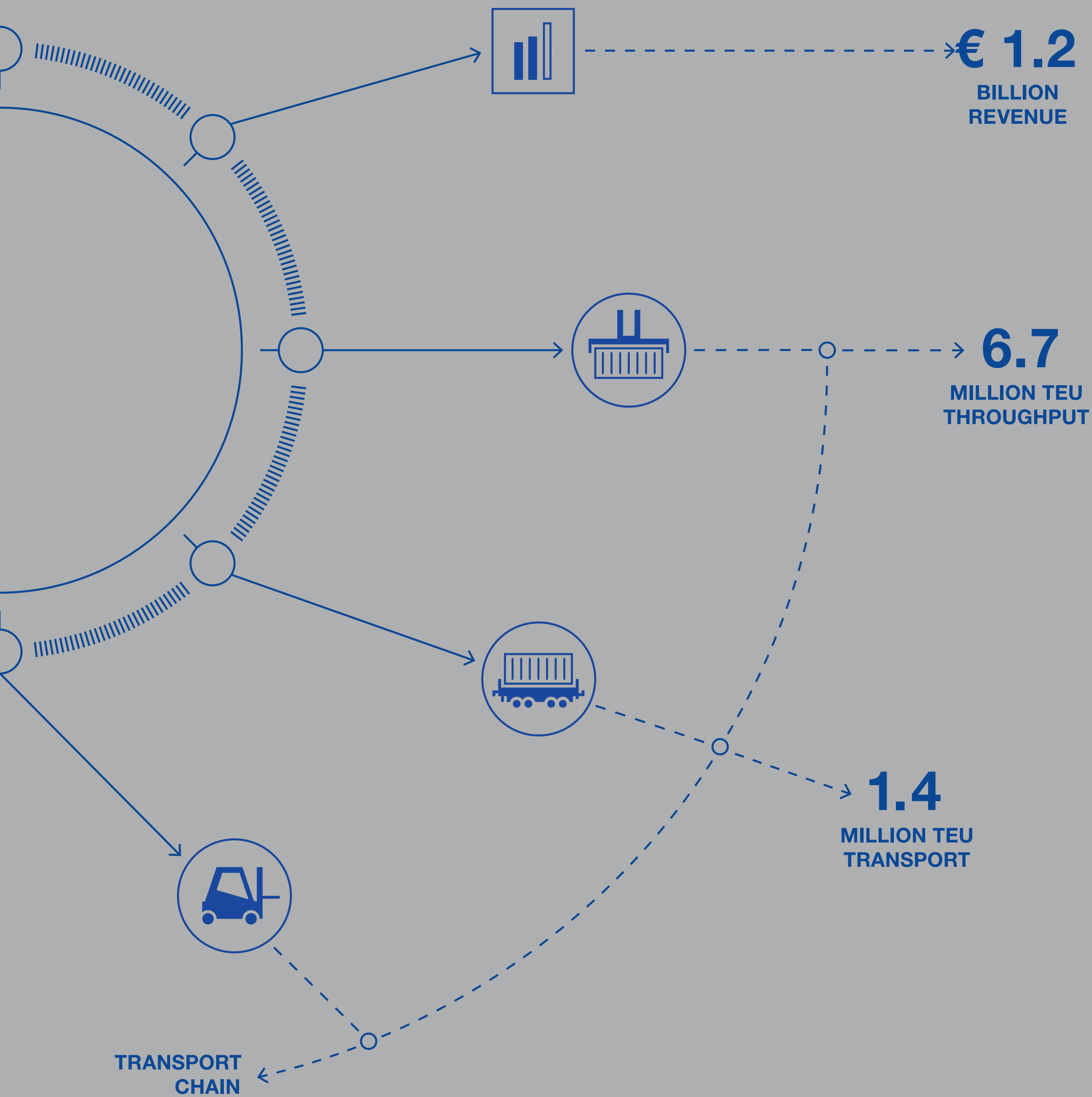
HHLA

ANNUAL REPORT 2016

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT



HHLA Segments

Container

€ 694.6 million
Revenue

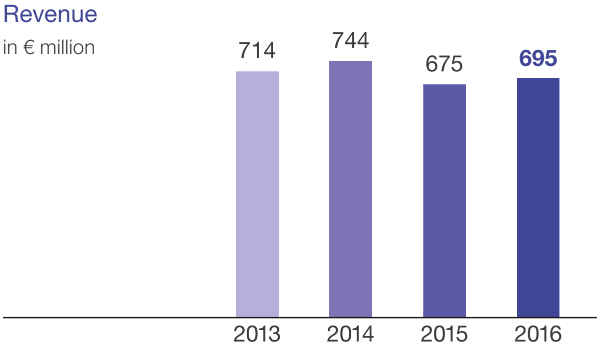
59 %
Share of revenue

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

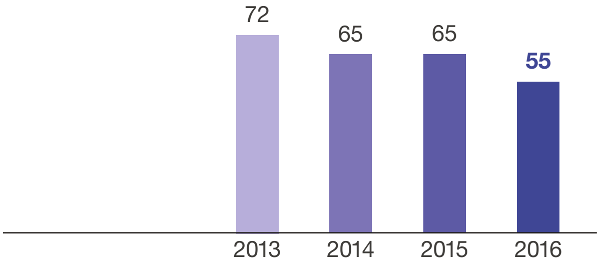
5 %
Share of revenue

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

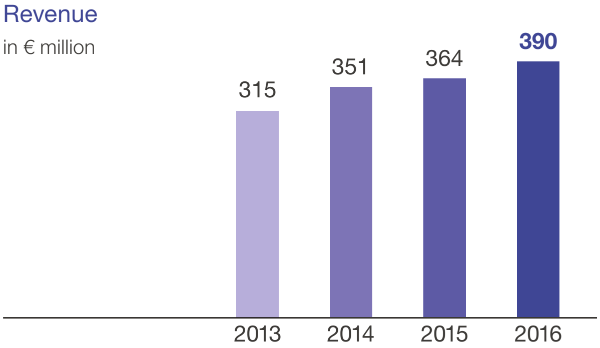
33 %
Share of revenue

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 %

Revenue
in € million



Real Estate

€ 37.7 million
Revenue

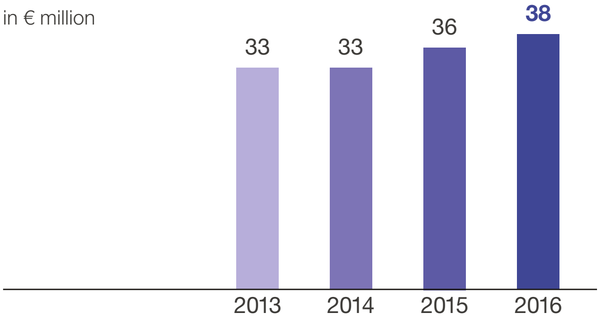
3 %
Share of revenue

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

Revenue
in € million



HHLA Key Figures

in € million	HHLA Group 2016	2015	Change
Revenue and Earnings			
Revenue	1,177.7	1,141.8	3.1 %
EBITDA	286.4	281.4	1.8 %
EBITDA margin in %	24.3	24.6	- 0.3 pp
EBIT	164.0	156.5	4.8 %
EBIT margin in %	13.9	13.7	0.2 pp
Profit after tax	105.1	95.8	9.6 %
Profit after tax and minority interests	73.0	66.7	9.5 %
Cash flow statement and Investments			
Cash flow from operating activities	234.6	195.3	20.1 %
Investments	138.3	145.5	- 4.9 %
Performance data			
Container throughput in thousand TEU	6,658	6,561	1.5 %
Container transport in thousand TEU	1,408	1,318	6.8 %

in € million	31.12.2016	31.12.2015	Change
Balance sheet			
Balance sheet total	1,812.9	1,750.4	3.6 %
Equity	570.8	580.6	- 1.7 %
Equity ratio in %	31.5	33.2	- 1.7 pp
Employees			
Number of employees	5,528	5,345	3.4 %

	Port Logistics Subgroup[1, 2]			Real Estate Subgroup[1, 3]		
in € million	2016	2015	Change	2016	2015	Change
Revenue	1,146.0	1,111.0	3.1 %	37.7	36.5	3.2 %
EBITDA	265.3	261.2	1.6 %	21.1	20.2	4.4 %
EBITDA margin in %	23.2	23.5	- 0.3 pp	56.0	55.4	0.6 pp
EBIT	147.6	141.1	4.7 %	16.0	15.2	5.9 %
EBIT margin in %	12.9	12.7	0.2 pp	42.6	41.5	1.1 pp
Profit after tax and minority interests	63.7	58.9	8.1 %	9.3	7.7	20.2 %
Earnings per share in €[4]	0.91	0.84	8.1 %	3.44	2.86	20.2 %
Dividend per share in €[5]	0.59	0.59	0.0 %	2.00	1.75	14.3 %

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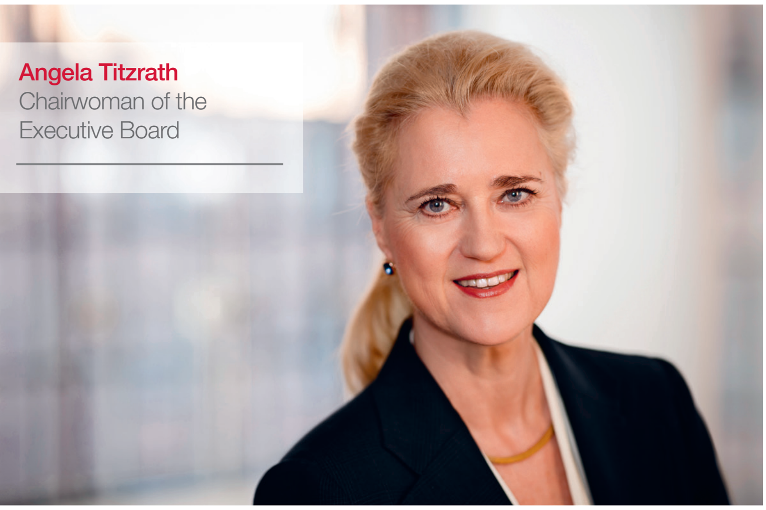
Letter to the Shareholders



Ladies and Gentlemen,

I took over as Chair of the Executive Board of Hamburger Hafen und Logistik AG (HHLA) on 1 January 2017. In this new role, I am delighted to extend a warm welcome to you and present our Annual Report for 2016.

The development of the global economy and global trade was weak in the past financial year. Growth rates were down on the prior-year figures. There was a lack of momentum in both China and Russia – two critical economies for the Port of Hamburg. In China, growth once again fell short of the prior-year rate. Although the Russian economy picked up slightly, it was still mired in recession. In this environment and given the weak growth rates for container throughput and expanded capacities, competition between the European ports intensified further. It was also an eventful year for our shipping customers.

In view of these conditions, I am pleased to inform you that HHLA slightly exceeded its earnings forecast for the 2016 financial year. At Group level, we generated revenue of almost € 1.2 billion and an operating result (EBIT) of approximately € 164 million. Revenue grew by over 3 percent compared with the previous year and the operating result by just under 5 percent.

Throughput in the Container segment rose by 1.5 percent to almost 6.7 million standard containers (TEU) in the reporting period. HHLA's container terminals in Hamburg recorded a 1.1 percent increase in throughput, while our Ukrainian terminal in Odessa posted significant volume growth of over 10 percent. The volume increases in Hamburg are primarily attributable to feeder traffic with the Baltic sea ports.

The container transport activities of our Intermodal companies continued to make very successful progress. At 1.4 million TEU, the previous year's volume was exceeded by almost 7 percent. This growth was driven by our rail companies.

The Executive and Supervisory Boards of HHLA will therefore propose a dividend of € 0.59 per entitled Class A share for the 2016 financial year for the listed shares of the Port Logistics subgroup at the Annual General Meeting on 21 June 2017. Together with the dividends for the non-listed Class S shares of the Real Estate subgroup, HHLA would therefore be distributing a total of € 46.7 million to its shareholders.

Major challenges lie ahead for HHLA. Following the decision of the Federal Administrative Court in Leipzig, we are still waiting for the dredging of the river Elbe. This infrastructure project must be implemented as soon as possible so that we and our customers can plan reliably. Our shipping customers in particular are in the middle of a consolidation process and we cannot yet predict the impact this will have on our business. The outlook for the global economy in 2017 shows an upward trend for all key indicators. At the same time, however, we see political uncertainty that may have consequences for the global division of labour and international trade. To what extent this will impact our business environment remains to be seen.

However, we expect for the 2017 financial year container throughput to remain nearly on previous year level. We are confident that the positive trend in container transport will continue. This should lead to Group revenue on a par with the previous year. For an organizational restructuring we might use financial resources once to make the company sustainably fit for the future. Irrespective of this, the Executive Board forecasts a consolidated operating result (EBIT) in a range between € 130 million and € 160 million.

HHLA is a financially sound company and has proved many times in its long history that it is capable of keeping pace with and shaping change processes, as well as systematically exploiting the opportunities that arise. We will continue to fine-tune our strategy continuously and sustainably with a sense of calm and confidence while successfully steering the company through the coming year and into the future.

Yours,

Angela Titzrath
Chairwoman of the Executive Board

The Executive Board

Dr. Roland Lappin	Dr. Stefan Behn	Angela Titzrath Chairwoman (since 1 January 2017)	Klaus-Dieter Peters Chairman (until 31 December 2016)	Heinz Brandt
Responsibility	Responsibility	Responsibility	Responsibility	Responsibility
Finance and Controlling (including Organisation) Investor Relations Internal Audit Real Estate Segment	Container Sales Container Operations Container Engineering Information Systems	Corporate Development Corporate Communications Sustainability Intermodal Segment Logistics Segment	Corporate Development Corporate Communications Sustainability Intermodal Segment Logistics Segment	Human Resources Purchasing and Materials Management Health and Safety in the Workplace Legal and Insurance (including Compliance)

Dear shareholders,

In the following I would like to report on the work performed by the Supervisory Board in the 2016 financial year.

Working Relationship between the Supervisory Board and the Executive Board

In the 2016 financial year, the Supervisory Board fulfilled the responsibilities assigned to it by law, the company articles of association and rules of procedure, and the German Corporate Governance Code. The Supervisory Board continuously monitored the Executive Board's management of business, provided advice on the company's further strategic development as well as on important individual measures, and assured itself that the management of the company is lawful, proper and appropriate. It also constantly monitored the organisation of the company and the Group, the risk management system and the economic viability of management activities, and itself satisfied that all of them were fit for purpose.

The Supervisory Board was involved in all decisions of major significance for HHLA and the Group. The Executive Board provided the Supervisory Board with prompt, regular and comprehensive information on all major developments, especially the situation of HHLA and the Group, corporate planning, fundamental issues of company policy and strategy, investment plans and personnel. The Chairman of the Supervisory Board was also regularly in touch with the Executive Board between meetings and was informed about planning and strategy, the current business situation, significant transactions, the risk position, risk management and compliance. After conducting their own examination and in-depth discussions with the Executive Board, the Supervisory Board or Supervisory Board committees approved all of the measures submitted to them for approval by the Executive Board in accordance with the law, the articles of association and the Executive Board's rules of procedure.

The Work of the Supervisory Board

In the 2016 financial year the Supervisory Board held four routine meetings and two special meetings.

Regular topics at each of the routine meetings are the current revenue, earnings and liquidity development and the current business situation of the company, the Group and the individual segments, including the risk position, risk management and compliance. During the meetings, the Executive Board informed the Supervisory Board about the economic, financial and strategic position of the company and the Group, the company's strategy in Germany and abroad, as well as significant developments and events. The other focal points of the meetings during the reporting period can be summarised as follows:

The **financial statements meeting held on 23 March 2016** concentrated on the auditing and approval of HHLA's annual financial statements, including the individual divisional financial statements for the A and S divisions, the consolidated financial statements including the subgroup financial statements, the combined management report of HHLA and the Group, as well as the reports on transactions with related parties and on the relationship between the A and S divisions for the 2015 financial year. Representatives of the auditors were present at this meeting. They reported on the main results of their audit and were available to answer questions. The Supervisory Board also discussed the Executive Board's proposal on the appropriation of profit and the proposal made by the Audit Committee regarding the election of the auditor for the 2016 financial year. Other topics included the Supervisory Board's report to the Annual General Meeting, the Corporate Governance Report and the agenda for the 2016 Annual General Meeting. Lastly – following preparations by the Finance Committee – the Supervisory Board examined various investment projects at this meeting, especially the acquisition of additional wagons by the METRANS Group and HHLA increasing its interest in METRANS, a.s. by means of METRANS, a.s. purchasing and subsequently redeeming treasury shares.

At the **special meeting on 25 April 2016** – following preparations by the Personnel Committee – the Supervisory Board discussed in detail the appointment of Ms. Titzrath as Mr. Peters' successor and appointed Ms. Titzrath as the new Chairwoman of HHLA's Executive Board, effective as of 1 January 2017.

At the second routine **meeting on 8 June 2016**, the Supervisory Board mainly dealt with the situation of the HHLA Group, the reorganisation of existing shipping alliances, the new legal requirements regarding audits and Executive Board matters.

The **meeting on 9 September 2016** concentrated once again on the situation of the HHLA Group and particularly the Container segment, including the consequences of the Hanjin shipping line's insolvency, the reorganisation of shipping alliances and the general concentration processes under way in the shipping sector. In addition to this, the Supervisory Board dealt with the cessation of trading at HHLA Logistics GmbH and – in connection with this – the premature termination of the lease with Hamburg Port Authority for space at the Übersee-Zentrum. Following an extensive discussion, the Supervisory Board approved these proposals.

At the second **special meeting on 12 October 2016**, the Supervisory Board discussed Executive Board matters, in particular the question of whether to fill the position vacated by Dr. Behn after he announced that he would leave the Executive Board as of 31 March 2017. Not least with regard to the current market environment and the forthcoming challenges, the Supervisory Board decided to fill this position and tasked the Personnel Committee with searching for suitable candidates. ▶ see Personnel Changes, page 26

At the **last meeting on 9 December 2016**, the Supervisory Board examined in detail the budget for 2017 and the medium-term planning for 2018 to 2021, each in relation to the Group and the Port Logistics and Real Estate subgroups. In connection with this – following preparations by the Real Estate Committee – a contingent authorisation to allow the Real Estate division to take out loans was approved. Another focus was a discussion of the findings of the risk inventory and the risk management system. Furthermore, the Supervisory Board closely dealt with corporate governance issues and approved the annual declaration of compliance with the German Corporate Governance Code. Finally, the Supervisory Board agreed to HHLA underwriting guarantees in connection with subsidised measures and set various dates for the managerial bodies in 2017.

As a general rule, Supervisory Board meetings are attended by all of its members and – provided Executive Board matters or internal Supervisory Board topics are not discussed – all of the members of the Executive Board as well. The rounded average attendance at the meetings of the Supervisory Board and its committees in the reporting period was 94 %. None of the Supervisory Board members attended only half or fewer of the meetings of the Supervisory Board or committees of which they are members. No conflicts of interest regarding members of the Executive Board or the Supervisory Board arose in the reporting period. No member of the Supervisory Board is a former member of the company's Executive Board.

Committee Work

The Supervisory Board has set up a total of six committees: the Finance Committee, the Audit Committee, the Real Estate Committee, the Personnel Committee, the Nomination Committee and the Arbitration Committee. They prepare the resolutions of the Supervisory Board in full council and, to the extend permitted, make decisions on behalf of the Supervisory Board in certain cases. The chairs of the committee report to the Supervisory Board about the committees' activities at the respective next Supervisory Board meeting. With the exception of the Nomination Committee, all of the committees include an equal number of shareholder and employee representatives. ▶ see also Note 49 in the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146

The **Finance Committee** met a total of four times in the reporting period: in March, May, August and November 2016. It regularly looked at the Group's financial results as well as its general financial and earnings position. During the period under review, the Finance Committee also examined various investments, especially the acquisition of additional wagons by the

Prof. Dr. Peer Witten
Chairman of the Supervisory Board

METRANS Group and the purchase and subsequent redemption of METRANS shares by METRANS, a.s., which increased HHLA's stake in METRANS, a.s. to approximately 90 %. Lastly, the November meeting focused on a detailed preliminary check of the 2017 budget, the medium-term planning for 2018 to 2021, and the underwriting of guarantees by HHLA in connection with subsidised measures.

The **Audit Committee** held four meetings in the reporting period. The first key issues were a detailed discussion and examination of HHLA's Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the 2015 financial year (March meeting) as well as the Half-year Financial Report for 2016 and its review (August meeting). Representatives of the auditors were present at both meetings. They reported on the results of the audit or review and were available to answer questions. During the period under review, the committee also concentrated on the interim statements for the first and third quarters, the work performed by Internal Audit and the effectiveness of the internal control system. At its last meeting, the Audit Committee concentrated primarily on the focus areas for the audit of the Annual and Consolidated Financial Statements for the 2016 financial year, the findings of the 2016 risk inventory, the planning of the 2017 internal audit, preparing the declaration of compliance with the German Corporate Governance Code and the Annual Report by HHLA's Compliance Officer. The meetings in the year under review also addressed the impact of the EU Audit Regulation, the EU Audit Directive and the audit reform legislation. The Audit Committee looked closely at the new amended requirements and took appropriate precautions to comply with these requirements, in particular to monitor the auditors' independence and to supervise and approve non-audit services rendered by the auditors. As it has long been standard practice at HHLA to rotate the auditor regularly, the Audit Committee had already looked carefully at the selection of a new auditor in the 2015 financial year. Following a diligent selection procedure, the committee had recommended that the Supervisory Board propose to the Annual General Meeting on 16 June 2016 that PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg (PwC) be elected as the auditor for HHLA and the Group for the 2016 financial year and the review of the Group's half-yearly financial report.

In addition to the committee members, the meetings of both the Finance Committee and the Audit Committee are regularly attended by the Chief Executive Officer and the Chief Financial Officer. HHLA's Compliance Officer also regularly attends the meetings of the Audit Committee, where he reports about his activities, keeps the committee abreast of current developments, and is available to answer questions. Other participants such as representatives of the auditors or Internal Audit attend meetings as necessary. The Chairman of the Audit Committee is also regularly in touch with the auditors and the Chief Financial Officer between meetings.

The **Real Estate Committee** met twice in the 2016 financial year. It focused in each case related to the Real Estate subgroup (S division) on the general development of business and the discussion and audit of HHLA's Annual Financial Statements – including the separate financial statements of the S division – as well as the Consolidated Financial Statements, the Combined Management Report and the Separate Financial Statements of the real estate companies for the 2015 financial year (March meeting). The committee also dealt with the budget for the 2017 financial year and the medium-term planning for 2018 to 2021 (November meeting).

