HHLA Segments

Container

€ 694.6 million
Revenue

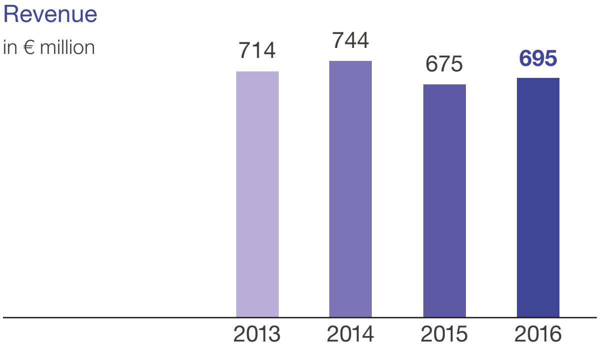
59 %
Share of revenue

HHLA's container terminals link ships, rail networks and trucks to create an efficient transport chain. The terminals in Hamburg form the most important European hub between Asia and Central/Eastern Europe. HHLA also operates a container terminal in the Ukrainian city of Odessa.

Key Figures

in € million	2016	2015	Change
Revenue	694.6	675.2	2.9 %
EBITDA	201.5	195.8	2.9 %
EBITDA margin in %	29.0	29.0	0 pp
EBIT	117.8	110.6	6.5 %
EBIT margin in %	17.0	16.4	0.6 pp
Container throughput in thousand TEU	6,658	6,561	1.5 %

Revenue
in € million



Logistics

€ 55.0 million
Revenue

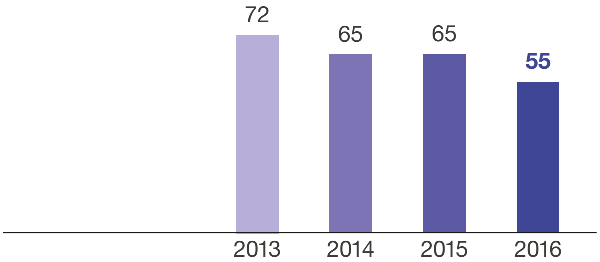
5 %
Share of revenue

In this segment, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. HHLA also markets its expertise in infrastructure and project development internationally.

Key Figures

in € million	2016	2015	Change
Revenue	55.0	65.1	- 15.6 %
EBITDA	2.4	4.6	- 48.2 %
EBITDA margin in %	4.3	7.0	- 2.7 pp
EBIT	- 1.7	- 0.8	neg.
EBIT margin in %	- 3.1	- 1.3	- 1.8 pp
At-equity earnings	3.7	3.0	23.6 %

Revenue
in € million



Intermodal

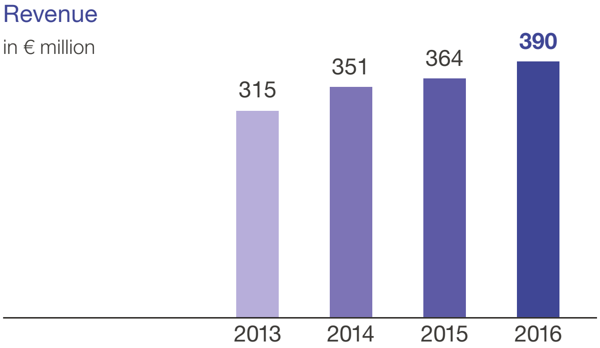
€ 390.1 million Revenue

33 % Share of revenue

HHLA's rail companies operate a comprehensive transport and terminal network for container transportation and connect ports on the North and Baltic seas, as well as the northern Adriatic, with their hinterland. Transshipments by truck within the Port of Hamburg round off the service portfolio.

Key Figures

in € million	2016	2015	Change
Revenue	390.1	364.0	7.2 %
EBITDA	79.6	78.8	1.0 %
EBITDA margin in %	20.4	21.7	- 1.3 pp
EBIT	55.9	55.2	1.2 %
EBIT margin in %	14.3	15.2	- 0.9 pp
Container transport in thousand TEU	1,408	1,318	6.8 %



