Events after the balance sheet date

In early January 2020, China announced that a novel coronavirus had been detected in several patients. However, the initial local outbreak of the virus developed relatively quickly into an international pandemic. HHLA evaluated the potential impact of the coronavirus pandemic on the development of business – based on the current state of knowledge – and took this into account in its forecast for expected earnings in 2020. Estimates regarding the further development of the coronavirus pandemic, however, are subject to considerable uncertainty and earnings may therefore differ significantly from the forecast. Business forecast

The outbreak of the virus has not resulted in any effects on the recognition or measurement of the Group's assets and liabilities as of 31 December 2019.

There were no other events of special significance after the balance sheet date 31 December 2019. Notes to the consolidated financial statements, no. 52 Events after the balance sheet date

Business forecast

Macroeconomic environment

At the end of 2019, the global economy showed signs of stabilising – aided by a rapprochement in the trade dispute between the USA and China and the easing of monetary policy. Although research institutes still forecast moderate growth for the global economy, major uncertainties continue to shape the macroeconomic outlook for 2020. In particular, the spread of the coronavirus represents an element of uncertainty whose impact cannot be reliably gauged at present. Other risks for the global economy include an intensification of trade disputes, geopolitical tensions, structural problems in major emerging markets and, above all, concern about the Indian economy. In light of this global economic uncertainty, the International Monetary Fund (IMF) downgraded its outlook for 2020 slightly in January compared to October 2019 but still expects to see a gentle acceleration of economic growth compared to the previous year.

The outlook for the economic regions of particular significance to HHLA varies, with the IMF anticipating slower economic growth of 6.0 % for China in 2020. However, the People's Republic would thus remain the most important driver of global economic growth. By contrast, the economic outlook for Russia has brightened somewhat. Weaker forecasts for the crude oil market, structural bottlenecks and the hampering of trade by sanctions are likely to prevent any strong recovery of the Russian economy, though. A slight economic recovery is also expected for the emerging economies of Central and Eastern Europe. Should reforms recently passed by the new Ukrainian government take effect, the World Bank regards growth of 3.7 % as possible for 2020. According to the most recent IMF estimates of October 2019, Estonian GDP is expected to achieve robust – albeit once again slightly slower – growth of 2.9 %. Macroeconomic output in the eurozone looks set to improve slightly owing to favourable financing terms and an expansionary monetary policy. The IMF expects to see an increase in economic output of the German economy broadly in line with its potential. With regard to global trade volumes, the IMF has lowered its forecast for 2020 by 0.3 percentage points and anticipates a moderate increase of 2.9 %. However, these estimates were issued prior to the coronavirus outbreak.

Growth expectations for GDP

Growth expectation[1] in %	2020	Trend vs. 2019
World	3.3	↗
Advanced economies	1.6	→
USA	2.0	↘
Emerging economies	4.4	↗
China	6.0	→
Russia	1.9	↗
Eurozone	1.3	→
Central and Eastern Europe (emerging european economies)	2.6	↗
Germany	1.1	↗
World trade	2.9	↗

1 prior to effects by the coronavirus outbreak
Source: International Monetary Fund (IMF), January 2020

In early March 2020, the OECD issued its assessment of the potential impact that the coronavirus might have on economic activity. Based on the assumption that the epidemic in China would reach its peak in the first quarter of 2020 and that outbreaks in other countries would prove to be minor and locally contained, global GDP growth might decrease by about 0.5 percentage points to 2.4 % in the current year. China would be hardest hit, with growth slowing to 4.9 % (- 0.8 percentage points), while the USA would be least affected with a decrease in growth of 0.1 percentage points to 1.9 %. Nevertheless, global trading volumes might still decrease by 0.9 % this year.

Growth expectations for GDP

Growth expactation in %	2020	Trend vs. 2019
World	2.4	↘
G20	2.7	↘
USA	1.9	↘
China	4.9	↘
Russia	1.2	↘
Eurozone	0.8	↘
Germany	0.3	↘
World trade	- 0.9	↘

Source: OECD Interim Economic Outlook, March 2020

Should the coronavirus spread across most of Asia and the northern hemisphere, however, global GDP growth could decrease by up to 1.75 basis points, while global trading volumes could shrink by as much as 3.75 %.

Sector development

Following only a slight increase in global container throughput in 2019, the market research institute Drewry expects the momentum to increase in 2020 with a growth rate of 3.3 %. However, this forecast does not take into account the latest developments in the trade dispute between the USA and China and the economic impact on global trade of the coronavirus outbreak in China.

In the current financial year, growth will be driven in particular by the shipping regions of Asia (+ 3.4 %), especially South Asia (+ 5.0 %), as well as by Africa (+ 4.2 %) and Latin America (+ 3.4 %). Drewry expects that container throughput growth in China – the Port of Hamburg's most important shipping region – will be stronger in 2020 than in the comparatively weak previous year, but still clearly below 5 %. Meanwhile, the overall outlook for European shipping regions is much less positive. Experts estimate a growth rate for the European shipping region of just 2.8 % in 2020. Weaker throughput growth is affecting almost all shipping regions. Drewry only forecasts year-on-year growth for the ports of the eastern Mediterranean and Black Sea. For all other European shipping regions, estimates are below the prior-year figures. The effects of the coronavirus have not yet been taken into account in these growth forecasts.