The **Personnel Committee** convened a total of 13 times in the reporting period to prepare the personnel decisions to be taken by the Supervisory Board. In addition to the extension of Mr. Brandt's term of office, the matters under discussion primarily included the search for suitable candidates to succeed Mr. Peters, who left office on 31 December 2016, and Dr. Behn, who will leave the Board on 31 March 2017.

The **Nomination Committee** met twice in the year under review to prepare the decisions to be taken by the Supervisory Board regarding candidates to be proposed for the election of shareholder representatives to the Supervisory Board. During the reporting period, this concerned the election of Dr. Bösinger by the Annual General Meeting on 16 June 2016 and preparations preceding the election of new Supervisory Board members in 2017.

There was no reason for the **Arbitration Committee** to convene in the year under review.

Corporate Governance

The annual declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) was discussed in detail and prepared together with the Executive Board at the Audit Committee meeting on 25 November 2016 before being adopted by the Supervisory Board at its meeting on 9 December 2016. The joint declaration of compliance by the Executive Board and the Supervisory Board dated 9 December 2016 is permanently available to the general public on the HHLA website www.hhla.de/en/investor-relations/corporate-governance.

Detailed information about the declaration of compliance and corporate governance can also be found in the Corporate Governance section of the Management Report, which contains the Corporate Governance Report for 2016 and the combined Corporate Management Declaration for HHLA and the Group in accordance with Section 289a of the German Commercial Code (HGB) and Section 315 (5) in conjunction with Section 289a HGB. ▶ see Corporate Governance, page 50

Audit of Financial Statements

In line with the Supervisory Board's election proposal and the Audit Committee's recommendation, the Annual General Meeting on 16 June 2016 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as of 1 March 2017), Hamburg (PwC), to conduct the audit of the Annual and Consolidated Financial Statements for the 2016 financial year and to conduct the review of the Condensed Financial Statements and the Interim Management Report of the Group for the first half of the 2016 financial year. The Audit Committee then negotiated the audit assignment, defined the focus areas of the audit and awarded the assignment in line with the legal requirements and the recommendations of the German Corporate Governance Code. In particular, the Audit Committee satisfied itself of the independence of the auditors and acquired a declaration of independence to this effect before awarding the assignment.

The auditors carried out an audit of HHLA's Annual Financial Statements for the 2016 financial year as provided by the Executive Board, including the divisional financial statements for the A division (Port Logistics subgroup) and the S division (Real Estate subgroup) presented as part of the Notes, in line with the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements for the 2016 financial year including the subgroup financial statements for the A and S divisions in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union, and the Combined Management Report for HHLA and the Group for the 2016 financial year. They issued an unqualified opinion with respect to each of the foregoing.

The auditors also audited the report prepared by the Executive Board on company transactions with related parties for the 2016 financial year in line with Section 312 of the German Stock Corporation Act (AktG), delivered a written report on their findings and, having no objections to make, gave the report the following unqualified opinion:

"On the basis of our audit and in our professional opinion we confirm that (1) the factual statements in the report are correct, (2) the consideration paid by the company for the transactions mentioned was not inappropriately high, and (3) the measures detailed in the report give us no grounds to reach a substantially different opinion to that of the Executive Board."

Finally, the auditors audited the report prepared by the Executive Board in line with Article 4 (5) of the articles of association applied analogously to Section 312 of the German Stock Corporation Act (AktG) on the relationship between the A division and the S division for the 2016 financial year, delivered a written report on their findings and, having no objections to make, gave the report the following unqualified opinion:

"On the basis of our audit and in our professional opinion we confirm that (1) the factual statements in the report are correct, (2) the consideration paid by the company for the transactions mentioned was not inappropriately high."

The Annual Financial Statements including the divisional financial statements, the Consolidated Financial Statements including the subgroup financial statements, the Combined Management Report for HHLA and the Group, the report on transactions with related parties, the report on the relationship between the A and S divisions and the auditors' reports – each with respect to the 2016 financial year – were distributed to all members of the Supervisory Board as soon as they had been prepared and audited.

Each of the above-mentioned financial statements and reports was explained by the Executive Board at the relevant meetings of the Audit and Real Estate Committees on 17 March 2017 and at the Supervisory Board's financial statements meeting held on 24 March 2017. They were subsequently discussed in detail by the committees and the Supervisory Board as a whole. Representatives of the auditors were present at the meetings, where they reported on the key findings of the audit, including the conclusions regarding the internal control and risk management systems with respect to the accounting processes. They were also available to answer questions. In connection with this, the auditors also reported on the nature and scope of other services rendered by them. According to the auditor's representatives, there were no circumstances demonstrating any bias of the auditor. At the Supervisory Board's financial statements meeting, the chairs of the Audit and Real Estate Committees reported in detail on the audit of the financial statements and the committees' reports. Furthermore, they recommended that the Supervisory Board as a whole approve the financial statements and reports.

Having discussed the course of the audit and its results in detail, and after an in-depth review of the auditors' reports in full council and on the basis of the Supervisory Board's review and evaluation of the financial statements and reports, the results of the audit in line with the recommendations of the Audit Committee and the Real Estate Committee were approved. Following the Supervisory Board's review, there are objections to make to the Annual Financial Statements including the divisional financial statements, the Consolidated Financial Statements including the subgroup financial statements, and the Combined Management Report for the 2016 financial year. Accordingly, the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report were approved at the meeting on 24 March 2017. HHLA's Annual Financial Statements for the 2016 financial year have therefore been adopted. Following the Supervisory Board's review, there were also no objections to make to the Executive Board's statements on related parties and on the relationship between the A and S divisions.

The Executive Board's proposal for appropriation of the distributable profit was analysed in detail and discussed with the Executive Board at the meetings of the Audit Committee – for the A division – and the Real Estate Committee – for the S division – on 17 March 2017 and at the Supervisory Board's financial statements meeting on 24 March 2017, particularly with respect to the development in earnings and financial planning as well as shareholders' interests. After conducting its own review, the Supervisory Board endorsed the Executive Board's proposal for appropriation of the distributable profit, thus following the recommendations of the Audit and Real Estate Committees. Together with the Executive Board, the Supervisory Board will propose to the Annual General Meeting that a dividend of € 0.59 per dividend-entitled Class A share and € 2.00 per dividend-entitled Class S share be distributed from distributable profit for the 2016 financial year.

Personnel Changes

There were three changes to the Supervisory Board in the reporting period: After Mr. Stephan Möller-Horns resigned with effect as of 9 February 2016, Dr. Rolf Bösinger was appointed by court order as his successor effective as of 18 February 2016. On 16 June 2016, the Annual General Meeting then elected him to the Supervisory Board for Mr. Möller-Horns' remaining term of office. Among the employee representatives, Mr. Arno Münster and Mr. Frank Ladwig resigned their seats with effect as of the expiry of 14 and 25 July 2016 respectively.

They were succeeded on the Supervisory Board by the previous substitute members Andreas Kummer (as of 15 July 2016) and Thomas Nahr (as of 26 July 2016). In the course of these personnel changes, there were also a number of changes to the make-up of the Supervisory Board committees. ▶ see also Note 49 of the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146 The Supervisory Board would like to thank Mr. Möller-Horns, Mr. Münster and Mr. Ladwig for their good work and dedication to the

Supervisory Board. On the Executive Board, the previous Chairman, Mr. Klaus-Dieter Peters, left the Executive Board at the end of the year. The Supervisory Board appointed Ms. Angela Titzrath to the Executive Board as his successor, initially as a regular member starting on 1 October 2016 and then as Chairwoman of the Executive Board effective as of 1 January 2017. Furthermore, Mr. Brandt's term of office was extended by a further five years. Lastly, Dr. Behn informed the Supervisory Board in September 2016 that he will resign from the Executive Board as of 31 March 2017. As a result, the Supervisory Board and the Personnel Committee initiated the steps necessary to find a successor to fill this position and appointed Mr. Jens Hansen as Chief Operating Officer to the Executive Board for an initial period of three years with effect as of 1 April 2017. The Supervisory Board would like to thank Mr. Peters and Dr. Behn for their long-term, successful work for HHLA.

Finally, on behalf of the Supervisory Board, I would like to take this opportunity to thank the members of the Executive Board and all Group employees for their work in the 2016 financial year, and our shareholders and business partners for the trust they have placed in us.

Hamburg, 24 March 2017
The Supervisory Board

Prof. Dr. Peer Witten
Chairman of the Supervisory Board

Members of the Supervisory Board

Prof. Dr. Peer Witten
Chairman of the Supervisory Board
Former member of the Otto Group Executive Board

Wolfgang Abel
Vice Chairman
Trade union secretary, ver.di Hamburg

Torsten Ballhause
Local manager of the Transport division, ver.di Hamburg

Petra Bödeker-Schoemann
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Dr. Rolf Bösinger (since 18 February 2016)
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Dr. Bernd Egert
Former State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Holger Heinzel
Director of Finance and Controlling at HHLA

Dr. Norbert Kloppenburg
Member of the Executive Board of KfW Bankengruppe

Andreas Kummer (since 15 July 2016)
Chairman of the works council of HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH

Frank Ladwig (until 25 July 2016)
Chairman of the Group works council and the works council of HHLA Container Terminal Tollerort GmbH (until 31 January 2017 in each case)

Stephan Möller-Horns (until 9 February 2016)
Departmental head at the Hamburg Ministry for the Economy, Transport and Innovation

Arno Münster (until 14 July 2016)
Port technician, Hamburg

Thomas Nahr (since 26 July 2016)
Member of the joint works council of HHLA

Norbert Paulsen
Chairman of the joint works council of HHLA

Dr. Sibylle Roggencamp
Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

▶ *see also Note 49 in the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146*

The HHLA Share

Key Figures HHLA Share

in €, Class A shares, Xetra	2016	2015
Closing price	17.70	14.06
Performance in %	25.9	- 18.5
Highest price	17.88	21.37
Lowest price	11.95	12.79
Average daily trading volume	43,143	68,040
Dividend per Class A share[1]	0.59	0.59
Dividend yield as of 31.12. in %	3.3	4.2
Number of listed Class A shares in thousand	70,048.8	70,048.8
Market capitalisation as of 31.12. in € million	1,239.9	984.9
Price-earnings-ratio as of 31.12.	19.5	16.7
Earnings per share	0.91	0.84

1 Dividend proposal for 2016

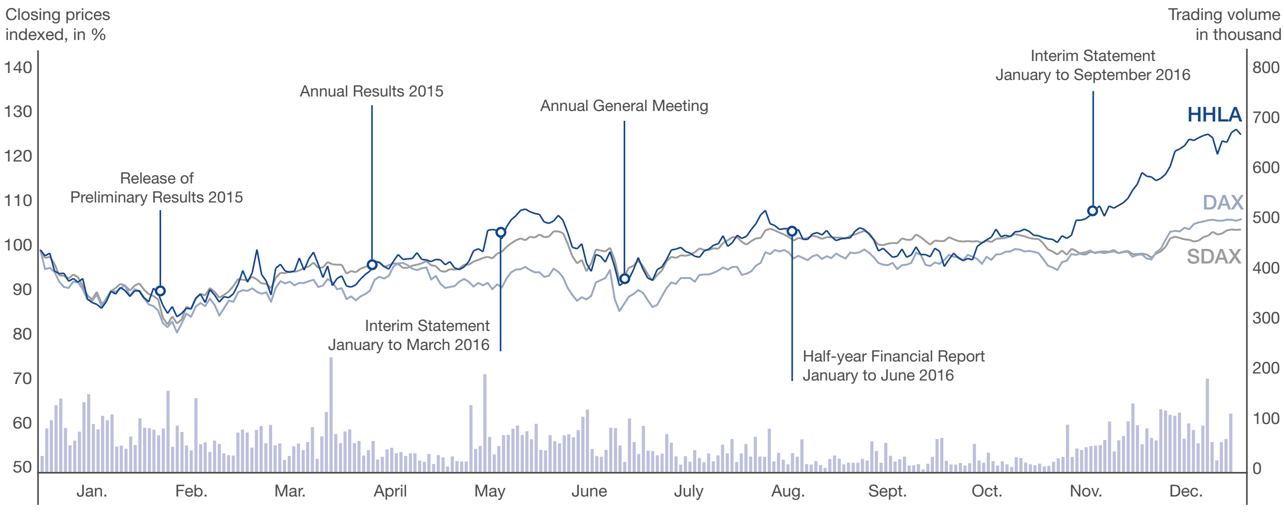
Stock Markets Up in 2016 with Strong Year-End

Following a weak start, the German leading indices enjoyed modest growth over the course of 2016 and closed the year with a clear gain after a strong year-end rally. However, growth was less dynamic than in the previous year. The stock markets got off to a very weak start in 2016, with the DAX recording its worst opening months for 25 years. These marked losses were caused by the further slide in oil prices and weak economic data from China. As a consequence, the DAX fell to its year-low of 8,753 points in mid-February. However, the continuation of the European Central Bank's (ECB) expansionary monetary policy and recovered oil prices helped the DAX regain stability. By mid-April, the leading index was able to return to its year-opening level and stabilise at around 10,000 points. The index was buoyed by the weak euro exchange rate and a moderate rise in oil prices at the end of May. However, these gains were lost again amid nervous trading in the run-up to the Brexit vote in June. The United Kingdom's decision to leave the European Union surprised the financial markets and had a negative impact on share prices. As a result, the DAX tumbled to 9,269 points. In July, share prices were driven up by positive economic data from the USA and the ECB's ongoing low-interest policy. They remained volatile, however. The DAX largely moved sideways from mid-August onwards. Despite a fundamentally positive economic trend, the markets seemed to lack the necessary momentum and consequently displayed little change. As the US presidential election approached, the markets were initially cautious. Catch-up effects following the victory of the Republican candidate prompted strong gains in the indices. The Dow Jones reached a new all-time-high in November, which also had a positive effect on Germany's leading indices. The DAX recorded growth of approximately 4 % within the space of two weeks. Stock market prices continued to rally in December, lifting the DAX to a year-high of 11,481 points at close of trading on 31 December 2016 – corresponding to year-on-year growth of 6.9 %. The SDAX stood at 9,519 points on the reporting date, up 4.6 %.

HHLA Share Price Rises by Approximately 26 %

Although the HHLA share had stabilised at around € 14 towards the end of 2015, it was unable to escape negative market sentiment and lost considerable ground at the beginning of the year. Although the preliminary figures published in early February met with a positive market response overall, they were unable to halt the downwards trend. The share consequently reached a new all-time-low of € 11.95 in mid-February but regained this lost ground during the subsequent market recovery. Nevertheless, the share price remained volatile and fluctuated strongly between € 13 and € 14. As the annual results for 2015 published at the end of March were in line

Share Price Development 2016



Source: Datastream

with market expectations, they had no impact on the share's performance. It took until mid-May, when the figures for the first quarter of 2016 were published, for the HHLA share to break through the € 14 mark again, outperforming the market over the remaining weeks of the month. In the first half of June, however, the HHLA share was affected by increasingly tense market sentiment. In this environment, the announcement that there would be a hearing at the Federal Administrative Court in Leipzig regarding the dredging of the river Elbe in December 2016 failed to maintain the share price. The downwards trend was halted temporarily in the run-up to the Annual General Meeting on 16 June 2016. However, the usual ex-dividend markdown took the share price to € 13.38 the next day. Following a brief period of stability, the HHLA share was unable to withstand negative market forces and dipped below the € 13 mark again. In July, the share price was primarily driven by the recovering markets and had stabilised at € 14.50 by mid-August. The price subsequently developed largely in line with the indices until mid-September. Amid the general downwards trend, the share fell below € 14 again. It took until the end of September for the price to bottom out at a closing price of € 13.54. The share price had caught up with the index trend by mid-October and was quoted at between € 14.50 and € 15 until early November. Uncertainty surrounding the outcome of the US presidential election exerted increasingly downward pressure on the benchmark indices, and to some extent on the HHLA share price. Amid positive post-election sentiment, the HHLA share was further buoyed by upgraded and more specific guidance for the 2016 financial year announced on 10 November together with the figures for the first nine months. The forthcoming hearing at the Federal Administrative Court also reawakened investor interest in HHLA, enabling the share to easily outperform the benchmark indices during the course of December. The HHLA share reached its year-high of € 17.88 one day before year-end and closed at € 17.70 on 30 December 2016. The HHLA share therefore gained 25.9 % year-on-year.

Shareholder Base Still Widely Spread

HHLA's shareholder base remained largely stable in 2016. In terms of the listed Class A shares, the Free and Hanseatic City of Hamburg remained the company's largest shareholder with an unchanged stake of 68.4 %. The free float portion amounted to 31.6 %. According to the voting rights notifications submitted to HHLA as of the end of 2016, the US investor First Eagle Investment Management LLC owned 5.2 % of free floating shares, pushing it above the statutory reporting thresholds. The proportion of daily traded shares attributable to retail investors was nearly unchanged from the previous year: 8.7 % of the share capital was held by private investors at the end of the year (previous year: 8.8 %). By contrast, institutional investors continued to hold the majority of free floating shares, with 22.9 % of all shares (previous year: 22.8 %). Overall, HHLA's share capital remained widely distributed among some 28,500

Basic Data HHLA Class A-Share

Type of shares	No-par-value registered shares
ISIN / SIC	DE000A0S8488 / A0S848
Symbol	HHFA
Stock exchanges	Frankfurt am Main, Hamburg
Segment	Prime Standard
Sector	Transport & Logistics
Index affiliation	SDAX
Ticker symbol Bloomberg / Reuters	HHFA:GR / HHFGn.de

registered shareholders. In regional terms, the largest free float shareholders were based primarily in Germany, the USA, the UK and mainly other countries in continental Europe.

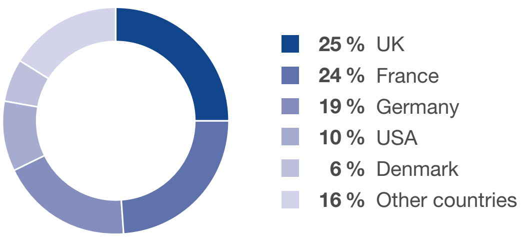
Dialogue with Capital Market Maintained

Rapid reaction times, an ability to provide comprehensive information and an open dialogue with financial analysts and investors remained key to HHLA's investor relations (IR) activities in 2016, given the persistently volatile industry environment. In order to serve the needs of both institutional and private investors, HHLA attended a number of investor conferences in the key financial cities of Frankfurt, London and New York as well as various private investor events in Germany. These initiatives were supplemented by roadshows in London and Paris. Investors were also invited to a large number of meetings at the company's headquarters in Hamburg. The information on offer and discussion opportunities met with considerable interest. Furthermore, the Executive Board provided details on business developments during quarterly conference calls.

With its proactive approach to communications, the Investor Relations department maintains a close dialogue with shareholders and potential investors. In addition to informing interested members of the public, the IR team also responds to issues of particular relevance to investors. In the 2016 financial year, HHLA's investors were particularly interested in the current status of proceedings regarding the dredging of the river Elbe and the various possible verdicts. Numerous enquiries were also made into cost-cutting potential and how the economic slowdown and negative growth in China and Russia would

Coverage of IR Activities

in 2016 by region



affect business developments at HHLA. The formation of new shipping alliances and the consequences for both capacity utilisation at HHLA and the company's negotiating position were also discussed at length.

HHLA has been offering a full HTML version of its Annual Report in addition to existing services such as the IR website and Twitter updates since 2016. The switch from print to online enables all stakeholders to navigate information interactively, search for content in a targeted manner and compile this information as desired. The 2015 Annual Report received Gold in the FOX Finance Awards, with the jury praising in particular its transparency and usability.

HHLA Share Still of Interest for Analysts

The number of analysts covering HHLA's business development and issuing research reports and recommendations fell to 17 in the course of the year. This means that the HHLA share still has above-average coverage for an SDAX company. Approximately three quarters of analysts recommend the HHLA share as a buy or a hold, citing the Intermodal business in particular as well as the growth potential of dredging the navigation channel as possible value drivers. Analysts with a sell recommendation mainly emphasise the increasingly intense competition among North Range ports, limited cost flexibility and the risks associated with the continued delay in the dredging of the river Elbe.

HHLA places great value on broad and well-informed coverage of its share by financial analysts as this enhances investors' understanding of the company's business model and ensures a comprehensive range of sentiments. HHLA therefore remains in close contact with all financial analysts and constantly strives to expand the number of independent studies conducted.

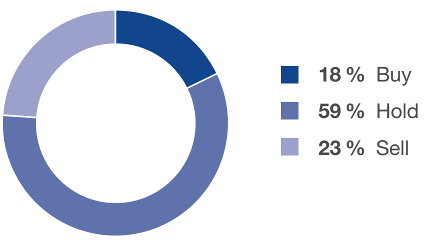
Payout Ratio at a High Level

The ninth Annual General Meeting since HHLA's initial public offering in 2007 was held in Hamburg on 16 June 2016. Approximately 850 shareholders or 84 % of the nominal capital were represented (previous year: 83 %). The resolutions proposed by the Supervisory Board and the Executive Board were all adopted by the shareholders present with large majorities. These included a motion to distribute a dividend of € 0.59 per entitled share of the listed Port Logistics subgroup (Class A share). HHLA therefore distributed dividends totalling € 41.3 million (previous year: € 36.4 million). This corresponded to a payout ratio of approximately 70 % of the Port Logistics subgroup's net profit after minority interests for the year. The dividends were paid out to the shareholders on 17 June 2016. Based on its closing price of € 13.65 on the day of the Annual General Meeting, the HHLA share achieved a dividend yield of 4.3 %, putting it in the top ten of the SDAX.

On the basis of the earnings achieved in 2016, the Executive Board and Supervisory Board will propose a dividend of € 0.59 per Class A share at the Annual General Meeting to be held on 21 June 2017. A total of € 41.3 million would therefore be distributed, as in the previous year. In an external comparison, the payout ratio would remain high at 65 %. HHLA would therefore continue to pursue its dividend policy of distributing between 50 and 70 % of the Port Logistics subgroup's relevant net profit for the year to its shareholders.