Real Estate

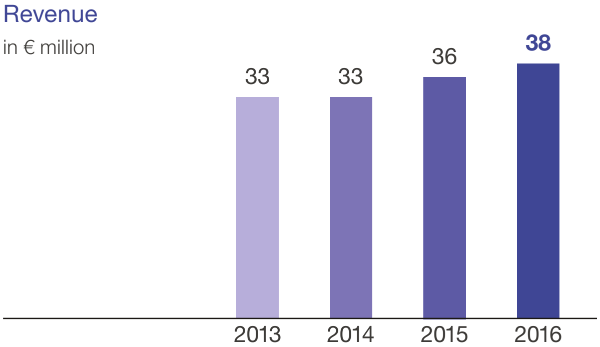
€ 37.7 million Revenue

3 % Share of revenue

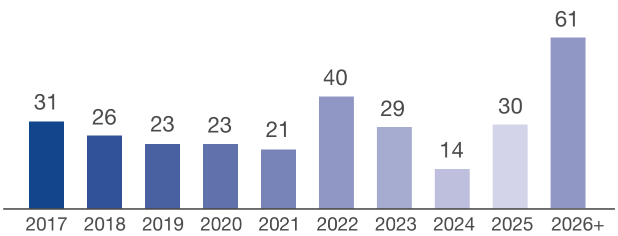
Following the sustainable renovation of Hamburg's landmarked Speicherstadt historical warehouse district to create an exemplary redeveloped quarter, HHLA is committed to intelligent site development and preserving the city's fishing tradition with the Hamburg-Altona fish market.

Key Figures

in € million	2016	2015	Change
Revenue	37.7	36.5	3.2 %
EBITDA	21.1	20.2	4.4 %
EBITDA margin in %	56.0	55.4	0.6 pp
EBIT	16.0	15.2	5.9 %
EBIT margin in %	42.6	41.5	1.1 pp



Maturities of Bank Loans
by year and in € million



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 € 0.2 million (previous year: € 1.2 million). The credit line utilisation rate was 96.8 % in the period under review (previous year: 83.9 %). 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, € 16.2 million (previous year: € 10.7 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 that are subject to specific conditions are of minor importance in terms of their volume at Group level.

Acquisitions and Disposals of Companies

HHLA increased its interest in METRANS a.s., Prague, Czech Republic, from 86.5 % to 90.0 % with the share purchase and transfer contracts dated 28 June 2016 after METRANS a.s. acquired treasury shares from its non-controlling interests. The purchase price for these shares was taken directly to equity in accordance with the entity concept with a corresponding reduction in non-controlling interests and retained earnings.

Changes in the Group of Consolidated Companies

METRANS Danubia Krems GmbH, Krems an der Donau, Austria, and METRANS Railprofi Austria GmbH, Krems an der Donau, Austria, were fully consolidated and included in HHLA's Consolidated Financial Statements for the first time as of 31 March 2016. As of 30 June 2016, METRANS Adria D.O.O., Koper, Slovenia, METRANS Danubia Kft., Gyor, Hungary, and METRANS ISTANBUL STI, Istanbul, Turkey, were fully consolidated for the first time and DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg, was included in HHLA's Consolidated Financial Statements for the first time using the equity method. HHLA International GmbH, Hamburg, was fully consolidated for the first time as of 30 September 2016. Univer Trans Kft., Budapest, Hungary, was fully consolidated and included in HHLA's Consolidated Financial Statements for the first time as of 31 December 2016.

The effects of initial consolidation on HHLA's Consolidated Financial Statements were recognised directly in equity and were immaterial.

HHLA Intermodal Polska Sp. z o.o., Warsaw, Poland, was merged with POLZUG Intermodal Polska Sp. z o.o., Warsaw, Poland, in June 2016. The merger had no effect on HHLA's Consolidated Financial Statements.

There were no other acquisitions, purchases or disposals of shares in subsidiaries, or changes to the group of consolidated companies. ▶ see also Note 3 of the Notes to the Consolidated Financial Statements, page 83

Segment Performance

Container Segment

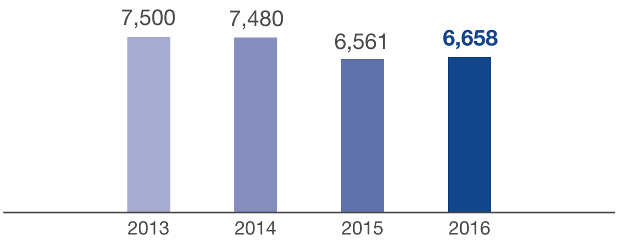
Key Figures

in € million	2016	2015	Change
Revenue	694.6	675.2	2.9 %
EBITDA	201.5	195.8	2.9 %
EBITDA margin in %	29.0	29.0	0.0 pp
EBIT	117.8	110.6	6.5 %
EBIT margin in %	17.0	16.4	0.6 pp
Container throughput in thousand TEU	6,658	6,561	1.5 %

HHLA's container terminals handled 6,658 thousand TEU in the 2016 financial year, 1.5 % more than in the previous year (6,561 thousand TEU). Although the negative trend of the previous year initially continued in the first two quarters, throughput volumes picked up again in second half of the year. Whereas container throughput rose slightly by 1.1 % to 6,375 thousand TEU at HHLA's three container terminals (previous year: 6,305 thousand TEU), there was significant growth in container throughput at the Container Terminal Odessa of 10.6 % to 283 thousand TEU (previous year: 256 thousand TEU).