In late February, Drewry issued a qualitative assessment of the impact of the coronavirus. The scenario deemed likely at the moment is based on the assumption that China will be able to contain the virus and thus return to normal business and production activities in the course of the second quarter. Should the focus of the coronavirus epidemic be transferred from one end of the supply chain to the other, however, and high-consumption regions such as Europe and North America in particular are affected, Drewry expects a more pronounced decrease in global GDP. However, the severity of the impact depends on how far the outbreak spreads and the extent to which the affected countries are able to contain it. In this scenario, Drewry expects that the global economy will only begin to recover in 2021. At the same time, however, Drewry's experts emphasise that there is currently too much uncertainty to be able to make reliable estimates regarding the actual effects.

Expected container throughput by shipping region

Growth expectation[1] in %	2020	Trend vs. 2019
World	3.3	↗
Asia	3.4	↗
China	3.4	↗
Europe as a whole	2.8	↘
North-West Europe	3.0	↘
Scandinavia and the Baltic region	2.8	↘
Western Mediterranean	1.9	↘
Eastern Mediterranean and the Black Sea	3.2	↗

1 prior to effects by the coronavirus outbreak

Source: Drewry Maritime Research, December 2019

Considering the ongoing structural overcapacity at container terminals in the North Range and the Baltic Sea, competition between ports is likely to remain fierce in 2020. As Drewry forecasts a slight decrease in demand for the North European ports, the situation is not expected to ease in 2020. At the same time, the bargaining power of shipping companies in negotiations with the port operators has increased significantly as a result of mergers and acquisitions, as well as the formation of new alliances.

The situation on the container shipping market remains strained. According to estimates of the market research institute AXS Alphaliner, the growth in total capacity of the container ship fleet will continue its downward trend in 2020 as a result of declining orders from shipping companies and delayed deliveries. At 3.1 %, growth in total capacity of the container ship fleet is likely to be slower than that of global demand in the forecasting period. Some 200 ships with a carrying capacity of around 1.1 million TEU are expected to be delivered in 2020. Of these, 20 ships will belong to the +18,000-TEU class. As a result of the introduction of the IMO2020 Directive by the International Maritime Organization (IMO)to reduce the use of low-sulphur fuels, market conditions for the shipping companies will remain challenging in 2020. At the same time, Drewry assumes that shipping companies will be able to transfer the extra burden of these higher bunker costs to their customers and expects growth in average freight rates of 6.6 % for the forecasting period. However, the development of freight rates is extremely dependent on highly volatile crude oil prices, which makes it difficult to forecast bunker costs.

In view of the steady increase in ship sizes and the resulting rise in container volumes per ship call, the pressure on terminals and hinterland transport systems will continue to grow.

Expected freight traffic in Germany by modes of transport

Growth expectation in Germany in %	2020	Trend vs. 2019
Transport volumes	**1.7**	↗
Road traffic	1.9	↗
Railway traffic	1.3	↗
Multi-modal traffic	4.6	↗
Traffic performance	**2.5**	↗
Road traffic	2.7	↗
Railway traffic	2.5	↗
Multi-modal traffic	4.6	↗

Source: Floating medium-term forecast for freight and passenger transport on behalf of the Federal Ministry of Transport and Digital Infrastructure, September 2019

The most recent medium-term forecast for cargo and passenger transport in Germany issued by the Federal Ministry of Transport and Digital Infrastructure (BMVI) in September 2019 anticipates accelerated growth for the entire German freight market in 2020. For all modes of freight traffic, experts expect a strong year-on-year increase in both transport volumes and traffic performance (transport volume multiplied by the distance travelled). All carriers are likely to benefit from this accelerated growth. With regard to road freight, transport volumes are expected to increase by 1.9 % and traffic performance by 2.7 % in 2020. Rail freight looks set to return to its longer-term growth trajectory following a few weak years. After a decrease of 1.1 % the previous year, an increase of 1.3 % in rail freight is estimated for the forecasting period. At the same time, traffic performance is once again expected to achieve growth of 2.5 % in 2020. Multi-modal traffic looks set to develop even more dynamically, with volume and performance both expected to increase by 4.6 %.

Expected Group performance

Comparison with the forecast of the previous year

The forecast published in the 2018 Annual Report was exceeded in terms of container handling and container transport volumes, as well as for revenue. The figure for operating result (EBIT) developed in line with expectations. Capital expenditure also exceeded the forecast due to catch-up effects. Course of business and economic situation

Expected earnings position

The worldwide coronavirus pandemic has led to extraordinary measures being implemented to prevent the spread of the virus.

In the countries affected, these measures aim to minimise social contact between people. Both at a national level and in international transportation, this is leading to a contraction in economic activity whose true impact and duration cannot be reliably gauged.

The contraction is affecting all areas of the economy, including international trade, which is critical to HHLA.

It is not possible to make any reliable forecasts under these conditions, but we can assume that revenue and operating result (EBIT) for the **Port Logistics subgroup** will be strongly below previous year. This is primarily due to the possible at least temporarily sharp declines in container throughput and transport.

The operating result (EBIT) of the **Real Estate subgroup** is also considered to be possibly significantly below the previous year's figure. At a **Group** level, we can expect to see a strong decrease in the operating result (EBIT) due to the effects mentioned above.

Expected financial position

Owing to the uncertainty described above, HHLA's financial management focuses on securing liquidity. For this purpose, HHLA will continually review and adjust its investments and cost development.

Due to the liquidity available on 31 December 2019 and the measures mentioned above, and based on feasible estimates for 2020 as a whole, HHLA assumes that its liquidity should enable the company to meet all its payment obligations despite the burden caused by the coronavirus pandemic.

A further area of focus for the management is on protecting the health of employees, as well as maintaining all systems that play a role in the critical infrastructure of the Container and Intermodal segments.

Risk and opportunity report

Management of risk and opportunities

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 boards of the Group's affiliates and reporting are all cornerstones of this risk and opportunity management system. At regular business development meet-