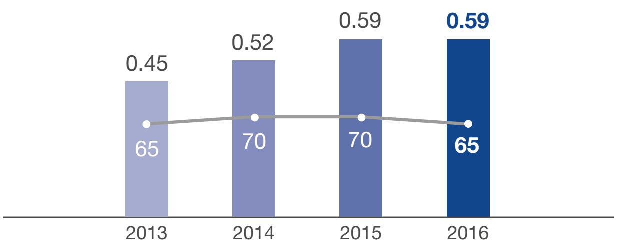
Recommendation by Financial Analysts

as of 31.12.2016



Development of Dividend and Payout Ratio

per listed Class A share in € / payout ratio in %



2016: Dividend proposal

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 via rail and truck in the ports' hinterland
- Loading and unloading of carriers
- Operation of inland terminals

Logistics
Segment
- Special handling of bulk cargo, general cargo, vehicles, fruit etc.
- 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 –

31.6 %	68.4 %
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

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

100 %

Group Structure

Hamburger Hafen und Logistik AG (HHLA) is one of Europe's leading port and transport 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 to participate in the result and net assets of these operations. The Real Estate subgroup includes those HHLA properties that 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 conducted by the 32 domestic and 14 foreign subsidiaries and associated firms that make up the consolidated group. ▶ see also Note 3, page 83 of the Notes to the Consolidated Financial Statements No significant legal or organisational changes were made to the company structure in the 2016 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. The Supervisory Board appoints, advises and monitors the Executive Board's work. In the 2016 financial year, the Executive Board of HHLA comprised five members, whose areas of responsibility are defined by their specific tasks and operating segments.

The HHLA Executive Board is jointly responsible for the Container segment. Angela Titzrath took over as Chairwoman of the Executive Board of Hamburger Hafen und Logistik AG as of 1 January 2017. She was appointed to the company's Executive Board as of 1 October 2016.

The Supervisory Board of HHLA has twelve members in all, with six representing the shareholders and six representing the employees. ▶ see also Note 49, page 146 of the Notes to the Consolidated Financial Statements

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 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 transhipping 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	Angela Titzrath[1]	Dr. Stefan Behn	Heinz Brandt	Dr. Roland Lappin
Chairman (until 31 December 2016)	Chairwoman (since 1 January 2017)			
Responsibility	Responsibility	Responsibility	Responsibility	Responsibility
Corporate Development Corporate Communications Sustainability Intermodal Segment Logistics Segment	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

1 Member of the Executive Board since 1 October 2016

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. The 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, as well as inland terminals to 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 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. 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 has been listed as a UNESCO World Heritage Site since 2015. In this central location, HHLA offers some 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 13.

Market and Competition

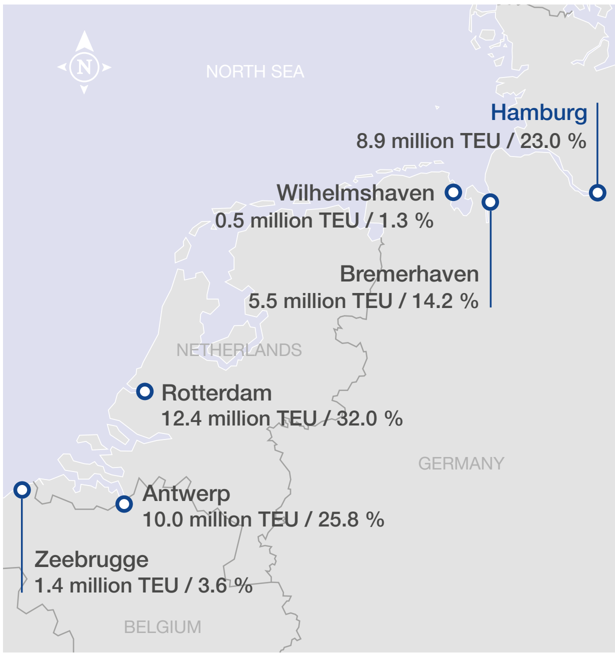
With its listed core business Port Logistics, HHLA operates on the European market for international sea freight services. This offers long-term growth prospects. Central European countries have strengthened their competitiveness and thus created the condititions for further growing foreign trade and consumption. The Eastern European region, particularly the Russian Federation and Ukraine, also provide growth potential. Whether these will develop positively depends on the solution of regional conflicts as well as the development of commodities and energy prices.

For the European Union, the relevant economic indicators point to a sustained increase of GDP. Due to the persistently high debt rate, however, stronger growth is only expected in the medium and long term. In the short term, exogenous conditions as well as unresolved structural problems affect the containerised trade and transport volume.

The market for port services on the Northern European coast (the North Range) of relevance for HHLA is characterised by its high concentration of ports. Competition is particularly strong between the four major North Range ports of Hamburg, HHLA's main hub, Bremerhaven, Rotterdam and Antwerp. Other handling sites – such as Wilhelmshaven 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. The practice of ocean-going vessels calling

Throughput at the North Range Ports

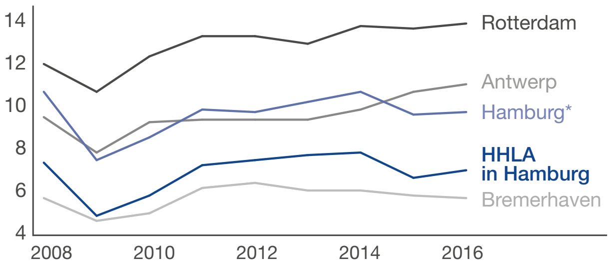
Volumes and market shares, 2016



Source: Port Authorities / own calculation (market share)

Container Throughput at the Largest North Range Ports

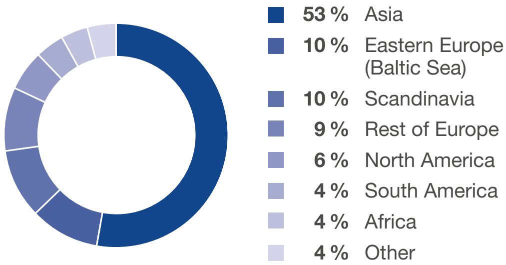
in million TEU



*Source: Port Authorities; *incl. HHLA*

Seaborne Container Throughput by Shipping Region

in the Port of Hamburg, 2016



Source: Hamburg Hafen Marketing e.V.

directly at ports such as Gdansk or Gothenburg has established itself over the past few years and is 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. Local freight volume in the direct catchment area of each port location plays an important role. Other key competitive factors that influence the market position include 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).

New capacity was created in 2016 by relocating and expanding a terminal in Antwerp, while a further terminal was closed in Zeebrugge. Competition remains extremely fierce and the ports are increasingly dependent on changing shipping company constellations. The resulting shift of more geographically flexible feeder traffic is having a significant impact on handling volumes. By contrast, the market position for handling volumes that 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 **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 container throughput of 8.9 million TEU, Hamburg ranked an estimated 18th among the world's ports in 2016 and is thus the third-largest European container port after Rotterdam and Antwerp.

In Hamburg, HHLA maintained its position as the largest container handling firm with a throughput volume of 6.5 million TEU in 2016. As in the previous year, approximately 73 % of container traffic at the Port of Hamburg was handled by HHLA. Asia, Eastern Europe and Scandinavia remained the most important 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 approximately 2.4 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 that transport containers by train compete with other 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 fleet (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.

Intermodal Network of HHLA

Selected connections

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. In the field of consultancy, work is conducted on pioneering development projects around the world.

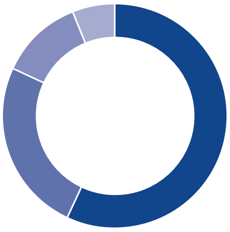
With a population of around 1.8 million and its significance as an economic centre, Hamburg is one of the largest property markets in Germany for the **Real Estate segment**. What makes the portfolio particularly attractive are its unique buildings and favourable locations in Hamburg's Speicherstadt historical warehouse district and on the northern banks of the river Elbe/fish market area. The company has built up a wealth of development and implementation expertise dedicated to finding the right balance between market-based tenant demands and the careful handing of its landmarked buildings with world heritage status. The properties compete with German and international investors marketing high-quality properties in comparable locations.

Customer Structure and Sales

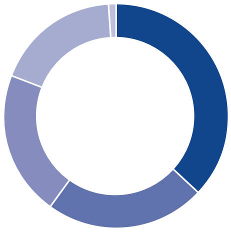
The customer base in the Container and Intermodal segments consists mainly of shipping companies and freight forwarders. The services provided in the Logistics segment are aimed at various customer groups, ranging from steel companies and power stations (in the field of bulk cargo handling) to international 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, hotels and restaurants, and companies from the creative industries.

Globally operating container shipping companies 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. Due to the wave of consolidation in the container shipping segment, HHLA's customer base changed radically in 2016. Significant changes included the merger of China Shipping Container Lines and COSCO Container Lines, CMA CGM's acquisition of APL and the insolvency of Hanjin. In addition, Danish container shipping company Mærsk announced the takeover of Hamburg shipping company Hamburg Süd in December 2016. In the reporting year, HHLA's customer base included all of the world's top 15 container shipping compa-

Revenue Distribution Split by Customers
in the Container segment at the main hub Hamburg in 2016



Capacity Breakdown by Shipping Line Alliances
on Far East–Europe services as of 31 December 2016



Source: Alphaliner Monthly Monitor, January 2017

nies. HHLA therefore believes it is well placed to also meet the future requirements of its clients in the shipping sector. ▶ see also Business Forecast, page 40

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/fish market area – as well as for logistics properties in and around the port.

Top 15 Shipping Companies
by carrying capacity as of 31 December 2016

Shipping company	Alliance in 2016 / starting in April 2017	in thousand TEU
1. APM-Mærsk	2M / 2M	3,273
2. MSC	2M / 2M	2,839
3. CMA CGM	OCEAN 3 / OCEAN ALLIANCE	2,131
4. COSCO Shipping	CKYE / OCEAN ALLIANCE	1,621
5. Evergreen	CKYE / OCEAN ALLIANCE	993
6. Hapag-Lloyd	G6 / THE Alliance	950
7. Hamburg Süd	–	604
8. OOCL	G6 / OCEAN ALLIANCE	576
9. Yang Ming	CKYE / THE Alliance	570
10. UASC	OCEAN 3 / THE Alliance	527
11. NYK	G6 / THE Alliance	519
12. MOL	G6 / THE Alliance	495
13. Hyundai M. M.	G6 / (2M associated)	456
14. PIL	–	366
15. K Line	CKYE / THE Alliance	351

Source: Alphaliner Monthly Monitor, January 2017

The share of revenue attributable to HHLA's five most important customers again rose slightly to 57 % in the 2016 financial year (previous year: 55 %). The ten most important customers accounted for 82 % of revenue generated by HHLA's container terminals in Hamburg – also up slightly on the prior-year figure of 80 % – while the figure for the 15 most important customers was unchanged at 94 %. HHLA has maintained commercial relationships with the majority of its most important customers for well over two decades.

HHLA concludes framework contracts with its shipping customers that set out both the scope and remuneration of services. As the usage volume for these services is not fixed, there is no order backlog in the traditional sense for the specific services provided by HHLA.

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.

The regulatory environment for HHLA's commercial activities in and around the Port of Hamburg is largely determined by the Hamburg Port Development Act (Hamburgisches Hafenentwicklungsgesetz – HafenEG). HafenEG formulates the structural framework for the ongoing 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", under which the Hamburg Port Authority (HPA) owns the land at the port and is responsible for building, developing and maintaining the infrastructure (general and user-specific), 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 that 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 regulatory environment for business activities in the Intermodal segment is largely determined by the EU directive establishing a single European railway area (Directive 2012/34/EU) and the national implementing legislation. In particular, these include regulations governing the licensing of rail companies, the use of railway infrastructure, the associated charges as well as rail operation. The main legislation in Germany are the General Railways Act (Allgemeines Eisenbahngesetz – AEG), which sets out the requirements for rail operation, and the Railway Regulation Act (Eisenbahnregulierungsgesetz – ERegG) that replaced the previous Railway Infrastructure Usage Regulation (Eisenbahn-Infrastrukturverordnung – EIBV) in September 2016 and in particular contains provisions on network access and route pricing. In addition, there are further national, European and – especially for transnational rail transport – international regulations.

The legal framework for HHLA is subject to constant change at national, European and international level in order to keep pace with technical progress and increasing sensitivity with regard to safety and environmental concerns, among other issues. Potentially significant legislative projects at a European level in the period under review included work on an EU regulation to establish a framework for market access to port services and the financial transparency of ports (the so-called “Port Package III”), as well as amendments to the EU support scheme for ports. At a national level, there was work on the Regulation on Installations for the Handling of Substances Hazardous to Water (Verordnung über Anlagen zum Umgang mit wassergefährdenden Stoffen – VAwS), which may impact HHLA in the future depending on the form it takes. In the 2016 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

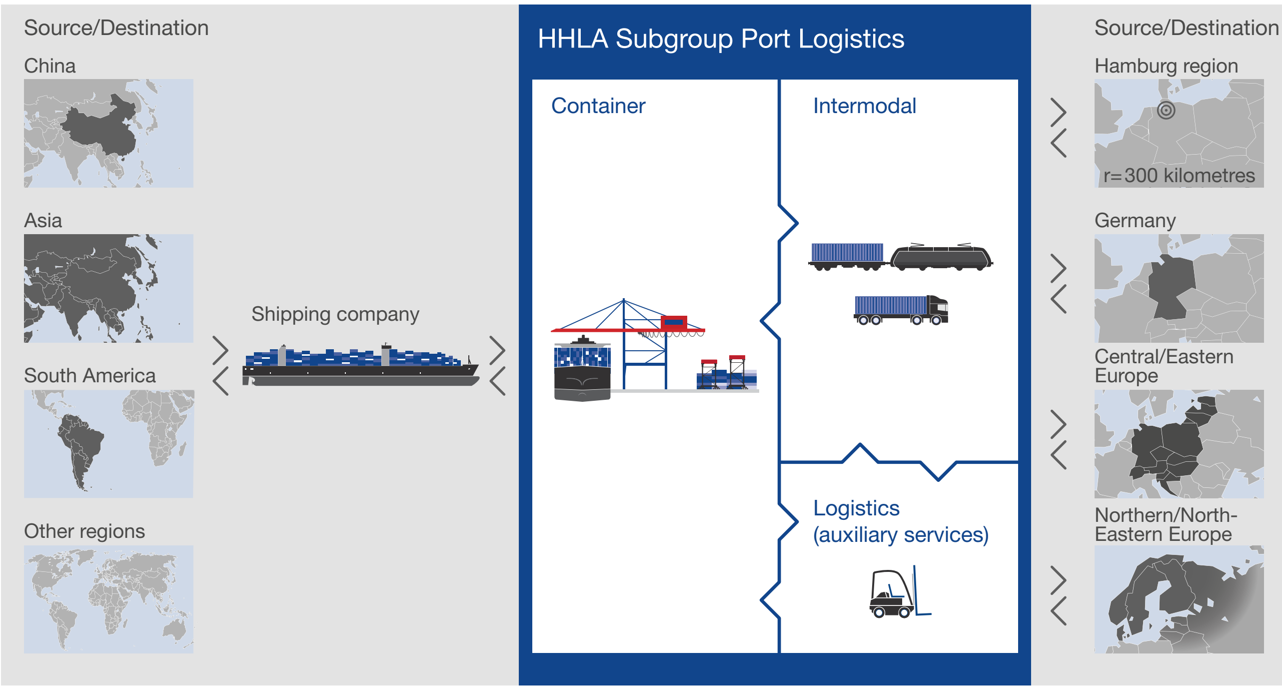
HHLA's strategy is aimed at assuming a leading position as a port logistics provider and thus achieving sustainable growth in its enterprise value. With its business model of vertical integration along the transport chain between the international seaport and its European hinterland, HHLA believes it is favourably positioned to benefit from the expected growth in trade. 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 – and operating terminals in an environmentally friendly manner that uses land efficiently, as well as 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:

Vertical Integration

HHLA's strategic foundation



Establishing and Enhancing Quality and Efficiency Leadership

HHLA strives 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, thus ensuring a high quality of service for all customers. For HHLA, this concept will secure the long-term existence of a balanced customer portfolio, the best possible capacity utilisation, and the profitability of its services. Ship handling activities focus primarily on improving the efficiency of handling services and responding to the requirements of container mega-ships that 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.

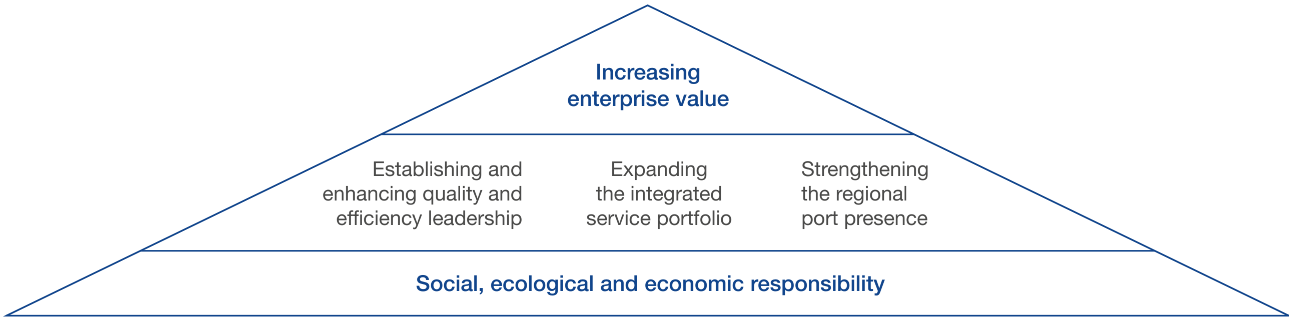
Expanding the Integrated Service Portfolio

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. Conversely, 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, Eastern and South-Eastern Europe, as well as Germany and Austria. 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 expanding its own traction fleet (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.

Corporate Strategy

Sustainably increasing enterprise value at HHLA



Strengthening the Regional Port Presence

In addition to purely organic growth, HHLA 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, 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.

Corporate and Value Management

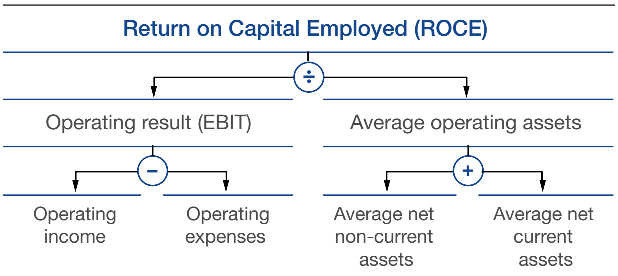
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2016 financial year.

Financial Performance Indicators

The key financial performance measures of the Group are the operating result (EBIT) as well as the average operating assets used (capital employed). EBIT and capital expenditure as key driver of the capital employed are the main intra-year and short term performance measures. In addition, return on capital employed (ROCE) is calculated for the measurement of medium and long term performance and is also used to determine the annual value added. 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 ROCE 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. As in the previous year, HHLA used a weighted average cost of capital of 8.5 % before tax to calculate value growth at Group level in the 2016 financial year. This minimum interest rate 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 that may distort the information provided by the value management system.

The HHLA Group's operating result (EBIT) rose year-on-year by 4.8 % to € 164.0 million in the 2016 financial year (previous year: € 156.5 million). ▶ see also Group Performance, page 41 Average operating assets were up slightly at € 1,317.6 million (previous year: € 1,303.1 million) and the return on capital employed increased by 0.4 percentage points year-on-year to 12.4 %. The minimum ROCE of 8.5 % was therefore comfortably exceeded by 3.9 percentage points. The HHLA Group therefore generated a positive value added of € 52.0 million in the 2016 financial year (previous year: € 45.7 million).

Key Figures Value Added

in € million	2016	2015	Change
Operating income	1,241.9	1,191.0	4.3 %
Operating expenses	- 1,077.9	- 1,034.5	4.2 %
EBIT	164.0	156.5	4.8 %
Ø Net non-current assets	1,211.1	1,213.3	- 0.2 %
Ø Net current assets	106.5	89.8	18.6 %
Ø Operating assets	1,317.6	1,303.1	1.1 %
ROCE in %	12.4	12.0	0.4 pp
Capital costs before tax[1] in %	8.5	8.5	0.0 pp
Capital costs before tax	112.0	110.8	1.1 %
Value added in %	3.9	3.5	0.4 pp
Value added	52.0	45.7	13.7 %

1 Of which 5.0 % for the Real Estate subgroup

Non-Financial Performance Indicators

The main non-financial performance indicators are container throughput and container transport volumes. In addition to the continuous dialogue that HHLA maintains with its customers, the company makes extensive use of macroeconomic forecasts as early indicators for volume trends and 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 2016 financial year, HHLA mainly focused its resources and available capacity on continuing its research in the area of 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. The BESIC project (Battery Electric Heavy Goods Transports within an Intelligent Container Terminal), which was funded by the German Federal Ministry of Economics and Energy and conducted by HHLA at the Container Terminal Altenwerder (CTA) in collaboration with Gottwald Port Technology, Vattenfall Europe Innovation and several research bodies, was successfully concluded in the year under review. As part of the project, a battery management system was developed that uses targeted data exchange between the energy supplier and the terminal to ensure that the batteries for the battery-operated automated guided vehicles (AGVs) are always charged at the best-possible time, from both an environmental and operational perspective.

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 quayside and in the hinterland, 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.

Other Research Projects

The foundation for a further research project at CTA was also laid in the year under review. It is supported by the German Federal Ministry of Transport and Digital Infrastructure (BMVI) under the recently introduced Innovative Port Technologies (IHATEC) incentive scheme. The project promotes the development of solutions for man-machine interaction in shared working environments.

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 for purchasing processes and their mandatory fulfilment. 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 the Purchasing department. In 2016 this stood at 95.2 % (previous year: 94.5 %). The purchase requisition rate indicates the ratio of requisitions entered and authorised via the SAP enterprise resource planning system in compliance with regulations. At 99.6 %, it was roughly on a par with the prior year in 2016 (previous year: 99.7 %). The automation of purchasing processes to create efficient, transparent and uniform workflows remained a key objective for procurement in 2016. In the reporting period, approximately 14 % of all purchasing processes were handled fully automatically by means of e-procurement systems (previous year: approximately 13 %). 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 2016 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 2016, equipment and energy accounted for 44.5 % of the Group-wide procurement volume, while construction accounted for 22.5 %, MRO (maintenance, repairs and operations) for 14.0 % and information technology (IT) for 19.0 %.

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 2017 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 and is subsequently evaluated. Certain criteria may result in suppliers being excluded. These include entries in a state corruption register, insolvency proceedings, failure to pay minimum wages or operational restrictions (lack of certain licences etc.).

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.

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, while 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, as well as their importance for service performance.

Another key project was the introduction of an electronic tendering platform. Although only mandatory as of April 2018, Purchasing rolled out an e-tendering platform when the amendment of German public procurement legislation came into force in April 2016. The platform not only standardises and transparently documents the tendering processes, but also significantly improves process quality, reliability and efficiency. Secondly, the electronic process creates considerable added value for bidders, as a web-based platform ensures process reliability and fair competition. Premature adoption gives suppliers the time and opportunity to prepare for and adjust to the new process.