Development in Container Throughput

in thousand TEU



The **volume trend** at the Hamburg terminals was primarily due to growth in feeder traffic with the Baltic sea ports, which picked up significantly in the second half of the year and rose by approximately 6 % year-on-year. Traffic to and from Russia in particular recovered strongly with year-on-year growth of around 15 %. As a consequence, the proportion of seaborne handling accounted for by feeders increased to 24.0 % in 2016 (previous year: 22.9 %). The decline in Asian routes (Far East–Northern Europe) slowed significantly compared with the previous year. However, container volumes to and from the Far East were still down almost 2 % year-on-year in 2016.

Despite an extremely dynamic volume trend at the Ukrainian ports, competition continued to intensify in 2016 as a result of existing overcapacities. After capturing significant market share in the previous year, the HHLA Container Terminal Odessa (CTO) lost ground in 2016 as its growth was slower than the market as a whole. Nevertheless, CTO still enjoys a dominant position in the regional market.

Revenue rose by 2.9 % year-on-year to € 694.6 million (previous year: € 675.2 million), faster than seaborne volumes. In addition to contractually agreed adjustments to individual handling rates, higher storage fees led to an increase in revenue per unit. Revenue per container handled at the quayside rose by 1.4 % year-on-year.

The segment's EBIT costs increased by 2.2 %, and thus slightly faster than seaborne handling volumes. The increase in personnel expenses was mainly due to higher union wage rates, as well as fluctuations in the utilisation of capacity at the facilities. In the second half of 2016 in particular, higher throughput was concentrated on fewer ship calls and thus required the increased use of external staff to handle peak loads. By contrast, material costs were reduced compared to 2015, supported above all by lower fuel prices. Targeted cost-cutting measures also helped reduce maintenance costs. All in all, these factors led to a 6.5 % increase in the **operating result (EBIT)** to € 117.8 million (previous year: € 110.6 million). There was a corresponding rise in the EBIT margin to 17.0 % (previous year: 16.4 %).

In view of the impending reorganisation of service structures with the new “OCEAN ALLIANCE” and “THE Alliance” consortia as of April 2017, as well as further new ship deliveries, the number of ultra large container ships calling at Hamburg is likely to increase further. HHLA is well prepared for this development and continued to drive the upgrades to its facilities in the reporting period. In late 2016, for example, three additional container gantry cranes for handling the largest container ships were delivered to the Container Terminal Burchardkai (CTB) and will be gradually put into operation in spring 2017. The addition of four automated blocks to the block storage facility is also due to be completed in the second quarter of 2017. In addition, the Container Terminal Tollerort (CTT) took delivery of two container gantry cranes to handle the latest generation of ships in early 2017. A further three have been ordered and are expected in late 2017.

Intermodal Segment

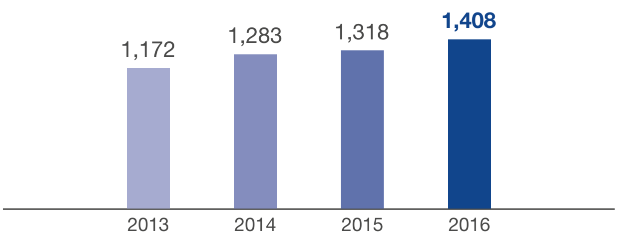
Key Figures

in € million	2016	2015	Change
Revenue	390.1	364.0	7.2 %
EBITDA	79.6	78.8	1.0 %
EBITDA margin in %	20.4	21.7	- 1.3 pp
EBIT	55.9	55.2	1.2 %
EBIT margin in %	14.3	15.2	- 0.9 pp
Container transport in thousand TEU	1,408	1,318	6.8 %

HHLA's transport companies achieved significant growth in the highly competitive market for container traffic in the hinterland of major seaports. In a subdued and, in some areas, declining market, **transport volumes** climbed by 6.8 % to 1,408 thousand standard containers (TEU) compared with 1,318 thousand TEU in the previous year. The trend was primarily driven by growth in rail transportation, which again increased significantly year-on-year by 8.0 % to 1,089 thousand TEU (previous year: 1,008 thousand TEU). In particular, there was above-average growth in connections between the Adriatic ports as well as north German seaports and the Central and Eastern European hinterland. In a difficult market environment, road transport also made good progress with year-on-year growth of 2.9 % to 319 thousand TEU (previous year: 310 thousand TEU).

