south-eastern Europe is also likely to increase. 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.

According to the most recent medium-term forecast on cargo and passenger transport issued by the German Federal Ministry of Transport and Digital Infrastructure (BMVI) in summer 2016, transport volumes are expected to increase by 0.3 % and traffic performance (transport volume multiplied by the distance travelled) by 1.6 % in 2017.

Expected Group Performance

Comparison with the Forecast of the Previous Year

Developments in the 2016 financial year are in line with the guidance last updated in autumn 2016. Container transport slightly exceeded the prior-year forecast for the 2016 financial year. Due to an unplanned one-off effect in the Logistics segment from terminating the lease for the Übersee-Zentrum – as communicated in the third quarter of 2016 – the operating result (EBIT) forecast in the previous year's Annual Report was significantly exceeded. Delays in delivery and order execution meant that capital expenditure budgeted for the reporting period was not utilised in full. Some € 25 million was carried over into 2017. ▶ see Course of Business and Economic Situation, page 32.

Expected Earnings Position in 2017

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

The formation of new consortia and the resulting changes to service structures during the year may lead to a shift in handling volumes between the ports and the container terminals. As negotiations between and with shipping customers were still ongoing during the preparation of this report, any assessment of throughput as of the second quarter of 2017 – which has a significant influence on earnings – is only possible to a limited extent. Against this background, HHLA initially expects **container throughput in 2017** to be on a par with the previous year. By contrast, moderate year-on-year growth is expected for **container transport**. At Group level, this is likely to result in **revenue** similar to that of the previous year.

The **operating result (EBIT) of the Port Logistics subgroup** is expected to be in the range of € 115 million to € 145 million in 2017. Potential one-off expenses for organisational restructuring in the Container segment would reduce this by up to € 15 million.

The range of expected earnings will largely be determined by volume and revenue growth in the Container segment. This is due to the limited visibility from the second quarter of 2017 onwards as a result of the formation of new consortia, as outlined above, and the resulting uncertainty.

In view of this fact, EBIT in the **Container segment** is expected to be in the range of € 65 million to € 95 million. The potential one-off expenses described above may need to be taken into account over the course of the year.

Volume trends in the **Intermodal segment** are expected to lead to strong year-on-year growth in EBIT.

A positive EBIT result is expected for the **Logistics segment** in 2017, since no further operating losses will be incurred following the discontinuation of project and contract logistics activities.

As the **operating result (EBIT) of the Real Estate subgroup** is expected to be on a par with 2016, **Group EBIT** before potential one-off expenses in the Container segment is likely to be between € 130 million and € 160 million. Earnings in the Port Logistics subgroup and at Group level may continue to be depressed by exchange rate effects reported below EBIT as part of the financial result.

The nautical accessibility continues to be necessary to the competitiveness of the Port of Hamburg and thus for HHLA. Future developments will be significantly affected by the dredging of the lower and outer stretches of the river Elbe, which is still outstanding. According to the ruling of the Federal Administrative Court on 9 February 2017, it is essential that the parties to the proceedings swiftly remedy the deficiencies identified by the court so that dredging of the navigation channel can commence as soon as possible. ▶ see Risk and Opportunity Report, page 42

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

Expected Financial Position

In principle, HHLA's investment activities can be scaled in line with demand, particularly with respect to the potential consequences of changed service structures for shipping customers and the delays in dredging the lower and outer stretches of the river Elbe. Due to the ongoing trend in ship sizes, the Group also reserves the right to decide on investment activities that are not prompted purely by volume developments. Based on the measures described above to enhance productivity in the Container and Intermodal segments, capital expenditure at Group level in 2017 is expected to be in the region of € 160 million (including the amount carried over from the previous year). Most of this amount is attributable to the Port Logistics subgroup. Driven largely by the trend in ship sizes, key projects relate to the investment in container gantry cranes, portal cranes and ground-handling vehicles for the container terminals in Hamburg as well as the expansion of the railway station at the Container Terminal Burchardkai.

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

Risk and Opportunity Management

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

Managing risks and opportunities 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 risk and opportunity management system. At regular business development meetings, HHLA's Executive Board discusses strategy, targets and control measures, with due consideration of the risk and opportunity profile.

HHLA's risk and opportunity management system fosters a keen awareness of dealing with corporate risks and opportunities. It aims to identify risks in good time and take steps to manage or avert them while exploiting opportunities and preventing situations that could jeopardise the continued exis-