Sustainable 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 company has therefore attached the utmost importance to sustainable practices.

Ecology

Emissions and Energy

HHLA has reported on its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative that 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, emissions mainly relate to CO_2. 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 target of reducing **specific CO_2 emissions** – the CO_2 emissions per container handled – by at least 30 % by 2020. The 2008 figures serve as the baseline here. In the period from 2008 to 2016, the company succeeded in reducing CO_2 emissions by 27.3 % per container handled. Specific CO_2 emissions increased by 2.2 percentage points in the year under review.

Absolute CO_2 emissions rose by 5.5 % or 9,378 tonnes year-on-year to 178,468 tonnes. This is mainly attributable to the higher utilisation of the company's own fleet of environmentally friendly electric multi-system locomotives. Traction-related emissions increased by 9.2 % or by 6,760 tonnes from 73,369 tonnes to 80,129 tonnes. Absolute emissions from all container terminals operated by HHLA rose by 4.6 % or 3,004 tonnes to 68,161 tonnes in the year under review.

Direct and Indirect Energy Consumption

	2013	2014	2015	2016
Diesel and heating oil in million litres	26.8	28.5	25.7	25.6
Petrol in million litres	0.1	0.1	0.1	0.1
Natural gas in million m^3	3.1	1.8	2.3	2.4
Electricity[1] in million kWh	148.7	154.4	138.3	139.6
thereof from renewable energies	78.2	84.0	76.0	73.1
Traction current in million kWh	37.9	51.7	130.3	150.0
District heating in million kWh	4.6	3.7	3.2	3.6

Consumption of natural gas, traction current and district heating in 2016 is based on preliminary and estimated figures.

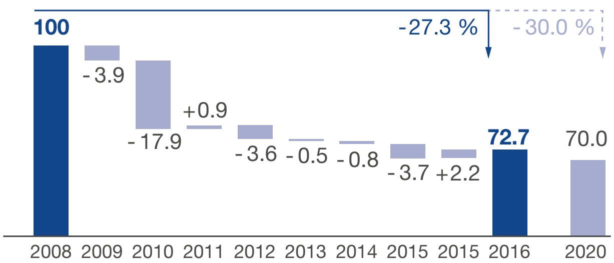
1 Electricity without traction current

HHLA conducted various **CO_2 reduction projects** to decrease CO_2 emissions at its companies in the reporting period. Examples include the optimization of energy-relevant system settings and the modernization of existing lighting systems. Further projects were set up and will start to bear fruit in 2017.

A long-term increase in the percentage of electricity used within the Group's energy mix will enable the company to **utilize 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 23,190 tonnes (previous year: 24,108 tonnes). A photovoltaic system at the Container Terminal Tollerort (CTT) installed and operated by the energy supplier Hamburg Energie Solar produced 111,910 kWh of CO_2-free electricity in the year under review.

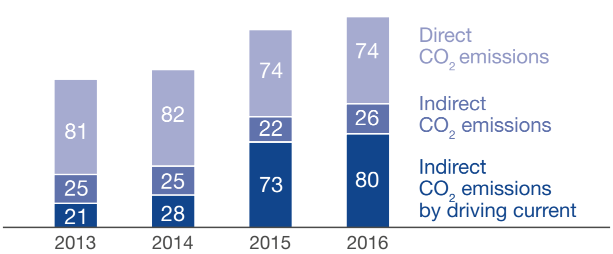
Reduction in Specific CO_2 Emissions since 2008

Climate protection target: 30 % reduction by 2020



Direct and Indirect CO_2 Emissions

in thousand tonnes



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 fleet of all-electric cars grew by another 13 vehicles to 77. HHLA's electric vehicles are powered by renewable electricity and are a quiet, low-maintenance solution that does not generate any local emissions. The electric vehicles cover a distance of some 500,000 km each year and thus reduce CO_2 emissions by approximately 160 tonnes. 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.

Four new straddle carriers that comply with strict requirements of the European Union's Euro 4 emissions standard went into operation at CTB in the reporting year. With their extremely low emissions, these modern vehicles make an important contribution towards reducing pollution at the container terminal. The world's first shunting hybrid locomotive for heavy goods trains has been running on the tracks of the Hamburg port railway since summer 2016. The locomotive is used by HHLA subsidiary METRANS. The modern hybrid drive with an electric motor and diesel engine reduces consumption by over 50 %.

Several projects were also continued in the field of **energy-efficient lighting**. At CTA, the conversion of yard crane lighting to needs-based LED lighting was completed for all 52 yard cranes. As well as reducing lighting emissions, this system cuts electricity consumption by some 90 % compared with the previous, conventional lighting system.

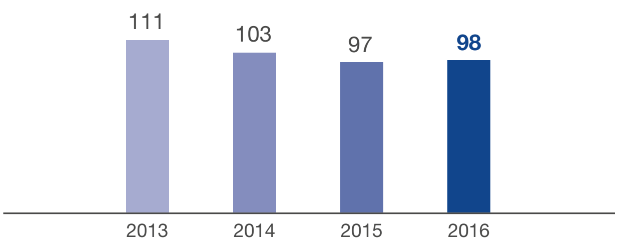
The **energy management system** that was certified according to DIN ISO 50001 for Hamburger Hafen und Logistik AG and HHLA Personal Service GmbH in the previous year was successfully expanded to additional HHLA companies.

Water Consumption

Water is mostly used in the HHLA Group to clean large-scale equipment and containers, as well as for employee hygiene. The **amount of water consumed** by operations in Germany, Poland, Slovakia, the Czech Republic and Ukraine was virtually unchanged year-on-year, rising by 0.5 % to 97,766 m^3 in 2016 (previous year: 97,305 m^3). 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.

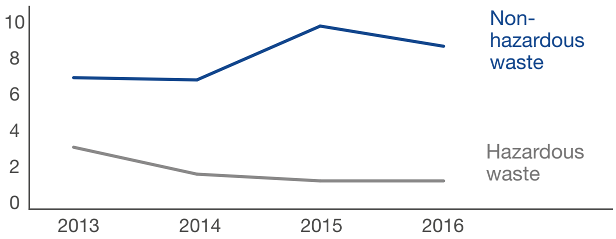
Waste and Recycling

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 decreased year-on-year by 9.6 % to 8,629 tonnes in the reporting period (previous year: 9,544 tonnes). This is mainly attributable to a 30.5 % decrease in the amount of foodstuffs no longer 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. Adjusted for these amounts, the volume of waste at HHLA rose slightly by 1.7 % to 6,307 tonnes in the year under review (previous year: 6,200 tonnes). Hazardous waste declined by 1.6 % to 1,311 tonnes (previous year: 1,322 tonnes). This figure represents a decrease of 60 % compared to 2010. The decrease in hazardous waste is primarily due to the operational start-up of a chemical water treatment plant at CTB. The water used to clean large machinery is treated at the plant before being reintroduced into the cleaning cycle. Overripe bananas and other foodstuffs unsuitable for processing or consumption accounted for the largest proportion of waste in 2016. It declined year-on-year to 2,233 tonnes (previous year: 3,343 tonnes). A large proportion of this was recycled to generate biogas. Approximately 210,000 kWh of electricity was generated without CO_2 in this way in 2016, around 90,000 kWh less than in the previous year due to the decrease in these waste volumes. In addition, 0.3 % less commercial waste was generated in the reporting period. At 1,823 tonnes, this type of refuse represented the second-largest waste volume (previous year: 1,828 tonnes). Scrap metal, which was down 3 % on the previous year at 1,105 tonnes (previous year: 1,139 tonnes) was fed completely into the recycling system. There was a significant increase in scrap wood and building timber of 71 % to 691 tonnes, while paper and cardboard packaging rose by 10.9 % to 675 tonnes (previous year: 609 tonnes).

HHLA strives to conserve resources at its terminals, e.g. by using a total of 31,000 tonnes (previous year: 58,300 tonnes) of recycled building materials to maintain its terminal areas during 2016. Of this amount, slag from waste incineration and asphalt recycling accounted for the largest shares (11,000 tonnes each). 7,000 tonnes of electric furnace slag, which results from the melting of steel scrap and mineral additives in electric arc furnaces, was also recycled and will now be reused as aggregate at the terminals. The use of this recycled building material means that less natural stone needs to be mined. A further 2,000 tonnes of recycled concrete-mineral aggregates were used for site redevelopment.

Developments in the Volume of Waste

in thousand tonnes



Society

As well as its commitment to social responsibility, staff development and its employees' occupational health and safety are among HHLA's key fields of activity. ▶ see also Employees, page 26

Regional Responsibility

Approximately one in ten 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 development 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 162 The company also promotes a number of educational projects focusing on the port and logistics.

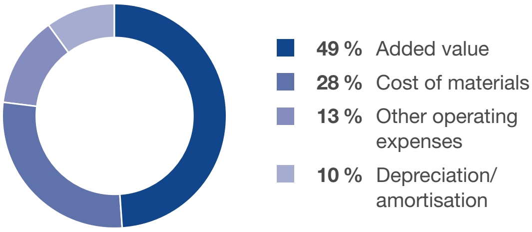
Recognising the link between the port, logistics and the water helps us understand the global division of labour and the importance of sustainable business activities. HHLA's support for educational projects focuses on two particular projects: "Hafen Scouts", a joint initiative of HHLA, which teaches 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 1,200 schoolchildren visited HHLA facilities as part of these educational 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 that 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 50

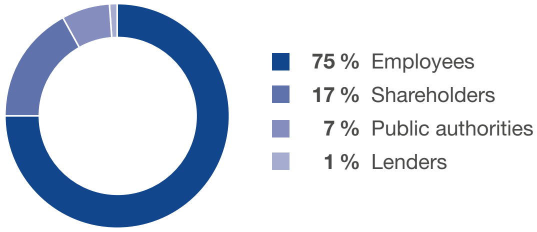
Source of Added Value

Production value 2016: € 1,240 million = 100 %



Application of Added Value

Net added value 2016: € 605 million = 100 %



Economy

Net added value rose by 10.9 % to € 605.3 million in the 2016 financial year. At 48.8 %, 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 production value and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, shareholders, the state (taxes) and lenders. The largest proportion, 74.7 % or € 451.9 million, went to employees.

Value Added in the HHLA Group

in € million	2016	2015	Change
Employees	451.9	409.0	10.5 %
Shareholders	105.1	95.8	9.6 %
Public authorities	41.0	32.0	28.0 %
Lenders	7.3	8.7	- 16.0 %
Total	605.3	545.5	10.9 %

Employees

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.

Organisation and Control

HR management is established as a central division at Executive Board level. This organisational structure ensures that strategic HR guidelines can also be implemented throughout the Group. The specialist department provides tailored HR and organisational development 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.

Headcount

HHLA had a total of 5,528 employees at the end of 2016. Compared with the previous year's total, the number of employees increased by 183, or 3.4 %. In addition, HHLA used an annual average of 558 employees of Gesamthafenbetriebs-Gesellschaft (GHB) (previous year: 562).

Employees

by segments	2016	2015	Change
Container	2,945	2,957	- 0.4 %
Intermodal	1,687	1,449	16.4 %
Holding/Others	651	668	- 2.5 %
Logistics	214	232	- 7.8 %
Real Estate	31	39	- 20.5 %
HHLA Group	5,528	5,345	3.4 %

Employees by Region

In geographical terms, the workforce was concentrated mainly in Germany, with 3,625 staff members (previous year: 3,656). This corresponds to a share of 65.6 % (previous year: 68.4 %), of whom the overwhelming majority worked in Hamburg. The number of staff employed abroad rose by 214 to 1,903 (previous year: 1,689). This is primarily due to the increase in staff at the Intermodal companies in the Czech Republic, Slovakia, Hungary and Slovenia, where headcount increased by 17.3 %

to 1,282 (previous year: 1,093). In Ukraine, the number of employees fell by 1.1 % to 440 (previous year: 445). The remaining 181 employees (previous year: 151) are spread across subsidiaries in Austria, Poland, Georgia and Turkey.

Employees by Segment

The number of employees in the Container segment as of 31 December 2016 was virtually unchanged compared to the previous year. Total headcount was down by twelve year-on-year in 2016 (previous year: 2,957). By contrast, total headcount in the Intermodal segment rose strongly by 238 or 16.4 % to 1,687 employees (previous year: 1,449). This was due to the expansion of services and increase in vertical integration. Headcount decreased in all other segments. The number of staff employed at the strategic management holding company declined by 2.5 % to 651 (previous year: 668). In the Real Estate segment, headcount fell by 20.5 % to 31 employees (previous year: 39). Employee numbers in the Logistics segment decreased to 214 in the reporting period (previous year: 232). This was mainly due to the discontinuation of operating activities in project and contract logistics.

Recruitment

Women accounted for 25.8 % of the 97 new employees who had not previously worked for HHLA in Germany, for example via Gesamthafenbetriebs-Gesellschaft (GHB). Over half of new hires were under the age of 30.

Since 2013, HHLA has been employing a self-developed **selection process** (assessment centre) that 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

	Total	Females	Females in %
< 30 years	49	13	26.5
30 – 50 years	35	11	31.4
> 50 years	13	1	7.7
HHLA Group	97	25	25.8

At 4.8 %, the **fluctuation rate** (excluding internal transfers within the Group) in Germany was virtually unchanged year-on-year (previous year: 4.7 %). Of the total 175 people who left the company, 41.7 % were retirees.

Personnel Structure

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 years continued in 2016 and the ratio of women employed by HHLA in Germany increased once again (including apprentices). At 15.4 %, the ratio of women employed by the company was 0.2 percentage points higher than in the previous year (15.2 %).

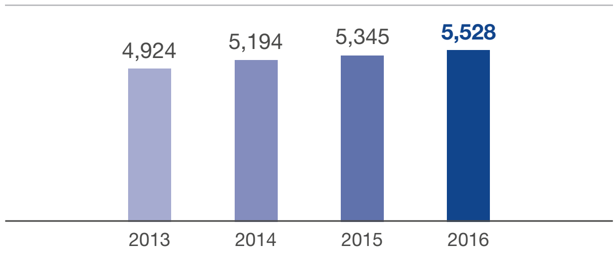
Based on the German Law for the Equal Participation of Women and Men in Leadership Positions, the Executive Board had already set a target quota of 25 % for women in first-level management positions directly beneath the Executive Board in the previous year (status as of 31 December 2016: 17 %; previous year: 15 %). A target of 30 % was set for second-level management positions (as of 31 December 2016: 26 %; previous year: 21 %). The date set for achieving these quotas is 30 June 2017. ▶ see also Corporate Governance, page 50

Age Structure

The average age of staff in Germany in the reporting period was 43.9 (previous year: 43.2). Male employees had an average age of 44.6, while female employees were 40.1 years old on average. Over half of all employees are aged between 30 and 50.

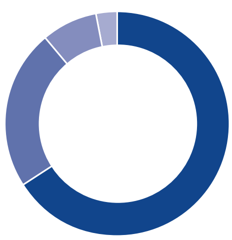
Development of Employees

HHLA Group as of 31.12.



Employees by Region

as of 31.12.2016



1 Czech Republic, Slovakia, Hungary, Slovenia

Age Structure of Employment

in %	31.12.2016	Thereof females	31.12.2015	Thereof females
< 30 years	12.0	27.5	13.4	26.5
30 – 50 years	53.1	16.0	54.0	15.5
> 50 years	34.9	10.1	32.5	9.7
HHLA Group	100.0	15.4	100.0	15.2

As in the previous year, the average length of service with the company in Germany was approximately 15 years.

Average Employment Period

in years	31.12.2016	31.12.2015
< 30 years	4.9	6.0
30 – 50 years	10.9	10.9
> 50 years	24.7	25.2
HHLA Group	15.0	14.9

The percentage of employees with a severe disability (including persons of an equivalent status) was 8.7 % at the end of the reporting period (previous year: 7.9 %).

Training and Professional Development

HHLA invested a total of € 4.5 million in educating and training staff from its locations in Hamburg in 2016 (previous year: € 5.4 million).

Vocational Training and Studying

As of 31 December 2016, 77 apprentices and 20 students were receiving training in Germany in ten different professions and nine dual study courses. 28 % of the 97 apprentices and students were female. The ratio of female students in 2016 was 50 % (previous year: 42 %).

All of the 40 apprentices (of which nine were on dual study courses) who successfully completed their training in the course of the year were given contracts. A total of 26 new apprentices were taken on at the company's Hamburg facilities in 2016, 31 % of whom were women. Four of the six places offered for dual study courses were awarded to women in 2016. At the start of the 2016 academic year, 30 % of blue-collar apprentices were women.

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 2016, the company participated in ten fairs in the greater Hamburg area.

Together with other Hamburg-based companies, HHLA is participating in the AvM Dual pilot project initiated by Hamburger Ausbildungszentrum e.V. (HAZ) to prepare immigrants for vocational training. HHLA played a key role in the development of the concept, which represents a pioneering and goal-oriented approach to integrating refugees into technical vocational training. The project is a response to both the social and civil responsibility to integrate refugees as well as the challenge of finding suitable applicants for technically demanding skilled jobs. In addition to classroom training, the concept includes three internship phases until August 2018. The young immigrants also receive support from specially trained apprentices at the participating companies.

Training and Qualification

Over 700 events lasting one or more days were held in the reporting period. These included over 600 internal vocational courses conducted by HHLA's own trainers over 2,335 training days. In addition, more than 100 one to several day events with 1,800 participant days were organised as part of the company's cross-segment seminar programme. As in the previous year, approximately 40 % of participants were female.

HHLA's internal seminars are 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 also help foster an understanding of the diverse tasks, roles and functions in the Group's various business fields.

Contracts, Remuneration and Additional Benefits

Collective Labour Agreements

Collective labour agreements govern pay and working conditions for approximately 89.5 % of employees in Germany (previous year: 88.0 %).

In May 2016, 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 2.5 % from 1 June 2016 with a twelve-month term for port workers at companies that operate at German seaports. Similar deals have been reached for further wage agreements of the HHLA Group. One component of the labour agreements is a collective demographic fund financed by HHLA to actively address demographic change and ensure age-, ageing- and performance-appropriate working conditions. Funds can only be withdrawn from the fund from 2021 onwards.

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.

The return on capital employed (ROCE) 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

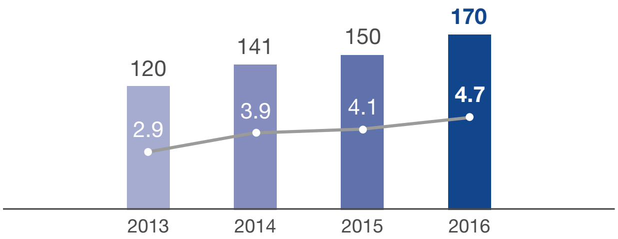
A growing number of people across all employee groups and hierarchy levels in Germany are taking up the option of working part-time to tailor their working hours to different life stages. Offering part-time work is therefore an important way of retaining staff at the company. Allowing staff to adapt their working hours helps them to reconcile their professional and family commitments, look after close relatives or do charity work. In 2016, a total of 170 employees were in part-time employment positions – 20 more than in 2015 (previous year: 150). At the end of 2016, the ratio of part-time workers at HHLA in Germany increased to 4.7 % (31 December 2015: 4.1 %). The percentage of men in part-time employment rose to 28.8 % (previous year: 26.0 %). At the holding company, where most roles are clerical, the ratio of part-time workers (excluding apprentices) was approximately 15.4 % (previous year: 13.7 %).

Working Lifetime Accounts

As well as various company pension schemes, HHLA offers employees at eight affiliated companies working lifetime accounts. The aim is to enable employees to retire from active employment earlier without having their statutory pension reduced. In order to attract new employees, HHLA therefore offers attractive options that enable individuals to actively shape their own working lifetimes. Participation was mandatory for employees joining the company after 1 January 2005. This was amended in the collective labour agreement in 2016 and employees can now opt out of the scheme. Approximately 60 % of eligible employees have taken the opportunity to opt out of the mandatory contribution of additional working days. As of 31 December 2016, 1,134 employees had a working lifetime account (previous year: 1,121). This represents a participation ratio of 31.3 % in Germany (previous year: 30.7 %).

Developments in HHLA's Part-time Employees

in Germany as of 31.12.



Part-time share in %

Occupational Safety and Health Promotion

Occupational Safety

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.

HHLA uses modern technologies to achieve constant improvements. For example, HHLA uses an occupational safety management system to monitor the fulfilment of its goals. In 2016, it started transferring the majority of mandatory training to an e-learning system. The aim is to further reduce the risk of accidents and raise employee awareness of occupational safety.

In order to create meaningful accident statistics, accidents at all HHLA companies in Hamburg are taken into account and recorded using a standardised reporting system. These also include accidents not directly linked to container handling (e.g. in workshops). The reasons for changes and/or fluctuations are carefully analysed in order to quickly initiate structured preventive measures. Several companies started developing and submitting paperless accident reports in 2016 in order to improve the accident investigation process and the procedure for reporting accidents to the authorities.

In 2016, there were 99 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 10.8 % (previous year: 111).

Health Management

Together with the universities of Hamburg and Kiel, as well as other cooperation partners from the business world, HHLA is developing a Group-wide occupational health management system as part of the GESIOP project. This joint initiative on “preventive measures for the safe and healthy workplace of tomorrow” is funded by the German Federal Ministry of Education and Research. The project aims to systematically develop and steer existing or newly introduced occupational health promotion activities. As a result, HHLA’s strong commitment to occupational health and safety is becoming an integral part of the consistent efforts it is already making in the field of sustainability management.

Economic Environment

Macroeconomic Development

Global economic growth continued to slow in 2016. According to estimates of the International Monetary Fund (IMF), it was down 0.1 percentage points on the previous year at 3.1 % – the lowest rate of growth since the 2008/2009 financial crisis. Despite a slight upward trend at the end of the year, the advanced economies as a whole failed to provide any momentum. Similarly, growth in the emerging economies was no more than stagnant at the prior-year level. In addition, political decisions such as the United Kingdom’s vote to leave the European Union (EU) or the election of Donald Trump as president of the USA triggered significant economic uncertainty. Against this background, world trade was even weaker than global gross domestic product (GDP) and grew by just 1.9 % – 0.8 percentage points below the prior-year figure.