Developments in Container Transport

in thousand TEU



Revenue performed slightly better than transport volumes with growth of 7.2 % to € 390.1 million (previous year: € 364.0 million). This positive trend was partly due to changes in the route mix, as rail's share of HHLA's total intermodal transportation rose from 76.5 % to 77.4 %.

The **operating result (EBIT)** rose year-on-year to € 55.9 million (previous year: € 55.2 million). This was primarily attributable to the increase in volumes. Better utilisation of trains and an improved mix of import and export volumes compared to last year also had a positive effect on segment earnings. This was partially offset by a one-off expense of € 7.2 million from an onerous lease for a terminal area in Poland. Its potential for expansion is currently limited given the highly competitive market environment. In a year-on-year comparison, it must also be taken into account that the 2015 figure included proceeds of € 4.3 million mainly from the disposal of assets.

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, which will be successively put into operation by spring 2017, and the acquisition of two hybrid shunting engines, HHLA's rail subsidiary METRANS will have over 60 shunting engines and locomotives as well as a fleet of more than 2,400 waggons. METRANS is also constructing a new rail hub terminal in the Hungarian capital of Budapest. Its location makes it the perfect interface between the North European seaports and South-East Europe. The terminal is expected to begin operations in spring 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 function as large hub terminals.

Logistics Segment

Key Figures

in € million	2016	2015	Change
Revenue	55.0	65.1	- 15.6 %
EBITDA	2.4	4.6	- 48.2 %
EBITDA margin in %	4.3	7.0	- 2.7 pp
EBIT	- 1.7	- 0.8	neg.
EBIT margin in %	- 3.1	- 1.3	- 1.8 pp
At-equity earnings	3.7	3.0	23.6 %

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 dry bulk and fruit logistics are included in earnings from associates.

Revenue generated by the fully consolidated companies of the Logistics segment declined over the course of 2016. At € 55.0 million, segment revenue was down 15.6 % on the prior-year figure of € 65.1 million. As well as the project-related decrease in revenue from consulting activities, this was primarily due to the discontinuation of business activities in the areas of contract and project logistics, as well as cruise logistics. The **operating result (EBIT)** for 2016 included one-off effects from the termination of the lease for the Übersee-Zentrum. These were almost offset in the reporting period by expenses for provisions recognised for the discontinuation of project and contract logistics activities. The termination of the cruise logistics activities did not have any significant effect on segment earnings. Despite a positive development in the fourth quarter, the segment's operating loss for the 2016 financial year rose to € - 1.7 million (previous year: € - 0.8 million). This was partly a result of the year-on-year decline in operating income from consulting activities and vehicle logistics.

The performance of those companies included in **at-equity earnings** varied. Total earnings from associates of € 3.7 million in the reporting period were up 23.6 % on the previous year (€ 3.0 million).

Real Estate Segment

Key Figures

in € million	2016	2015	Change
Revenue	37.7	36.5	3.2 %
EBITDA	21.1	20.2	4.4 %
EBITDA margin in %	56.0	55.4	0.6 pp
EBIT	16.0	15.2	5.9 %
EBIT margin in %	42.6	41.5	1.1 pp

The positive development on Hamburg's office rental market slowed slightly over the course of the year due in particular to a weaker fourth quarter. However, according to Grossmann & Berger's latest market report, approximately 2 % more office space was let in 2016 – 550,000 m^2 compared to 540,000 m^2. One reason for the increase was the relatively low proportion of owner-occupied properties.

The vacancy rate declined only marginally compared with the previous year from 5.2 % to 5.1 %. The HafenCity section of the market, which includes HHLA's properties in the Speicherstadt historical warehouse district, had a vacancy rate of 6.0 % as of year-end (previous year: 9.9 %).

Against this market background, HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued their positive revenue and earnings development. In 2016, **revenue** was increased by 3.2 % year-on-year to € 37.7 million (previous year: € 36.5 million). This success was underpinned by the high occupancy rates in both districts.

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.