Development of Gross Domestic Product (GDP)

in %	2016	2015
World	3.1	3.2
Advanced economies	1.6	2.1
USA	1.6	2.6
Emerging economies	4.1	4.1
China	6.7	6.9
Russia	- 0.6	- 3.7
Eurozone	1.7	2.0
Central and Eastern Europe (emerging european economies)	2.9	3.7
Germany	1.7	1.5
World trade	1.9	2.7

Source: International Monetary Fund (IMF), January 2017

Whereas the advanced economies experienced a significant slowdown in economic growth to 1.6 %, the emerging economies appeared to shake off their economic weakness over the course of the year. Rather than slowing down further, the rate of expansion stabilised at the prior-year level of 4.1 %. The Chinese economy weakened slightly once more in 2016 but performed better than forecast with growth of 6.7 %. After suffering a strong decline of 3.7 % in the previous year, the Russian economy is only expected to contract by 0.6 % in 2016. The Ukrainian economy also appears to be slowly finding its way out of the crisis following a marked decline in the previous year. According to IMF estimates from October 2016, economic output in Ukraine is likely to expand by 1.5 % in 2016 as a whole. Despite the economic uncertainty surrounding the UK’s plans to leave the EU, growth in the eurozone was surprisingly stable and is expected to reach 1.7 % – down 0.3 percentage points on the previous year. GDP in the emerging economies of Central and Eastern Europe slowed even further, declining by 0.8 percentage points to 2.9 %.

The latest economic indicators for the German economy continue to suggest solid growth of 1.7 %, representing a year-on-year improvement of 0.2 percentage points. At the same time, growth in German foreign trade was slowed by economic uncertainty and weak global trade over the course of the year. According to Destatis, exports grew by 1.2 % and German imports by 0.6 % in 2016.

Sector Development

The situation in the container shipping segment remained challenging in 2016. Market research institute Drewry expects global container throughput in the reporting period to remain at a weak growth level of 1.3 % as in the previous year. By contrast, the European shipping regions regained momentum following stagnation and, in some areas, severe slumps in the previous year. Drewry anticipates throughput growth of 1.5 % in 2016 for the north-western European ports. At the same time, the severe drop in throughput at the Scandinavian and Baltic Sea ports has been stopped and experts are also forecasting throughput growth of 1.5 % for this region in the reporting period.

Development of Container Throughput by Region

in %	2016	2015
World	1.3	1.3
Europe as a whole	1.9	- 1.7
North-West Europe	1.5	0.1
Scandinavia and the Baltic region	1.5	- 12.2
Western Mediterranean	2.9	1.3
Eastern Mediterranean and the Black Sea	1.9	- 4.1

Source: Drewry Maritime Research, December 2016

The trend among the major container ports of the North Range, as well as the largest ports of the western Baltic Sea (Gdansk, Gothenburg), was mixed. The Port of Hamburg recorded slight growth of 1.0 % in the year under review. Europe's largest container port, Rotterdam, handled 12.4 million TEU, 1.2 % more than in the previous year. Throughput in Antwerp rose by 4.0 % year-on-year to exceed 10 million TEU for the first time, thus extending its position as Europe's second largest container port. By contrast, throughput volumes continued to decline at Zeebrugge – the second Scheldt port in Belgium – and were down 10.8 % on the previous year at 1.4 million TEU in the reporting period. This was due to volume shifts and the closure of a further terminal. Bremerhaven stemmed the downward trend of the previous years somewhat in 2016 but was again down on the previous year with a decline of 1.0 % to 5.5 million TEU. Growth at the nearby JadeWeserPort in Wilhelmshaven was spurred by its increased integration into the 2M alliance route network. It handled a total of 0.5 million TEU, 12.9 % more containers than in the previous year. Gdansk increased container throughput by 19.1 % to 1.3 million TEU in the reporting period and thus more than offset the cargo losses caused by the Russian crisis in 2015. By contrast, the volume of containers handled in Gothenburg fell by 2.7 % against the previous year to 0.8 million TEU.

Development of Container Throughput at Northern European Ports

in million TEU	2016	2015	Change
Rotterdam	12.4	12.2	1.2 %
Antwerp	10.0	9.7	4.0 %
Hamburg	8.9	8.8	1.0 %
Bremen ports	5.5	5.6	- 1.0 %
Zeebrugge	1.4	1.6	- 10.8 %
Gdansk	1.3	1.1	19.1 %
Gothenburg	0.8	0.8	- 2.7 %
Wilhelmshaven	0.5	0.4	12.9 %

Source: Port Authorities

Despite the modest growth in container throughput, market research institute AXS Alphaliner estimates that the carrying capacity of the global container ship fleet increased by 1.5 % to 20.3 million TEU in 2016. The number of ultra large vessels with a capacity of more than 10,000 TEU increased particularly strongly, with growth of 16.1 % to total 388. This means that some 69 % of the ships delivered in 2016 can carry in excess of 10,000 TEU.

Rail freight traffic in Germany recorded modest growth over the course of the year. Compared with the previous year, transport volumes only rose by 0.3 % in the first ten months of 2016. However, traffic performance – transport volume multiplied by the distance travelled – increased slightly by 1.6 % in the same period.

Rail freight traffic declined across Europe. Transport demand for rail traffic was already diminished in the first three quarters, both at European level and in those markets of Central and Eastern Europe of particular relevance to HHLA. Whereas transport volumes fell by 1.3 % year-on-year across Europe as a whole, the decline of 4.7 % recorded in Central and Eastern Europe was considerably stronger. However, trends varied strongly in the individual markets. Transport volumes in Poland and Hungary fell year-on-year by 4.2 % and 1.7 % respectively in the first nine months of 2016. By contrast, rail cargo in the Czech Republic rose by 1.2 %. The decrease in traffic performance across Europe was less pronounced than the decline in transport volumes. However, the decline in traffic performance in Central and Eastern Europe was comparably strong.

Course of Business and Economic Situation

Key Figures

in € million	2016	2015	Change
Revenue	1,177.7	1,141.8	3.1 %
EBITDA	286.4	281.4	1.8 %
EBITDA margin in %	24.3	24.6	- 0.3 pp
EBIT	164.0	156.5	4.8 %
EBIT margin in %	13.9	13.7	0.2 pp
Profit after tax and minority interests	73.0	66.7	9.5 %
At-equity earnings	4.7	3.7	25.5 %
ROCE in %	12.4	12.0	0.4 pp

Overall View

The economic environment remained challenging throughout 2016. In addition to the dredging of the lower and outer stretches of the river Elbe, which has still not been commenced, HHLA suffered in particular from modest global economic growth, weak world trade and a constant low growth in global container throughput. Despite these challenging conditions, HHLA's performance over the course of 2016 was increasingly encouraging. There was a slight increase in container throughput at HHLA's terminals as well as strong growth in container transport. These trends in HHLA's two largest segments are also reflected in the moderate increase in revenue and the operating result at Group level.

One-off expenses incurred over the course of the year for the now-completed restructuring of the Logistics segment, which were initially included in EBIT guidance in the prior-year report – were largely offset by an unplanned one-off effect from the termination of the lease for the Übersee-Zentrum in the third quarter of 2016. Due to this effect and the positive volume trend in the Container and Intermodal segments over the course of the year, HHLA upgraded its earnings guidance for the Group during the year. Actual performance now confirms the guidance last updated in autumn 2016. HHLA continued to scale its capital expenditure programme to actual needs. Delays to individual projects resulted in postponements until 2017 and thus a deviation from the forecast figure.

HHLA's financial position remained stable as of the balance sheet date of 31 December 2016. Changes in capital structure resulted in part from negative effects from valuation adjustments to pension provisions triggered by interest rate differentials. The equity ratio declined by 1.7 percentage points to 31.5 % (previous year: 33.2 %) and the gearing ratio decreased slightly from 2.7 to 2.6. Due to the company's liquidity base as of the balance sheet date, it still has no significant refinancing requirements.

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 2016 financial year resulted mainly from the addition of foreign companies in the Intermodal segment. This did not have a material effect on the HHLA Group's revenue and earnings.

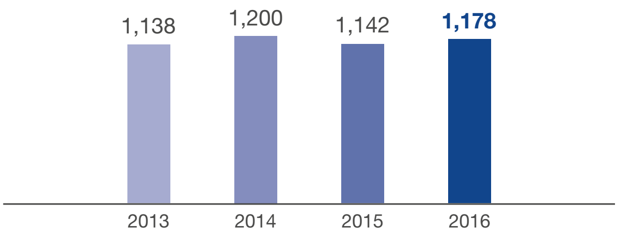
The 2016 Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union, taking into consideration the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The Group Management Report was prepared in line with the requirements of German Accounting Standard no. 20 (GAS 20).

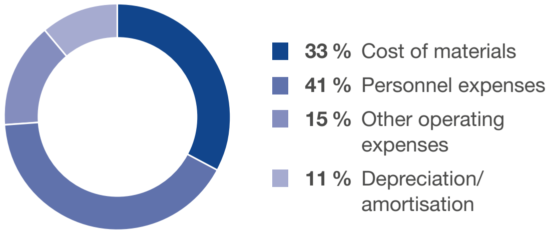
Forecast and Actual Figures

	Actual 31.12.2015	Forecast 30.03.2016	Forecast 10.11.2016	Actual 31.12.2016
Container throughput	6.6 million TEU	At previous year's level	At previous year's level	6.7 million TEU
Container transport	1.3 million TEU	Slight increase	Moderate increase	1.4 million TEU
Revenue	€ 1.141,8 million	At previous year's level	At previous year's level	€ 1,177.7 million
EBIT	€ 156.5 million	In a range between € 115 and € 145 million after one-off consolidation expenses	In a range between € 150 and € 160 million incl. all one-off consolidation effects in the Logistics segment	€ 164.0 million
Capital expenditure	€ 145.5 million	In the region of € 180 million	In the region of € 180 million	€ 138.3 million

Revenue
in € million



Operating Expenses
Expense structure 2016



Earnings Position

HHLA's **performance data** developed positively in 2016. Container throughput rose slightly year-on-year by 1.5 % to 6,658 thousand TEU (previous year: 6,561 thousand TEU). This was largely due to a stabilisation of volumes on Far East routes and the recovery of feeder volumes to and from Russia. Transport volumes increased significantly by 6.8 % to 1,408 thousand TEU (previous year: 1,318 thousand TEU). This trend was driven by growth in rail transportation.

Against this background, **revenue** of the HHLA Group rose by 3.1 % to € 1,177.7 million (previous year: € 1,141.8 million) in the reporting period. This was primarily due to volume-related growth in container throughput and container transport. 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 increase in revenue of 3.1 % to € 1,146.0 million (previous year: € 1,111.0 million). The non-listed Real Estate subgroup also succeeded in raising revenue by 3.2 % to € 37.7 million (previous year: € 36.5 million). The Real Estate subgroup thus accounted for 2.7 % of Group revenue.

Whereas **changes in inventories** in the previous year included expenses of € 1.4 million resulting primarily from consultancy activities, there was no significant effect in the reporting period. **Own work capitalised** decreased to € 6.5 million (previous year: € 9.3 million).

The increase in **other operating income** to € 57.5 million (previous year: € 41.2 million) is mainly attributable to the one-off effect from the termination of the lease for the Übersee-Zentrum.

The 4.2 % increase in **operating expenses** to € 1,077.9 million (previous year: € 1,034.4 million) was slightly above the increase in revenue. There were highly divergent trends across the different expenditure types.

The **cost of materials** declined by 3.2 % year-on-year to € 350.0 million (previous year: € 361.7 million). In addition to effects from the discontinuation of project and contract logistics activities, there were also effects from improved capacity utilisation and a better mix of import and export volumes in rail transportation. Additional savings were achieved through cheaper energy costs. The cost of materials ratio decreased to 29.7 % (previous year: 31.7 %).

Personnel expenses rose by 10.3 % to € 443.0 million (previous year: € 401.6 million). In addition to higher union wage rates and the inclusion of new companies in the consolidated group, the rise was also due to increased headcount in the Intermodal segment caused by growth and consolidation, greater demand for external staff at the container terminals in Hamburg as a result of volume growth, and one-off expenses relating to restructuring, especially in connection with the discontinuation of project and contract logistics activities. The personnel expense ratio rose by 2.4 percentage points to 37.6 % (previous year: 35.2 %).

Other operating expenses increased by 11.1 % in the reporting period to € 162.5 million (previous year: € 146.3 million). The rise is mainly attributable to provisions in connection with an onerous lease in the Intermodal segment as well as the insolvency of the container shipping company Hanjin. The ratio of expenses to revenue rose accordingly to 13.8 % (previous year: 12.8 %).

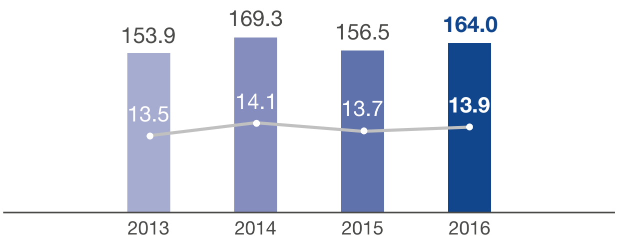
Depreciation and amortisation declined slightly by 1.9 % year-on-year and amounted to € 122.4 million (previous year: € 124.9 million).

Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** rose by 1.8 % to € 286.4 million (previous year: € 281.4 million) and thus more slowly than revenue. There was a corresponding slight decrease in the EBITDA margin to 24.3 % (previous year: 24.6 %).

The **operating result (EBIT)** increased by 4.8 % to € 164.0 million in the reporting period (previous year: € 156.5 million). As this was faster than revenue growth, the EBIT margin rose by 0.2 percentage points to 13.9 % (previous year: 13.7 %). Both the Container segment and the Intermodal segment contributed to the increase in earnings, thus lifting the EBIT result of the Port Logistics subgroup by 4.7 % to

Operating Result (EBIT)

in € million / EBIT margin in %



€ 147.6 million (previous year: € 141.1 million). As a result, the subgroup accounted for 90.0 % (previous year: 90.1 %) of the Group's operating result in the reporting period. In the Real Estate subgroup, EBIT rose by 5.9 % to € 16.0 million (previous year: € 15.2 million). 10.0 % of the Group's operating result was generated by this subgroup (previous year: 9.9 %).

Net expenses from the **financial result** fell by € 10.7 million or 37.3 % to € 18.0 million (previous year: € 28.7 million). This was mainly due to a reduction in negative exchange rate effects to € 2.2 million (previous year: € 8.0 million), which resulted almost entirely from the devaluation of the Ukrainian currency. The revaluation of a settlement obligationn payable to a minority shareholder in conjunction with a profit and loss transfer agreement also led to a reduction in net expenses.

At 28.1 %, the Group's **effective tax rate** was higher than in the previous year (25.0 %). The main reasons for this are a one-off tax expense for prior years in the Port Logistics subgroup, as well as the absence of tax effects that had reduced the tax rate in the previous year.

Profit after tax and minority interests increased by 9.5 % year-on-year to € 73.0 million (previous year: € 66.7 million). Non-controlling interests accounted for € 32.0 million in the 2016 financial year (previous year: € 29.2 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** rose accordingly by 9.5 % to € 1.00 (previous year: € 0.92). The listed Port Logistics subgroup achieved a 8.1 % increase in earnings per share to € 0.91 (previous year: € 0.84). Earnings per share of the non-listed Real Estate subgroup were up on the prior-year figure at € 3.44 (previous year: € 2.86). As in the previous year, there was no difference between basic and diluted earnings per share in 2016. The return on capital employed (ROCE) was up 0.4 percentage points year-on-year at 12.4 % (previous year: 12.0 %). ▶ see also Corporate and Value Management, page 20

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 21 June 2017 a dividend distribution of € 0.59 per Class A share and € 2.00 per Class S share. Based on the number of shares with dividend entitlement as of 31 December 2016, the sum distributed for listed Class A shares would total € 41.3 million, as in the previous year, while the amount for non-listed Class S shares would rise by 14.3 % to € 5.4 million. In relation to the consolidated profit and the earnings per share, the dividend payout ratio would reach a high figure of approximately 65 % for the Port Logistics subgroup (previous year: 70 %) and around 58 % for the Real Estate subgroup (previous year: 61 %).

Financial Position

Balance Sheet Analysis

Compared with the previous year, the HHLA Group's **balance sheet total** increased by a total of € 62.5 million to € 1,812.9 million as of 31 December 2016.

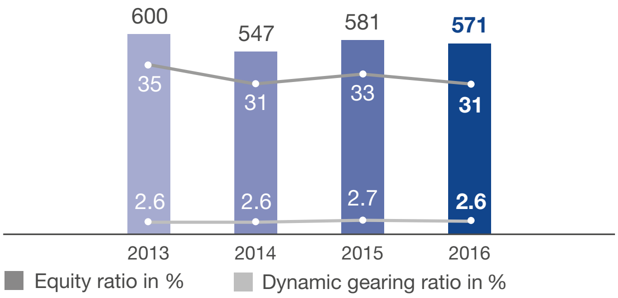
Balance Sheet Structure

in € million	31.12.2016	31.12.2015
Assets		
Non-current assets	1,329.0	1,305.8
Current assets	483.9	444.6
	1,812.9	1,750.4
Equity and liabilities		
Equity	570.8	580.6
Non-current liabilities	1,028.1	979.2
Current liabilities	214.0	190.6
	1,812.9	1,750.4

On the assets side of the balance sheet, **non-current assets** rose by € 23.2 million. This increase is largely attributable to the € 21.3 million rise in deferred taxes to € 82.7 million (previous year: € 61.4 million), due mainly to the interest rate-related change in actuarial gains and losses on pension obligations. Capital expenditure led to an increase in property, plant and equipment of € 3.8 million to € 950.9 million (previous year: € 947.1 million), while investment property declined by € 6.6 million to € 184.0 million due to scheduled depreciation.

Current assets rose by € 39.3 million to € 483.9 million (previous year: € 444.6 million). The increase was mainly due to growth in trade receivables of € 32.3 million to € 160.4 million (previous year: € 128.1 million) and receivables from related parties, which rose by € 23.2 million to € 81.7 million (previous

Developments in Group Equity
in € million



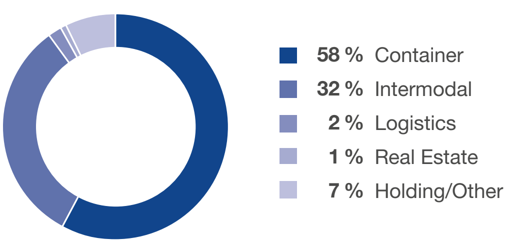
year: € 58.5 million) as the result of the increased investment of liquid funds from cash clearing with HGV. By contrast, cash and cash equivalents fell by € 17.4 million to € 177.2 million.

On the liabilities side, **equity** declined by € 9.8 million compared to year-end 2015 to stand at € 570.8 million (previous year: € 580.6 million). The decrease is primarily attributable to dividends distributed and the reclassification of a future financial settlement totalling € 67.4 million as a non-current financial liability. A change in actuarial gains and losses due to interest rate differentials, netted with deferred taxes, reduced equity by an additional € 30.8 million. Consolidated net income for the reporting period of € 105.1 million had a positive effect. The equity ratio decreased to 31.5 % (previous year: 33.2 %).

Non-current liabilities rose by € 48.9 million to € 1,028.1 million (previous year: € 979.2 million), This was mainly due to the interest-related increase in pension provisions of € 44.9 million. The € 35.7 million increase in non-current provisions to € 102.6 million (previous year: € 66.9 million) was largely offset by the € 32.2 million decrease in financial liabilities to € 339.2 million (previous year: € 371.4 million).

Current liabilities rose by € 23.4 million to € 214.0 million (previous year: € 190.6 million). This was primarily attributable to trade liabilities, which grew by € 16.1 million to € 68.1 million (previous year: € 52.0 million).

Investments
by segment in 2016



Investment Analysis

Capital expenditure in the past financial year totalled € 138.3 million (previous year: € 145.5 million). This figure includes additions of € 4.1 million from finance leases not recognised as a direct cash expense (previous year: € 3.8 million). In 2016, 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.

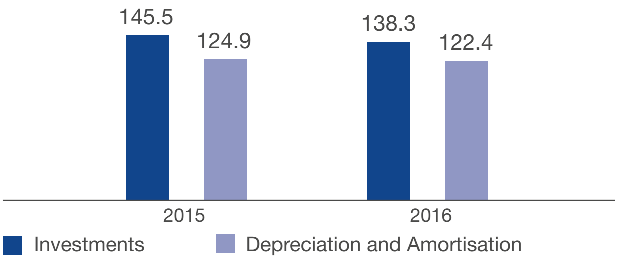
Property, plant and equipment accounted for € 123.2 million (previous year: € 135.9 million) of capital expenditure, while intangible assets accounted for € 12.3 million (previous year: € 8.8 million) and investment property for € 2.8 million (previous year: € 0.8 million).

Investments amounting to € 81.3 million were made in the **Container segment** (previous year: € 61.0 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 **Intermodal segment** invested € 44.1 million (previous year: € 77.1 million). Investments were primarily made by the METRANS Group, and mainly in the construction of the Budapest inland terminal and the purchase of wagons. Capital expenditure in the **Logistics segment** came to € 2.4 million (previous year: € 2.8 million). The **Holding/Other segment** invested a total of € 10.3 million (previous year: € 6.4 million). Investment activities focused on the migration to a new terminal operating system.

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. The primary objective in the Intermodal segment is to increase the depth of value added 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 € 56.8 million (previous year: € 134.4 million). This figure includes € 34.2 million (previous year: € 88.0 million) for the capitalisation of property, plant and equipment.

Investments, Depreciation and Amortisation
in € million



Liquidity Analysis

Cash flow from operating activities rose year-on-year from € 195.3 million to € 234.6 million. The increase of € 39.3 million is mainly attributable to higher provisions, which rose by € 34.4 million, the € 15.7 million increase in trade and other liabilities, the € 9.4 million decrease in income tax payments and the € 7.5 million year-on-year increase in EBIT. The € 36.2 million increase in trade receivables had an opposing effect.

Cash flow from investing activities (outflow) of € 48.9 million, was down on the prior-year figure of € 130.2 million. This € 81.3 million decline in cash outflows was mainly the result of higher proceeds from short-term deposits in the amount of € 54.3 million (previous year: € 17.0 million). At the same time, payments for investments in property, plant and equipment and investment property declined from € 150.8 million in the previous year to € 117.9 million in the reporting period.

Free cash flow – the total cash flow from operating and investing activities – increased to € 185.6 million (previous year: € 65.1 million).

Cash flow from financing activities (outflow) amounted to € 122.4 million in the reporting period (previous year: € 82.7 million), down € 39.7 million below the prior-year figure. In addition to the acquisition of non-controlling interests, the net result of a decline in new borrowing and lower principal repayments on loans led to an increase in net cash outflow from financing activities.

The HHLA Group had sufficient liquidity as of 2016 year-end. There were no liquidity bottlenecks in the course of the financial year. **Financial funds** totalled € 232.4 million as of 31 December 2016 (31 December 2015: € 165.4 million). Including all short-term deposits, the Group's **available liquidity** as of the 2016 year-end came to a total of € 251.2 million (previous year: € 238.5 million).

Liquidity Analysis

in € million	2016	2015
Financial funds as of 01.01.	165.4	185.6
Cash flow from operating activities	234.6	195.3
Cash flow from investing activities	- 48.9	- 130.2
Free cash flow	185.7	65.1
Cash flow from financing activities	- 122.4	- 82.7
Change in financial funds	63.2	- 17.6
Change in financial funds due to exchange rates	- 1.0	- 2.6
Change in financial funds due to consolidation	4.8	0
Financial funds as of 31.12.	232.4	165.4
Short-term deposits	18.8	73.1
Available liquidity	251.2	238.5

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.

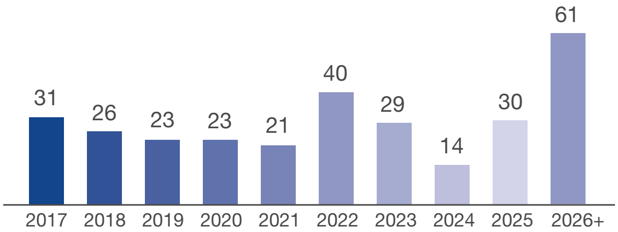
At € 298.4 million as of the balance sheet date, amounts due to banks were below the prior-year figure of € 329.6 million. The Group drew on additional external financing totalling € 10.0 million (previous year: € 121.3 million). New borrowing was offset by loan repayments amounting to € 42.8 million (previous year: € 59.0 million). In the previous year, a promissory note loan was used to replace a shareholder loan. Due to the maturities agreed and its stable liquidity position, the company had no significant funding requirements.

The majority of the liabilities from loans are denominated in euros, with a small proportion in US dollars. In terms of conditions, approximately 58 % have fixed interest rates and some 42 % have floating interest rates. As a result of borrowing, certain affiliated 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 22 % of bank loans. These covenants were met at all agreed audit points throughout the reporting year. As of the balance sheet date, HHLA disclosed non-current liabilities to related parties totalling € 105.9 million (previous year: € 106.3 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).

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 € 177.2 million (previous year: € 194.6 million). These funds are mainly invested at German financial institutions with verified

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

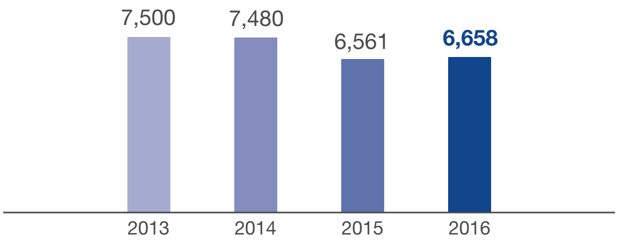
Key Figures

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

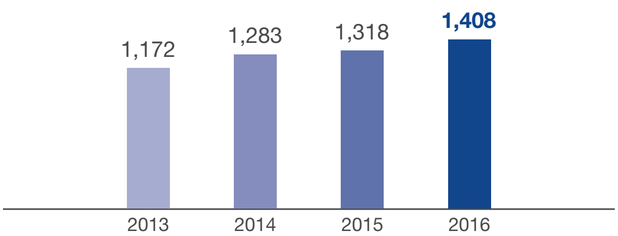
Key Figures

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.

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	↘

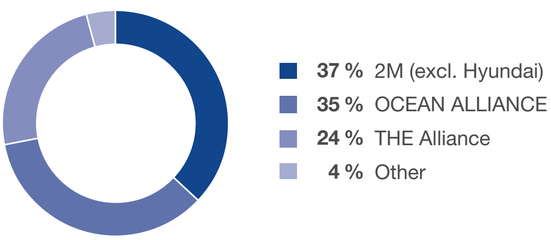
Source: Drewry Maritime Research, December 2016

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 existence of the HHLA Group. An important element of the system is the promotion of entrepreneurial thinking and independent, responsible action.

Risk and Opportunity Management System

In order to enable proactive steps to be taken to deal with the risk and opportunity profile, the risk and opportunity management system comprises the necessary organisational rules and procedures for identifying risks at an early stage and for reporting on opportunities. The work performed by the risk and opportunity management system is carried out according to systematic principles and is subject to a continual improvement process.

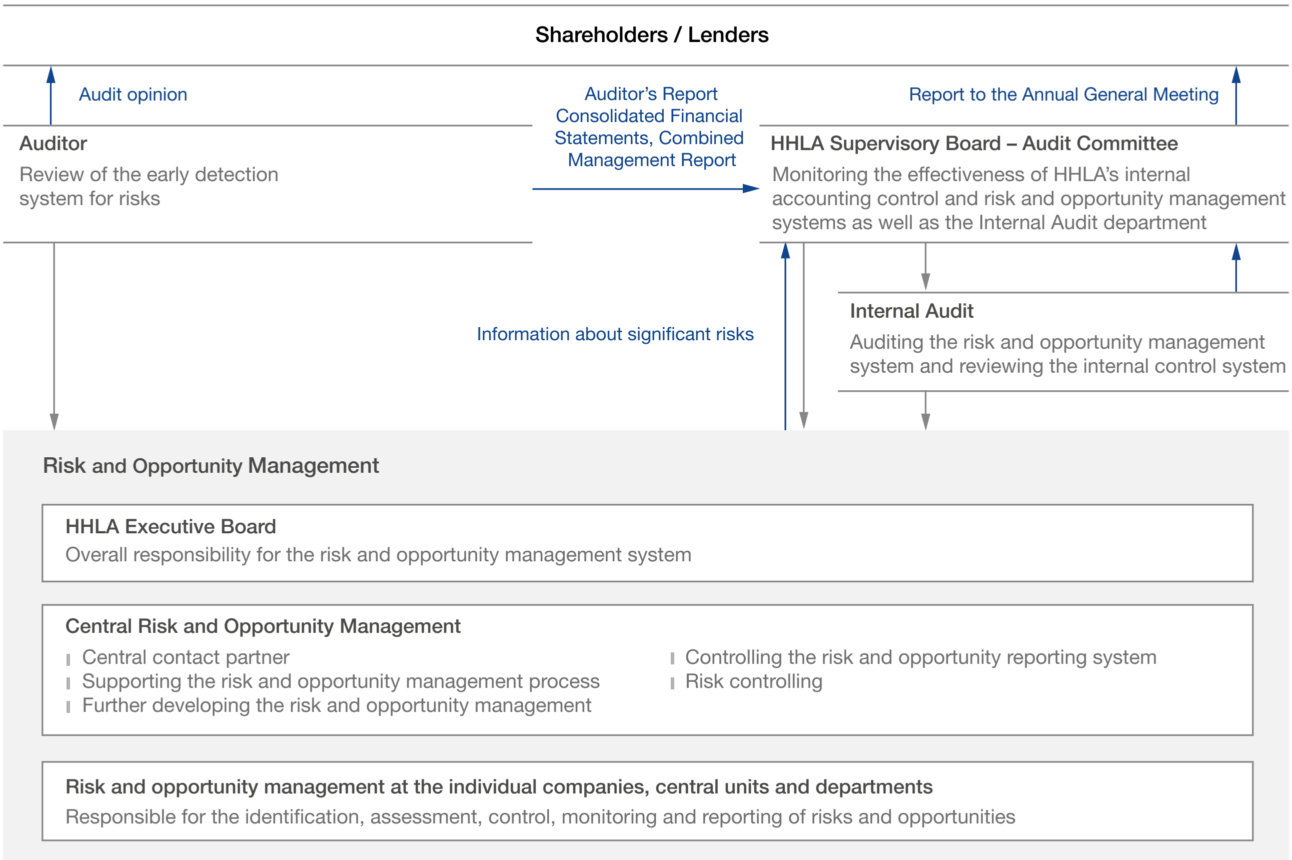
The Executive Board, Internal Audit and Controlling have worked together closely to establish clear lines of responsibility for the identification, assessment, control, monitoring and reporting of risks, as a key element of the risk management system. The Executive Board of HHLA bears overall responsibility for **risk management** within 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 and classified according to defined risk areas.

Risks are categorised by the likelihood of their occurrence and the scale of the potential damage. This reflects the anticipated reduction of the operating result or cash flow before taxes if the risk were to materialise.

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. The Group's affiliates, divisions and corporate staff departments regularly coordinate with the central Risk Management unit of the holding company to ensure that all identified risks are mapped and assessed consistently throughout the Group.

Risk and Opportunity Management and the Internal Control System for Accounting



Categorization of the probability of occurrence

< 25 %	≥ 25 %	≥ 50 %	≥ 75 %
unlikely	possible	likely	most likely

Categorization of the damage amount

Equity of the Group				
< 1%	< 5 %	< 10 %	< 25 %	≥ 25 %
not significant	medium	significant	massiv	threatening

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. A distinction is made between the gross risk (excluding measures) and the net risk (including measures).

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.

Opportunity management is comparable to the risk management process. Opportunities are systematically identified and measures 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 that 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 divisions and affiliates with strategic issues such as market and competition analyses, business plans or product portfolio alignment.

The most important elements of the risk and opportunity management system and risk and opportunity reporting are described in a corporate guideline. The system remains unchanged from the previous year.

Accounting-Related Internal Control System

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 and opportunity management system is based on the criteria set 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 control system and risk and opportunity management for its accounting processes. The external auditor also assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks.

The internal control and risk and opportunity management systems for accounting 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. These include using the double-checking principle. There is a single accounting manual that 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.

Independent Monitoring

Internal Audit is responsible for auditing the risk and opportunity management system and conducts regular checks to monitor compliance with the internal control system. HHLA's Supervisory Board monitors the effectiveness of the risk management system. The external auditors assess the early risk identification and monitoring system on behalf of the Supervisory Board as part of their audit of the Annual Financial Statements.

Overall Assessment of Risks and Opportunities

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 principally characterised by market risks. 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.

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. Since the economic prospects, in particular, are highly unpredictable, this description of risks and opportunities merely serves as a snapshot. Changes in the HHLA Group's risk and opportunity profile are regularly reported in the half-yearly financial report and – where material – in the interim statements for the first and third quarters.

Ranking of HHLA Group's material risks

	Damage amount	Probability of occurrence	Trend vs. previous year
Market risks	significant	possible	↗
Other risks	significant	unlikely	↗
Financial risks	medium	possible	↘
Strategical risks	medium	possible	→
Legal risks	not significant	unlikely	→
Risks from the provision of services	not significant	unlikely	→

Largest individual risks within the respective risk class.

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

There are no discernible risks at present that 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.

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 workloads 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.

The Federal Administrative Court reached a decision regarding the dredging of the river Elbe on 9 February 2017. It does not revoke planning approval for the dredging of the river Elbe. According to the court's ruling, however, the latter is unlawful in part due to violations of habitat conservation law and is therefore not initially enforceable. Two points (a review of potential harm to the Elbe water dropwort due to a project-related increase in salt levels and provisions on coherence measures) that the Federal Administrative Court explicitly classifies as remediable must be revised. An approximate timeline for the practical and procedural implementation of the required remedial measures is not yet available. As such, no reliable forecasts of a possible starting date for construction can be made. 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. Projects of special significance for HHLA include constructing the port crossing 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 that 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 flows of goods HHLA serves is a key precondition for the future development of container throughput, transport volumes and logistics services. If demand for these 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 divergences in earnings caused by underutilised capacity in the short and medium term. An economic trend that falls short of expectations may also require adjustments to the valuation of assets (mainly property, plant and equipment and financial assets). HHLA regularly checks for any impairment of its assets and makes adjustments where necessary.

Research institutes forecast moderate global economic growth for 2017 after a difficult year in 2016, which was dominated by largely stagnating global trade and political uncertainty, among other things. Although the advanced economies are expected to continue their stable but modest growth, uncertainty surrounds the possible consequences of Brexit in Europe and the further development of the US economy following the change of president. In China, economic growth is expected to slow slightly but remain at a high level. Planned protectionist measures, as recently resolved by decree in the USA, will impose strict limits on global growth. 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. A gradual lifting of the economic sanctions imposed on the Russian Federation could also have a positive impact on the volume trend.

For 2017, the market research institute Drewry expects slight growth in global container throughput and the Northern Europe–Asia trade route, which is particularly important to HHLA. The correlation factor between relevant GDP and containerised trading volumes is expected to remain unchanged at less than 1. In other words, the partial decoupling of economic growth and growth in container traffic is set to continue. The anticipated growth in the Northern Europe–Asia trade route is therefore expected to fall short of economic growth in the eurozone in 2017. Consequently, volume and capacity risks remain relevant to HHLA.

Throughput and transport volumes in the markets of relevance for HHLA 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 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 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.

Due to fierce competition for container transport by rail, HHLA's Intermodal subsidiaries also face the risk of volumes being rerouted with a resulting risk for revenue. However, these risks are countered by taking appropriate measures.

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 further strengthen the performance of HHLA's hinterland network.

Customer Structure

HHLA's shipping company customers have operated in a tough competitive environment for container liner shipping for several years now. Reasons for this primarily include structurally related idle capacities and low freight rates, twinned with weak growth in the global container transport industry. This resulted in many shipping customers posting operating losses once again in the course of 2016. Moreover, Hanjin was forced to file for insolvency. The cost pressure on shipping customers will remain high in future. However, the initial outlook for 2017 indicates an increase in freight rates and an upturn in demand. HHLA's shipping customers are responding to the changed market situation with mergers, as well as by restructuring and reducing their services. One consequence of this ongoing process is a fundamental reorganisation of shipping company alliances and services, especially in the Asia–Europe shipping region. The temporary or structural re-routing of services between the North Range ports presents both risks and opportunities for HHLA. 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 2016 financial year, HHLA's customer base included all major 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.

Market Concentration in Procurement

Some of the handling equipment used by HHLA is highly specialised and this may result in a reliance on suppliers for maintenance or the procurement of replacement parts. Under certain circumstances, this may lead to operational restrictions. The corresponding risks are reduced to some extent by involving suppliers at a strategic and collaborative level and optimising the supplier base. This will be aided by the planned introduction of an IT-based supplier management system in 2017.

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 and repair, contingency plans and breakdown services, regular inspections and tests are performed to help identify possible faults before they happen and thus reduce risks.

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 monitor non-discriminatory access and carrier-neutral 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 that 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.

Financial Risks

Currency Risks

As the bulk of HHLA's services are rendered within the eurozone, 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. The value of the Ukrainian currency, the hryvnia, continued to fall in the first quarter of 2016 due to the ongoing crisis in Ukraine. Despite stabilizing somewhat over the rest of the year, the risk of further devaluation cannot be ruled out. 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

Freight rates remain low due to the ongoing disequilibrium between trading volumes and ship space. The liquidity and earnings position of shipping companies is thus expected to remain strained.

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. This insurance cover is not extended to certain shipping customers. Moreover, Hanjin has filed for insolvency and will be liquidated in 2017.

Pension Obligations

The reference interest rate for measuring the necessary provisions for company pensions fell to a historically low level due to the continuation of the European Central Bank's (ECB) expansionary monetary policy. Any further reduction in interest rates would prompt another increase in pension provisions. Lower volatility is assumed than in the past financial year based on the interest rate levels. 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. ▶ see also Note 47 of the Notes to the Consolidated Financial Statements, Management of Financial Risks, page 136

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.

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 that 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. Should compliance violations occur, specific process adjustments may be undertaken to prevent them in future.

New Regulatory Requirements

Changes to legislation, regulatory reforms or amended requirements may necessitate changes to HHLA's internal processes or existing equipment. By ensuring a steady flow of information and cooperating closely with the relevant authorities, HHLA is able to make timely internal preparations and forward-looking investments aimed at reducing the associated costs.

Other Risk and Opportunity Factors

Flooding

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. However, flood protection work undertaken by HHLA and the Free and Hanseatic City of Hamburg in previous years has reduced this risk considerably.

Should this risk ever materialise, 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 and evaluates acquisition opportunities. 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 assessment of commercial opportunities and risks. HHLA is in a sound financial position. It therefore has the financial means to make acquisitions.

Corporate Governance

Combined Corporate Management Declaration and Corporate Governance Report

The following declaration by the Executive Board and the Supervisory Board contains the combined Corporate Management Declaration for HHLA and the Group in accordance with Section 289a HGB or Section 315 (5) in conjunction with Section 289a HGB respectively, as well as the Corporate Governance Report in accordance with Section 3.10 of the German Corporate Governance Code (hereafter "the Code" or "GCGC"). It includes in particular the current declaration of compliance of the Executive Board and Supervisory Board, relevant practices of corporate management that go beyond the statutory requirements, details regarding the composition and functions of the Executive Board, the Supervisory Board and the Supervisory Board committees of HHLA, the targets to promote the participation of women in leadership positions in accordance with Section 76 (4) and Section 111 (5) AktG, the achievement of minimum quotas for the number of men and women on the Supervisory Board, 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 and the Group complies with statutory provisions and – with only a few exceptions – the recommendations and most of the suggestions contained in the Code. HHLA's Supervisory Board and Executive Board expressly support the Code and the objectives and purposes that it pursues. Responsible and transparent corporate management geared towards sustainable creation of 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 2016 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG after conducting the annual review of compliance with the recommendations and suggestions of the Code in December 2016. The current declaration of compliance is printed below. It can also be viewed by shareholders and the public on HHLA's website at www.hhla.de/corporategovernance together with the declarations of compliance relating to previous years.

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 AktG in December 2016:

"The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that since 9 December 2015 (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 5 May 2015 and published in the Federal Gazette on 12 June 2015 with the following exceptions:

a) Section 4.2.3 of the Code 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. These recommendations have not yet been fully implemented in two of the Executive Board contracts currently in force until 31 December 2016. An adjustment of these old contracts appeared to be impracticable as the contracts were concluded for a fixed term and cannot be unilaterally modified. However, the requirements were observed in the course of all extensions of contracts and conclusions of new contracts. Therefore, upon the coming into force of the latest renewed Executive Board contracts on 1 January 2017, HHLA will fully comply with the recommendation.

b) Section 4.2.2 (2) sentence 3 of the GCGC recommends 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 senior management and the headcount in general, including its development over time. The Supervisory Board determines where to draw the line between the senior management and the relevant headcount for the sake of its comparison. Section 4.2.3 paragraph 2 sentence 6 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 recommends that for pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been an Executive Board member – and take into account resulting annual and long-term expense for the company. These recommendations have also not yet been fully implemented in the two aforementioned Executive Board contracts for the above-mentioned reasons. However, these recommendations were also observed in the course of the extension of the contracts and new contracts, so that the recommendations are fully complied with as of 1 January 2017.

c) According to Section 7.1.2 of the Code, half-yearly and any quarterly financial reports shall 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 the half-year financial report and the interim statements on the basis of individual segment reporting for the A and S divisions takes more time than for companies with only one type of shares. 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 in which the company's reports are examined, the half-year financial report and the 'additional financial information' in the interim statements were reviewed by the auditors. It is intended to continue such reviews in the future.

Hamburg, 9 December 2016

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 advises the Executive Board on relevant management matters. Simultaneous membership in 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. In the period from 1 October 2016 (appointment of Ms. Titzrath) to 31 December 2016 (departure of Mr. Peters), the Executive Board temporarily had five members. ▶ see also Note 49 of 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 in accordance with Executive Board resolutions. The schedule of responsibilities states which Executive Board members are responsible for which departments. ▶ see also Group Structure, page 13

The **Executive Board provides the Supervisory Board** with regular, timely and comprehensive information on all matters that are relevant for the company or the Group. These include, in particular, the intended business policy, profitability, the current position and course of business, planning, the current risk position, risk management and compliance for both the Group and the company in each case. 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 company or the Group, including between meetings. These include, inter alia, operational malfunctions and illegal actions that disadvantage the company or a Group affiliate. Certain decisions and transactions of fundamental importance 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, inter alia, 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 provide that decisions and transactions of considerable importance for the company must be discussed and decided upon together and that certain decisions and 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 decides on the composition of the Executive 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. Its other main tasks include the examination and adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements. The tasks and the internal organisation of the Supervisory Board and its committees are based on the law, the articles of association, which are available on HHLA's website at www.hhla.de/corporategovernance, and the Supervisory Board's rules of procedure. In addition, the Code also contains recommendations on the Supervisory Board's work.

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 that 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 **committees**. The individual committees and their responsibilities are laid down in the Supervisory Board's rules of procedure. The chairpersons of the committees regularly report on the work of their respective committees at the following Supervisory Board meeting. There are currently a total of six committees: the Finance Committee, the Audit Committee, the Personnel Committee, the Nomination Committee, the Arbitration Committee and the Real Estate Committee.

- The **Finance Committee** prepares Supervisory Board meetings and resolutions of major financial importance, such as resolutions to be adopted concerning significant borrowing and lending, the assumption of 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, the accounting process and the effectiveness of the audit of the financial statements. It also prepares the Supervisory Board's resolution proposal to the Annual General Meeting on the election of the auditor. The Audit Committee is responsible for the selection procedure if there are plans to rotate the auditor. After the auditor has been elected by the Annual General Meeting, it awards the audit assignment for the Consolidated Financial Statements and the Annual Financial Statements. It also deals with the fee agreements and determines which areas the audits should focus on. It continually monitors the independence of the auditor and discusses the risks to the auditor's independence as well as the prevention measures taken to mitigate these risks. In this connection, the Audit Committee is also responsible for monitoring and approving the additional services provided by the auditor in addition to the audit of the financial statements (non-audit services). Other focus areas of its work include monitoring the effectiveness of the internal 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**, which consists solely of its shareholders' representatives when performing this role. In line with the statutory requirements, the recommendations of the Code and the targets adopted by the Supervisory Board regarding its composition, the Nomination Committee proposes suitable candidates to the Supervisory Board to stand for election at the Annual General Meeting as 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 that require such approval and all other matters that 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 work and the 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. ▶ see also Report of the Supervisory Board, page 4 Further information on the composition of the Executive Board, the Supervisory Board and the Supervisory Board committees can be found in the Notes to the Consolidated Financial Statements. ▶ see also 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 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 4 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 for its composition
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, the members as a whole must be familiar with the sector in which the company operates and at least one member of the Supervisory Board must have expertise in the fields of accounting or the auditing of financial statements. The same applies to the composition of the Audit Committee. In addition, Section 5.4.1 of the Code (in the version dated 5 May 2015) calls for specific 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 of the Code, 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 updated the corresponding targets at its meeting on 9 December 2015. 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 the different career paths and fields of activity of its members 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 statutory 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 also be strived for 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 should 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 generally 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 that 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 that are not merely temporary, this should result in the termination of his/her period of office. The Supervisory Board notifies conflicts of interest that have arisen and on how these have been handled in its report to the Annual General Meeting. ▶ see also Report of the Supervisory Board, page 4

- 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 shareholder's representatives. 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. Moreover, 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 current **composition** basically fulfils the stated 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. Dr. Kloppenburg also has expert knowledge and experience in the fields of accounting, auditing and internal control processes and therefore fulfils the requirements in Sections 100 (5) and 107 (4) AktG and Section 5.3.2 sentences 2 and 3 of the Code.

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

As a listed company with equal employee and shareholder representation, HHLA's Supervisory Board must consist of at least 30 % women and 30 % men. The Supervisory Board is also obliged to set a target quota for women on the Executive Board. In turn, the Executive Board itself is obliged to set target quotas for women in the two management levels below the Executive Board. Deadlines for achieving these targets must also be set in each case. The first target quotas for women on the Executive Board and women in the two management levels below the Executive Board were to be adopted by 30 September 2015, and the initial deadline for achieving these targets was 30 June 2017 at the latest. The gender quotas for the Supervisory Board apply to all members appointed from 1 January 2016 onwards. Every year, the Executive Board and the Supervisory Board must report in its declaration on corporate management on the achievement of the gender quotas for the Supervisory Board, the target quotas set for women on the Executive Board and women in the two management levels below the Executive Board, as well as the corresponding deadlines for achieving these targets and, if applicable, the reasons for not achieving the quotas within the stated deadlines.

There are currently two female shareholder representatives on the Supervisory Board. Consequently, the proportion of women on the Supervisory Board as a whole is 16.7 % and 33.3 % for the shareholder representatives. Despite the appointment of new members in the reporting period, it was not possible to increase the proportion of female employee representatives since both successors had already been elected as substitute members in the employee representative elections held in 2012. The minimum quota has already been met for the shareholder representatives.

At its meeting on 11 September 2015, the Supervisory Board set a target quota of 25 % for women on the Executive Board, which is to be met by 30 June 2017. Following the appointment of Ms. Titzrath and the departure of Mr. Peters, this target has been met since 1 January 2017.

The Executive Board has set a target quota of 25 % for women in the first management level below the Executive Board and a target quota of 30 % for the second management level. The deadline for achieving both of these targets is 30 June 2017. As of 31 December 2016, women accounted for 17 % of the first management level (as of 31 December 2015: 15 %) and 26 % of the second management level (as of 31 December 2015; 21 %).

Disclosures on Corporate Management Practices

Structure and Management of the Group

HHLA acts as the strategic management holding company for the Group. Its operating business is conducted by domestic and foreign subsidiaries and associated firms. ▶ see also Group Structure, page 13 Operating activities are managed and monitored by the Executive Board of HHLA and its central departments, such as Purchasing, Finance, Legal and HR. Compliance with the management's corporate governance requirements is ensured by internal company guidelines, provisions in the articles of association and rules of procedure for the subsidiaries and associated firms. Most subsidiaries also have their own supervisory or advisory boards that monitor and advise the management boards of the respective companies.

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 (CMS) 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, https://hhla.de/en/investor-relations/corporate-governance/compliance.html. The code of conduct also sets out the whistleblowing channels available to employees and third parties for reporting evidence of misconduct in the company. The code of conduct is supplemented by further Group guidelines on such matters as the prevention of corruption and conduct in the competitive environment. A further element of the CMS is the systematic, ongoing analysis of compliance risks. The overall coordination of the CMS is performed by a Compliance Officer, who reports directly to the Executive Board and synchronises his or her activities with those of Internal Audit and Risk Management departments, among others. In the 2016 financial year, further extensive steps were taken to enhance HHLA's compliance management system. These included the continuation of preventive work, e.g. the updating and supplementing of Group guidelines, and the compliance risk inventory, as well as training and other communication measures for staff at HHLA companies in Germany and abroad, such as a refresher course on the code of conduct and training on special issues like the prevention of corruption and conduct in the competitive environment. The Audit Committee monitored the effectiveness of the CMS in the reporting period by means of regular reports from the Executive Board and the Compliance Officer. The system will continue to be enhanced on an ongoing basis.

Sustainability

Sustainability has been an integral part of HHLA's business model since the company was established. ▶ see also Sustainability, page 157 and https://hhla.de/en/sustainability/overview.html

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 42

Transparency

HHLA informs capital market participants and interested members of the general public about the position of the company and the Group and important company developments, particularly by means of its financial reporting (annual report, half-yearly financial report and interim statements), 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 can be addressed to the Investor Relations department.

Accounting and Auditing

The Separate Financial Statements of HHLA (parent company) are prepared in line with the accounting regulations of the German Commercial Code (HGB). The Consolidated Financial Statements and Interim Reports comply with International

Financial Reporting Standards (IFRS) as adopted by the European Union. This Annual Report provides further information on IFRS in the Notes to the Consolidated Financial Statements. ▶ see also Notes to the Consolidated Financial Statements, General Notes, page 82 The appropriation of profits is based solely on the Separate Financial Statements of HHLA.

The choice and appointment of the auditing firm, and the monitoring of its independence and the additional services it provides, are conducted in accordance with statutory provisions. In addition, arrangements have been made with the auditor of the Separate Financial Statements and Consolidated Financial Statements for the 2016 financial year – PricewaterhouseCoopers 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 that 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 that indicate that the declaration of compliance issued by the Executive Board and Supervisory Board as per Section 161 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 2016 financial year, the company did not receive any notifications regarding directors' dealings with HHLA shares or related financial instruments. As of 31 December 2016, 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 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 responsibilities and performance of 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 between the remuneration of the Executive Board and the remuneration of the upper levels of management and the staff in general.

The 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. Following a review in the 2015 financial year, the individual components of Executive Board remuneration were amended slightly and implemented in the contracts recently extended or drawn up. The amendments relate to a moderate increase in the fixed remuneration while capping the variable remuneration, as well as other adjustments in line with the recommendations of the German Corporate Governance Code. The modified provisions apply to all members since 1 January 2017.

Fixed remuneration amounts to € 350,000 p.a. for ordinary members of the Executive Board (prior to amendment: € 325,000) and is paid out in twelve monthly instalments. The chairperson of the Executive Board receives a higher basic salary. In addition, there are fringe benefits (non-monetary compensation) in the form of a right to use an appropriate company car (including 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 and paid out once the Annual Financial Statements have been approved. 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 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. As part of the amendments to Executive Board remuneration, variable remuneration was capped at 100 % of basic salary (previously: 150 %). The new cap was implemented in all Executive Board contracts as of 31 December 2016, with the exception of one old contract.

The company usually pays for an appropriate direct insurance policy on behalf of the Executive Board member on their appointment. Members of the Executive Board who are re-appointed on expiry of their initial appointment period are granted pension entitlements. Pensions are paid to entitled 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 age. Pensions are calculated as 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 of the members of the Executive Board contain a compensation provision that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat due to a change of control or similar circumstances. The company was originally obliged to pay the respective Executive Board member any outstanding remuneration for the remaining term of the service contract in a lump sum, discounted by 2 % per annum, less certain other income earned by the Executive Board member until the end of the service contract. In the Executive Board contracts drawn up or extended in 2015 and 2016, the above entitlements were successively amended so that not more than two annual salaries (including fringe benefits) and not more than the total remuneration for the remaining term is payable in the event of premature termination of an Executive Board contract (including termination due to change of control). In addition, other amendments were made to the contracts to bring them in line with the recommendations of the German Corporate Governance Code. Should the service contracts be terminated prematurely for another reason without good cause, the payment of compensation shall be limited to the remaining term of the contract. The last contracts with the old provision expired on 31 December 2016. As of 1 January 2017, all service contracts now fully comply with the recommendations of the German Corporate Governance Code.

Level of Remuneration for Executive Board Members in 2016 Based on Different Scenarios

As of: 31 December 2016

	0 % minimum	← The payment level of the variable remuneration is capped at 100% of the basic salary.[1] →		100 % 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[2]	
		Social	Continuing education and training, health and employment	
Non-performance related fixed salary Plus fringe benefits				

[1] In an old contract with a maturity term until 31 December 2016, the cap still amounted to 150 %.
[2] Per container handled and transported

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 2016 financial year amounted to approximately € 3.14 million (previous year: € 2.93 million). Former members of the Executive Board and their surviving dependants received total payments of € 692,224 (previous year: € 684,938). Total provisions of € 12,385,982 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 11,398,460).

The service cost for the financial years 2015 and 2016 was impacted by additional one-off expenses. In the reporting period, these primarily relate to Dr. Behn's decision to step down from the Executive Board as of 31 March 2017, which increased the service cost to € 688,121. The service cost for the 2015 financial year includes a past service cost of € 547,172 in connection with the increase in Dr. Lappin's pension entitlements due to his length of service.

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).

Individual Remuneration of the Executive Board

	Klaus-Dieter Peters, Chairman of the Executive Board					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2016**	2016 Minimum	2016 Maximum	2015	**2016**	2015
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[1,2]	447,244	0	697,500	453,755	463,860	463,072
Other	0	0	0	0	0	0
Total remuneration	**926,016**	**478,772**	**1,176,272**	**932,527**	**942,632**	**941,844**
Service cost[3]	376,568	376,568	376,568	357,978	376,568	357,978
Total expenses	**1,302,584**	**855,340**	**1,552,840**	**1,290,505**	**1,319,200**	**1,299,822**

	Angela Titzrath, Executive Board member (since 1 October 2016)					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2016**	2016 Minimum	2016 Maximum	2015	**2016**	2015
Fixed remuneration	87,500	87,500	87,500	0	87,500	0
Other benefits	6,936	6,936	6,936	0	6,936	0
Total	**94,436**	**94,436**	**94,436**	**0**	**94,436**	**0**
One-year variable remuneration[1,2]	85,683	0	87,500	0	87,500	0
Other	0	0	0	0	0	0
Total remuneration	**180,118**	**94,436**	**181,936**	**0**	**181,936**	**0**
Service cost[3]	68,649	68,649	68,649	0	68,649	0
Total expenses	**248,767**	**163,084**	**250,584**	**0**	**250,584**	**0**

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 *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).*

Dr. Stefan Behn, Executive Board member						
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2016	2016 Minimum	2016 Maximum	2015	2016	2015
Fixed remuneration	341,667	341,667	341,667	325,000	341,667	325,000
Other benefits	13,518	13,518	13,518	13,007	13,518	13,007
Total	355,185	355,185	355,185	338,007	355,185	338,007
One-year variable remuneration[1,2]	312,730	0	341,667	317,283	324,397	323,843
Other	0	0	0	0	0	0
Total remuneration	667,915	355,185	696,852	655,290	679,582	661,850
Service cost[3,4]	688,121	688,121	688,121	163,091	688,121	163,091
Total expenses	1,356,036	1,043,306	1,384,973	818,381	1,367,703	824,941

Heinz Brandt, Executive Board member						
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2016	2016 Minimum	2016 Maximum	2015	2016	2015
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[1,2]	312,730	0	325,000	317,283	324,397	323,843
Other	0	0	0	0	0	0
Total remuneration	650,542	337,812	662,812	655,095	662,209	661,655
Service cost[3]	245,705	245,705	245,705	277,763	245,705	277,763
Total expenses	896,247	583,517	908,517	932,858	907,914	939,418

Dr. Roland Lappin, Executive Board member						
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2016	2016 Minimum	2016 Maximum	2015	2016	2015
Fixed remuneration	341,667	341,667	341,667	325,000	341,667	325,000
Other benefits	10,989	10,989	10,989	10,869	10,989	10,869
Total	352,656	352,656	352,656	335,869	352,656	335,869
One-year variable remuneration[1,2]	312,730	0	341,667	317,283	324,397	323,843
Other	0	0	0	0	0	0
Total remuneration	665,386	352,656	694,322	653,152	677,052	659,712
Service cost[3,5]	178,719	178,719	178,719	707,216	178,719	707,216
Total expenses	844,104	531,374	873,041	1,360,368	855,771	1,366,928

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 *The increase in Service costs for 2016 results from Dr. Behn's decision to leave the Management Board as of 31 March 2017.*

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.*

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 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 one full 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 is no variable remuneration component.

No loans or similar payments were granted to members of the Supervisory Board. Other than the usual market 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 € 327,292 (previous year: € 299,625).

Individual Remuneration of Supervisory Board Members

	Fixed remuneration		Remuneration for committee work		Meeting fee		Total	
in €	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Prof. Dr. Peer Witten	40,500	40,500	10,000	5,000	5,000	2,250	55,500	47,750
Wolfgang Abel	20,250	20,250	2,500	2,500	4,250	2,250	27,000	25,000
Torsten Ballhause	13,500	13,500	6,250	5,000	5,250	3,250	25,000	21,750
Petra Bödeker-Schoemann	13,500	13,500	7,500	7,500	2,750	2,000	23,750	23,000
Dr. Rolf Bösinger (since 18.2.16)	12,375	0	4,167	0	4,250	0	20,792	0
Dr. Bernd Egert	13,500	13,500	7,500	2,500	3,750	2,000	24,750	18,000
Holger Heinzel	13,500	13,500	2,500	2,500	2,000	1,750	18,000	17,750
Dr. Norbert Kloppenburg	13,500	13,500	7,500	7,500	2,750	3,250	23,750	24,250
Andreas Kummer (since 15.7.16)	6,750	0	3,750	0	3,500	0	14,000	0
Frank Ladwig (until 25.7.16)	7,875	13,500	2,917	5,000	2,500	3,000	13,292	21,500
Stephan Möller-Horns (11.12.15 until 9.2.16)	2,250	1,125	0	0	0	0	2,250	1,125
Arno Münster (until 14.7.16)	7,875	13,500	5,833	10,000	3,250	4,750	16,958	28,250
Thomas Nahr (since 26.7.16)	6,750	0	2,500	0	1,500	0	10,750	0
Norbert Paulsen	13,500	13,500	5,000	5,000	2,750	2,250	21,250	20,750
Michael Pirschel (until 10.12.15)	0	13,500	0	7,500	0	3,500	0	24,500
Dr. Sibylle Roggencamp	13,500	13,500	10,000	10,000	6,750	2,500	30,250	26,000
Total	199,125	196,875	77,917	70,000	50,250	32,750	327,292	299,625

All figures excluding VAT.

Additional Information on Takeover Law and Explanatory Notes

1. The subscribed capital of the company amounts to € 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 share capital of € 1.00 each. 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 only provide for participation in the net profit/loss and net assets of the S division, and the Class A shares only provide for participation 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 that 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 117 and Note 48, page 142.

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 suffices. In the case of amendments to the articles of association for which the law prescribes a larger voting or capital majority, the legally required majority applies. 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 that relate only to the wording. If an amendment to the articles of association in connection with 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 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, see 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 16 June 2016 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 16 June 2019 bearer or registered bonds with warrants or convertible bonds or combinations of these instruments (hereinafter known collectively as "debenture bonds") and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered Class A shares in the company, each representing € 1.00 of the share capital, 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. The debenture bonds are to be divided into separate securities of the same class, each with equal rights. The debenture bonds may be denominated in euros or in the legal currency of an OECD member state for up to an amount equivalent to the total nominal amount in euros. They may also be issued by companies in which the company indirectly or directly holds a majority interest. The respective terms may also provide for a warrant or conversion obligation as well as an issuer put option to provide Class A shares in the company as of the end of the term or at an earlier date. 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 debenture bonds and to the extent that debenture bonds are issued for cash, whereby debenture bonds with rights, options or obligations to convert them into Class A shares or an issuer put option for Class A shares may account for no more than 10 % of the share capital attributable to Class A shares. Furthermore, the issue of debenture bonds while excluding the subscription rights of Class A shareholders is limited to a total of 20 % of the share capital attributable to Class A shares. All Class A shares issued or that are still to be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit. As per Article 3 (6) of the articles of association, contigent capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This is made up of 10,000,000 new registered Class A shares.

Further details of the authorisations stated in sections 7.1 to 7.3, particularly the conditions of issue, the possibilities to exclude subscription rights and their limits, can be found in the corresponding authorisation resolutions as well as in Article 3 of the articles of association.

7.4 The Annual General Meeting held on 16 June 2016 authorised the company to purchase Class A treasury shares up to a maximum of 10 % of the company's share capital attributable to Class A shares at the time of the resolution or if lower, at the time that the authorisation is exercised, until 15 June 2021. 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 may be made via the stock exchange, by way of a public purchase offer made to all Class A shareholders or by way of a public invitation to submit sales offers. In addition to selling Class A shares in the company acquired under this authorisation via the stock exchange or offering them to all shareholders in proportion to their shareholdings, the Executive Board was also authorised – subject to the approval of the Supervisory Board – to use these shares for all legally permissible purposes. This includes in particular selling shares in exchange for cash consideration 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, 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 to employees or members of the executive bodies of an associated company, the sale of shares to third parties in return for contributions in kind, as well as cancelling shares, even in a simplified process in accordance with Section 237 (3–5) AktG. In the above cases – excluding cancellation – the rights of shareholders to subscribe for treasury shares are also excluded. With the exception of shares sold in return for contributions in kind or the cancellation of shares, the Class A shares sold or used while excluding subscription rights may not exceed 10 % of the share capital attributable to Class A shares.

Further details on the authorisation can be found in the corresponding resolution.

7.5 Under Article 6 of the articles of association and Section 237 (1) AktG, the company is authorised to 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 with a total volume of € 53,000,000 and issued a total of 44 registered bonds with a combined nominal value of € 22,000,000. Partial repayments will be due between 30 September 2022 and 30 September 2025 for the promissory note loans and between 30 September 2027 and 30 September 2030 for the registered bonds. If there is a change of control at HHLA, the holders or creditors of registered bonds and promissory note loans and tranches thereof are entitled to demand early repayment. However, the creditors of promissory note loans and tranches thereof are only entitled to demand such early repayment if the parties cannot come to an agreement regarding the continuation of the respective loan, and the lender concerned cannot be reasonably expected – taking into account HHLA's legitimate interests – to accept the continuation of the unchanged loan agreement. A change of control can be said to have taken place if the Free and Hanseatic City of Hamburg directly or indirectly holds less than 50.1 % of the voting rights in HHLA.

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

9. The service contracts of Executive Board members valid during the reporting period contain clauses that provide for the payment of remuneration 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 was originally obliged to pay the respective Executive Board member any outstanding remuneration for the remaining term of the service contract in a lump sum, discounted by 2 % per annum, less certain other income earned by the Executive Board member until the end of the service contract. In the Executive Board contracts drawn up or extended in 2015 and 2016, the above entitlements were successively limited in all contracts – in line with the recommendations of the German Corporate Governance Code – so that not more than two annual salaries (including other benefits) and not more than the total remuneration for the remaining term is payable in the event of premature termination of an Executive Board contract (including termination due to change of control). The new provision applies to all Executive Board contracts since 1 January 2017.

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 AG) 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 AG) is a leading European port logistics group. HHLA AG 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 32 domestic and 14 foreign subsidiaries that make up the consolidated group. No significant legal or organisational changes were made to the company structure in the 2016 financial year.

HHLA AG 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.

Employees

HHLA AG had a total of 1,190 employees as of 31 December 2016 (previous year: 1,237). Of this number, 349 received wages (previous year: 363), 774 received a salary (previous year: 783) and 67 were apprentices (previous year: 91). Of the 1,190 staff members, 591 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	2016	2015	Change
Revenue	157.9	121.2	30.2 %
Other income and expenses	- 179.2	- 131.6	- 36.2 %
Operating result	- 21.3	- 10.4	neg.
Financial result	- 6.9	- 36.0	80.9 %
Result from equity investments	94.2	81.7	15.3 %
Income taxes	- 18.4	- 6.2	neg.
Net profit	47.6	29.1	63.5 %

The **revenue** recorded by HHLA AG resulted mainly from the charging of personnel expenses for holding company staff assigned to the spun-off Container and Logistics segments and from billing administrative services for IT systems which are pooled with HHLA AG. Revenue totalled € 157.9 million in the reporting year (previous year: € 121.2 million). The € 36.7 million increase was largely due to the restructuring of the Logistics segment and the resulting income from the termination of the lease for the Übersee-Zentrum.

Other income and expenses reduced earnings by an additional € 47.6 million compared with the previous year. This was mainly attributable to higher expenses in connection with restructuring measures in the Logistics segment as well as other income from the transfer of property, plant and equipment in the previous year.

The year-on-year improvement 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 rose by € 12.5 million to € 94.2 million (previous year: € 81.7 million).

The € 12.2 million increase in **income taxes** resulted mainly from a significant improvement in the financial result and income from equity investments.

The company's **annual net profit** amounted to € 47.6 million in the reporting period (previous year: € 29.1 million). The A division accounted for € 38.8 million of this amount (previous year: € 22.5 million) and the S division for € 8.7 million (previous year: € 6.6 million).

Forecast and Actual Figures

in € million	Actual 2015	Forecast 2016	Actual 2016
Net profit	29.1	At previous year's level	47.6

The differences between forecast and actual figures were mainly due to those circumstances listed in the section on the Group's earnings position. In addition, the change to the regulation under commercial law regarding interest rates for calculating the present value of pension provisions led to a significant decline in interest expenses and therefore had a positive impact on net profit for the year. ▶ see Course of Business and Economic Situation, page 32

Assets

Balance Sheet Structure

in € million	31.12.2016	31.12.2015
Assets		
Intangible assets and property, plant and equipment	17.7	10.6
Financial assets	386.7	387.4
Other assets	654.8	641.3
Balance sheet total	1,059.2	1,039.3
Equity and liabilities		
Equity	496.9	495.4
Pension provisions	303.3	313.1
Other liabilities	259.0	230.8
Balance sheet total	1,059.2	1,039.3
Equity ratio in %	46.9	47.7
Intensity of investments in %	1.7	1.0

The carrying values of intangible assets and property, plant and equipment amounted to € 17.7 million at the end of the reporting period (previous year: € 10.6 million). Capital expenditure totalled € 10.3 million in the reporting period (previous year: € 4.2 million). Capital expenditure focused mainly on expanding the IT landscape.

Financial assets decreased slightly by € 0.7 million to € 386.7 million.

Development in Pension Provisions

in € thousand	2016	2015
Carrying amount on 1 January	313,095	293,516
Expense recognised in profit and loss	8,754	38,250
Pension payments	- 18,522	- 18,671
Carrying amount on 31 December	303,327	313,095

HHLA 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. For the first time, an average market interest rate for the past ten years of 4.01 % set by Deutsche Bundesbank was applied for the reporting year (previous year: average market interest rate for the past seven years of 3.89 %).

In accordance with Section 253 (2) sentence 2 HGB, a remaining term of 15 years is used as a basis. Pension provisions amounted to € 303.3 million at the end of the reporting period (previous year: € 313.1 million).

Financial Position

Liquidity Analysis

in € million	2016	2015
Financial funds as of 01.01.	399.3	368.7
Cash flow from operating activities	67.6	54.4
Cash flow from investing activities	- 9.6	7.6
Cash flow from financing activities	- 52.0	- 31.4
Financial funds as of 31.12.	405.3	399.3
of which receivables from subsidiaries	201.7	191.2
of which cash and cash equivalents	203.6	208.1

Cash flow from operating activities totalled € 67.6 million in the reporting year (previous year: € 54.4 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 € 201.7 million (previous year: € 191.2 million), cash and cash equivalents in the form of bank balances totalling € 129.6 million (previous year: € 164.2 million) – of which € 10.0 million (previous year: € 70.0 million) was short-term bank deposits – and clearing receivables of € 74.0 million (previous year: € 43.9 million) from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV). The S division of HHLA AG 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 AG.

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

Risk and Opportunity Report

Business developments at HHLA AG are mostly subject to the same risks and opportunities as those of the HHLA Group. HHLA 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, HHLA 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 42

Business Forecast

Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for HHLA 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 HHLA AG. Furthermore, the income from equity investments is expected to make a substantial contribution towards HHLA AG's earnings. ▶ see Business Forecast, page 40

Expected Earnings Position in 2017

Based on the expected developments, HHLA AG anticipates net profit for the year on a par with the previous year. Potential one-off expenses for organisational restructuring in the Container segment would reduce net profit after tax by up to € 10 million.

Expected Financial Position in 2017

HHLA AG expects its financial position to remain stable.

Dividend

As in the previous year, HHLA AG'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 that 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 2017

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Angela Titzrath

Dr. Stefan Behn

Heinz Brandt

Dr. Roland Lappin

Some of the disclosures in the Management Report – including statements on revenue and earnings trends 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 of 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.

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Income Statement HHLA Group

in € thousand	Note	2016	2015
Revenue	8.	1,177,668	1,141,818
Changes in inventories	9.	266	- 1,417
Own work capitalised	10.	6,473	9,331
Other operating income	11.	57,469	41,238
Cost of materials	12.	- 349,967	- 361,700
Personnel expenses	13.	- 443,002	- 401,575
Other operating expenses	14.	- 162,466	- 146,298
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**286,441**	**281,397**
Depreciation and amortisation	15.	- 122,431	- 124,858
Earnings before interest and taxes (EBIT)		**164,010**	**156,539**
Earnings from associates accounted for using the equity method	16.	4,677	3,728
Interest income	16.	9,163	16,736
Interest expenses	16.	- 31,827	- 50,102
Other financial result	16.	0	944
Financial result	16.	**- 17,987**	**- 28,694**
Earnings before tax (EBT)		**146,023**	**127,845**
Income tax	18.	- 40,961	- 32,002
Profit after tax		**105,062**	**95,843**
of which attributable to non-controlling interests	19.	32,032	29,165
of which attributable to shareholders of the parent company		73,030	66,678
Earnings per share, basic and diluted, in €	20.		
HHLA Group		1.00	0.92
Port Logistics Subgroup		0.91	0.84
Real Estate Subgroup		3.44	2.86

Statement of Comprehensive Income HHLA Group

in € thousand	Note	2016	2015
Profit after tax		**105,062**	**95,843**
Components which cannot be transferred to the Income Statement			
Actuarial gains/losses	36.	- 45,441	25,149
Deferred taxes	18.	14,661	- 7,833
Total		**- 30,780**	**17,316**
Components which can be transferred to the Income Statement			
Cash flow hedges	47.	231	381
Foreign currency translation differences		- 2,928	- 11,483
Deferred taxes	18.	- 25	- 118
Other		- 163	- 11
Total		**- 2,885**	**- 11,231**
Income and expense recognised directly in equity		**- 33,665**	**6,085**
Total comprehensive income		**71,397**	**101,928**
of which attributable to non-controlling interests		31,727	29,102
of which attributable to shareholders of the parent company		39,670	72,826

Income Statement HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2016 Group	2016 Port Logistics	2016 Real Estate	2016 Consolidation
Revenue	1,177,668	1,145,964	37,683	- 5,979
Changes in inventories	266	266	0	0
Own work capitalised	6,473	6,280	0	193
Other operating income	57,469	52,853	5,600	- 984
Cost of materials	- 349,967	- 342,615	- 7,487	135
Personnel expenses	- 443,002	- 440,732	- 2,270	0
Other operating expenses	- 162,466	- 156,688	- 12,413	6,635
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**286,441**	**265,328**	**21,113**	**0**
Depreciation and amortisation	- 122,431	- 117,690	- 5,064	323
Earnings before interest and taxes (EBIT)	**164,010**	**147,638**	**16,049**	**323**
Earnings from associates accounted for using the equity method	4,677	4,677	0	0
Interest income	9,163	9,308	58	- 203
Interest expenses	- 31,827	- 28,984	- 3,046	203
Other financial result	0	0	0	0
Financial result	**- 17,987**	**- 14,999**	**- 2,988**	**0**
Earnings before tax (EBT)	**146,023**	**132,639**	**13,061**	**323**
Income tax	- 40,961	- 36,887	- 3,994	- 80
Profit after tax	**105,062**	**95,752**	**9,067**	**243**
of which attributable to non-controlling interests	32,032	32,032	0	
of which attributable to shareholders of the parent company	73,030	63,720	9,310	
Earnings per share, basic and diluted, in €	**1.00**	**0.91**	**3.44**	

Statement of Comprehensive Income HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2016 Group	2016 Port Logistics	2016 Real Estate	2016 Consolidation
Profit after tax	**105,062**	**95,752**	**9,067**	**243**
Components which cannot be transferred to the Income Statement				
Actuarial gains/losses	- 45,441	- 44,632	- 809	
Deferred taxes	14,661	14,400	261	
Total	**- 30,780**	**- 30,232**	**- 548**	
Components which can be transferred to the Income Statement				
Cash flow hedges	231	231	0	
Foreign currency translation differences	- 2,928	- 2,928	0	
Deferred taxes	- 25	- 25	0	
Other	- 163	- 163	0	
Total	**- 2,885**	**- 2,885**	**0**	
Income and expense recognised directly in equity	**- 33,665**	**- 33,117**	**- 548**	**0**
Total comprehensive income	**71,397**	**62,635**	**8,519**	**243**
of which attributable to non-controlling interests	31,727	31,727	0	
of which attributable to shareholders of the parent company	39,670	30,908	8,762	

Income Statement HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2015 Group	2015 Port Logistics	2015 Real Estate	2015 Consolidation
Revenue	1,141,818	1,110,983	36,497	- 5,662
Changes in inventories	- 1,417	- 1,416	- 1	0
Own work capitalised	9,331	9,049	0	282
Other operating income	41,238	35,769	6,493	- 1,024
Cost of materials	- 361,700	- 354,690	- 7,144	134
Personnel expenses	- 401,575	- 399,193	- 2,382	0
Other operating expenses	- 146,298	- 139,333	- 13,235	6,270
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	281,397	261,169	20,228	0
Depreciation and amortisation	- 124,858	- 120,095	- 5,077	314
Earnings before interest and taxes (EBIT)	156,539	141,074	15,151	314
Earnings from associates accounted for using the equity method	3,728	3,728	0	0
Interest income	16,736	16,801	56	- 121
Interest expenses	- 50,102	- 45,890	- 4,333	121
Other financial result	944	944	0	0
Financial result	- 28,694	- 24,417	- 4,277	0
Earnings before tax (EBT)	127,845	116,657	10,874	314
Income tax	- 32,002	- 28,557	- 3,369	- 76
Profit after tax	95,843	88,100	7,505	238
of which attributable to non-controlling interests	29,165	29,165	0	
of which attributable to shareholders of the parent company	66,678	58,935	7,743	
Earnings per share, basic and diluted, in €	0.92	0.84	2.86	

Statement of Comprehensive Income HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2015 Group	2015 Port Logistics	2015 Real Estate	2015 Consolidation
Profit after tax	95,843	88,100	7,505	238
Components which cannot be transferred to the Income Statement				
Actuarial gains/losses	25,149	24,831	318	
Deferred taxes	- 7,833	- 7,731	- 102	
Total	17,316	17,100	216	
Components which can be transferred to the Income Statement				
Cash flow hedges	381	381	0	
Foreign currency translation differences	- 11,483	- 11,483	0	
Deferred taxes	- 118	- 118	0	
Other	- 11	- 11	0	
Total	- 11,231	- 11,231	0	
Income and expense recognised directly in equity	6,085	5,869	216	0
Total comprehensive income	101,928	93,969	7,721	238
of which attributable to non-controlling interests	29,102	29,102	0	
of which attributable to shareholders of the parent company	72,826	64,867	7,959	

Balance Sheet HHLA Group

in € thousand	Note	31.12.2016	31.12.2015
ASSETS			
Intangible assets	22.	75,713	73,851
Property, plant and equipment	23.	950,936	947,063
Investment property	24.	183,994	190,603
Associates accounted for using the equity method	25.	14,317	12,474
Financial assets	26.	21,270	20,439
Deferred taxes	18.	82,720	61,396
Non-current assets		**1,328,950**	**1,305,826**
Inventories	27.	22,012	22,583
Trade receivables	28.	160,440	128,130
Receivables from related parties	29.	81,736	58,515
Other financial receivables	30.	2,172	3,286
Other assets	31.	39,877	28,815
Income tax receivables	32.	488	8,644
Cash, cash equivalents and short-term deposits	33.	177,192	194,565
Non-current assets held for sale	34.	0	0
Current assets		**483,917**	**444,538**
Balance sheet total		**1,812,867**	**1,750,364**
EQUITY AND LIABILITIES			
Subscribed capital		72,753	72,753
Port Logistics Subgroup		70,048	70,048
Real Estate Subgroup		2,705	2,705
Capital reserve		141,584	141,584
Port Logistics Subgroup		141,078	141,078
Real Estate Subgroup		506	506
Retained earnings		435,345	413,097
Port Logistics Subgroup		396,191	378,519
Real Estate Subgroup		39,154	34,578
Other comprehensive income		- 110,938	- 77,581
Port Logistics Subgroup		- 110,701	- 77,890
Real Estate Subgroup		- 237	309
Non-controlling interests		32,094	30,707
Port Logistics Subgroup		32,094	30,707
Real Estate Subgroup		0	0
Equity	35.	**570,838**	**580,560**
Pension provisions	36.	460,530	415,608
Other non-current provisions	37.	102,644	66,894
Non-current liabilities to related parties	40.	105,914	106,304
Non-current financial liabilities	38.	339,150	371,417
Deferred taxes	18.	19,801	18,946
Non-current liabilities		**1,028,039**	**979,169**
Other current provisions	37.	17,712	11,308
Trade liabilities	39.	68,106	52,007
Current liabilities to related parties	40.	9,340	7,129
Current financial liabilities	38.	76,614	92,045
Other liabilities	41.	29,946	22,843
Income tax liabilities	42.	12,272	5,303
Current liabilities		**213,990**	**190,635**
Balance sheet total		**1,812,867**	**1,750,364**

Balance Sheet HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	31.12.2016 Group	31.12.2016 Port Logistics	31.12.2016 Real Estate	31.12.2016 Consolidation
ASSETS				
Intangible assets	75,713	75,687	26	0
Property, plant and equipment	950,936	931,871	4,325	14,740
Investment property	183,994	35,409	175,528	- 26,943
Associates accounted for using the equity method	14,317	14,317	0	0
Financial assets	21,270	17,318	3,952	0
Deferred taxes	82,720	90,459	0	- 7,739
Non-current assets	**1,328,950**	**1,165,061**	**183,831**	**- 19,942**
Inventories	22,012	21,965	47	0
Trade receivables	160,440	159,013	1,427	0
Receivables from related parties	81,736	77,113	6,527	- 1,904
Other financial receivables	2,172	2,083	89	0
Other assets	39,877	38,567	1,310	0
Income tax receivables	488	488	105	- 105
Cash, cash equivalents and short-term deposits	177,192	173,832	3,360	0
Non-current assets held for sale	0	0	0	0
Current assets	**483,917**	**473,061**	**12,865**	**- 2,009**
Balance sheet total	**1,812,867**	**1,638,122**	**196,696**	**- 21,951**
EQUITY AND LIABILITIES				
Subscribed capital	72,753	70,048	2,705	0
Capital reserve	141,584	141,078	506	0
Retained earnings	435,345	396,191	48,325	- 9,171
Other comprehensive income	- 110,938	- 110,701	- 237	0
Non-controlling interests	32,094	32,094	0	0
Equity	**570,838**	**528,710**	**51,299**	**- 9,171**
Pension provisions	460,530	453,488	7,042	0
Other non-current provisions	102,644	100,328	2,316	0
Non-current liabilities to related parties	105,914	105,914	0	0
Non-current financial liabilities	339,150	229,369	109,781	0
Deferred taxes	19,801	16,578	13,994	- 10,771
Non-current liabilities	**1,028,039**	**905,677**	**133,133**	**- 10,771**
Other current provisions	17,712	17,678	34	0
Trade liabilities	68,106	66,370	1,736	0
Current liabilities to related parties	9,340	8,809	2,435	- 1,904
Current financial liabilities	76,614	71,007	5,607	0
Other liabilities	29,946	29,156	790	0
Income tax liabilities	12,272	10,715	1,662	- 105
Current liabilities	**213,990**	**203,735**	**12,264**	**- 2,009**
Balance sheet total	**1,812,867**	**1,638,122**	**196,696**	**- 21,951**

Balance Sheet HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	31.12.2015 Group	31.12.2015 Port Logistics	31.12.2015 Real Estate	31.12.2015 Consolidation
ASSETS				
Intangible assets	73,851	73,842	9	0
Property, plant and equipment	947,063	927,455	4,535	15,073
Investment property	190,603	39,448	178,754	- 27,599
Associates accounted for using the equity method	12,474	12,474	0	0
Financial assets	20,439	16,856	3,583	0
Deferred taxes	61,396	68,600	0	- 7,204
Non-current assets	1,305,826	1,138,675	186,881	- 19,730
Inventories	22,583	22,544	39	0
Trade receivables	128,130	127,102	1,028	0
Receivables from related parties	58,515	54,834	4,403	- 722
Other financial receivables	3,286	3,060	226	0
Other assets	28,815	27,425	1,390	0
Income tax receivables	8,644	8,584	424	- 364
Cash, cash equivalents and short-term deposits	194,565	194,212	353	0
Non-current assets held for sale	0	0	0	0
Current assets	444,538	437,761	7,863	- 1,086
Balance sheet total	1,750,364	1,576,436	194,744	- 20,816
EQUITY AND LIABILITIES				
Subscribed capital	72,753	70,048	2,705	0
Capital reserve	141,584	141,078	506	0
Retained earnings	413,097	378,519	43,993	- 9,415
Other comprehensive income	- 77,581	- 77,890	309	0
Non-controlling interests	30,707	30,707	0	0
Equity	580,560	542,462	47,513	- 9,415
Pension provisions	415,608	409,209	6,399	0
Other non-current provisions	66,894	64,860	2,034	0
Non-current liabilities to related parties	106,304	106,304	0	0
Non-current financial liabilities	371,417	257,532	113,885	0
Deferred taxes	18,946	16,459	12,802	- 10,315
Non-current liabilities	979,169	854,364	135,120	- 10,315
Other current provisions	11,308	11,188	120	0
Trade liabilities	52,007	49,118	2,889	0
Current liabilities to related parties	7,129	6,792	1,059	- 722
Current financial liabilities	92,045	85,954	6,091	0
Other liabilities	22,843	21,950	893	0
Income tax liabilities	5,303	4,608	1,059	- 364
Current liabilities	190,635	179,610	12,111	- 1,086
Balance sheet total	1,750,364	1,576,436	194,744	- 20,816

Cash Flow Statement HHLA Group

in € thousand	Note	2016	2015
1. Cash flow from operating activities			
Earnings before interest and taxes (EBIT)		164,010	156,539
Depreciation, amortisation, impairment and reversals on non-financial non-current assets		122,431	124,238
Increase (+), decrease (-) in provisions		17,883	- 16,509
Gains (-), losses (+) from the disposal of non-current assets		621	- 2,723
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities		- 35,261	968
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities		11,288	- 4,414
Interest received		2,674	3,692
Interest paid		- 16,964	- 18,980
Income tax paid		- 31,672	- 41,107
Exchange rate and other effects		- 451	- 6,363
Cash flow from operating activities		234,559	195,341
2. Cash flow from investing activities			
Proceeds from disposal of intangible assets, property, plant and equipment and investment property		27,032	13,774
Payments for investments in property, plant and equipment and investment property		- 117,884	- 150,800
Payments for investments in intangible assets	22.	- 12,323	- 8,814
Proceeds from disposal of non-current financial assets		0	361
Payments for investments in non-current financial assets		0	- 1,685
Proceeds (+), payments (-) for short-term deposits		54,255	16,950
Cash flow from investing activities		- 48,920	- 130,214
3. Cash flow from financing activities			
Payments for increasing interests in fully consolidated companies		- 13,556	0
Dividends paid to shareholders of the parent company	21.	- 46,062	- 40,482
Dividends/settlement obligation paid to non-controlling interests		- 24,907	- 32,400
Redemption of lease liabilities		- 5,132	- 7,144
Proceeds from the issuance of bonds and (financial) loans		10,000	121,265
Payments for the redemption of (financial) loans		- 42,754	- 123,964
Cash flow from financing activities		- 122,411	- 82,725
4. Financial funds at the end of the period			
Change in financial funds (subtotals 1.–3.)		63,228	- 17,598
Change in financial funds due to exchange rates		- 1,006	- 2,604
Change in financial funds due to consolidation		4,760	0
Financial funds at the beginning of the period		165,415	185,617
Financial funds at the end of the period	43.	232,397	165,415

Cash Flow Statement HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2016 Group	2016 Port Logistics	2016 Real Estate	2016 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	164,010	147,638	16,049	323
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	122,431	117,690	5,064	- 323
Increase (+), decrease (-) in provisions	17,883	17,899	- 16	
Gains (-), losses (+) from the disposal of non-current assets	621	621	0	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	- 35,261	- 36,360	- 83	1,182
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	11,288	12,861	- 391	- 1,182
Interest received	2,674	2,819	58	- 203
Interest paid	- 16,964	- 13,969	- 3,198	203
Income tax paid	- 31,672	- 30,053	- 1,619	
Exchange rate and other effects	- 451	- 451	0	
Cash flow from operating activities	234,559	218,695	15,864	0
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	27,032	27,032	0	
Payments for investments in property, plant and equipment and investment property	- 117,884	- 116,493	- 1,391	
Payments for investments in intangible assets	- 12,323	- 12,296	- 27	
Proceeds from disposal of non-current financial assets	0	0	0	
Payments for investments in non-current financial assets	0	0	0	
Proceeds (+), payments (-) for short-term deposits	54,255	54,255	0	
Cash flow from investing activities	- 48,920	- 47,502	- 1,418	0
3. Cash flow from financing activities				
Payments for increasing interests in fully consolidated companies	- 13,556	- 13,556	0	
Dividends paid to shareholders of the parent company	- 46,062	- 41,329	- 4,733	
Dividends/settlement obligation paid to non-controlling interests	- 24,907	- 24,907	0	
Redemption of lease liabilities	- 5,132	- 5,132	0	
Proceeds from the issuance of bonds and (financial) loans	10,000	10,000	0	
Payments for the redemption of (financial) loans	- 42,754	- 38,648	- 4,106	
Cash flow from financing activities	- 122,411	- 113,572	- 8,839	0
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	63,228	57,621	5,607	0
Change in financial funds due to exchange rates	- 1,006	- 1,006	0	
Change in financial funds due to consolidation	4,760	4,760	0	
Financial funds at the beginning of the period	165,415	161,162	4,253	
Financial funds at the end of the period	232,397	222,537	9,860	0

Cash Flow Statement HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2015 Group	2015 Port Logistics	2015 Real Estate	2015 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	156,539	141,075	15,150	314
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	124,238	119,473	5,079	- 314
Increase (+), decrease (-) in provisions	- 16,509	- 16,031	- 478	
Gains (-), losses (+) from the disposal of non-current assets	- 2,723	- 2,802	79	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	968	3,370	- 1,850	- 552
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	- 4,414	- 1,157	- 3,809	552
Interest received	3,692	3,757	56	- 121
Interest paid	- 18,980	- 14,669	- 4,432	121
Income tax paid	- 41,107	- 39,857	- 1,250	
Exchange rate and other effects	- 6,363	- 6,363	0	
Cash flow from operating activities	**195,341**	**186,796**	**8,545**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	13,774	13,730	44	
Payments for investments in property, plant and equipment and investment property	- 150,800	- 149,910	- 890	
Payments for investments in intangible assets	- 8,814	- 8,810	- 4	
Proceeds from disposal of interests in consolidated companies and other business units (including funds sold)	361	361	0	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	- 1,685	- 1,685	0	
Proceeds (+), payments (-) for short-term deposits	16,950	16,950	0	
Cash flow from investing activities	**- 130,214**	**- 129,364**	**- 850**	**0**
3. Cash flow from financing activities				
Payments for increasing interests in fully consolidated companies	0	0	0	
Dividends paid to shareholders of the parent company	- 40,482	- 36,425	- 4,057	
Dividends/settlement obligation paid to non-controlling interests	- 32,400	- 32,400	0	
Redemption of lease liabilities	- 7,144	- 7,144	0	
Proceeds from the issuance of bonds and (financial) loans	121,265	46,265	75,000	
Payments for the redemption of (financial) loans	- 123,964	- 54,858	- 69,106	
Cash flow from financing activities	**- 82,725**	**- 84,562**	**1,837**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	- 17,598	- 27,130	9,532	0
Change in financial funds due to exchange rates	- 2,604	- 2,604	0	
Change in financial funds due to consolidation	0	0	0	
Financial funds at the beginning of the period	185,617	190,896	- 5,279	
Financial funds at the end of the period	**165,415**	**161,162**	**4,253**	**0**

Segment Report HHLA Group

in € thousand; business segments; annex to the notes	Port Logistics Subgroup					
	Container		Intermodal		Logistics	
	2016	2015	2016	2015	2016	2015
Segment revenue						
Segment revenue from non-affiliated third parties	688,257	670,412	388,369	362,416	48,812	57,603
Inter-segment revenue	6,312	4,768	1,752	1,613	6,188	7,545
Total segment revenue	**694,569**	**675,180**	**390,121**	**364,029**	**55,000**	**65,148**
Earnings						
EBITDA	201,462	195,772	79,646	78,847	2,369	4,572
EBITDA margin	29.0 %	29.0 %	20.4 %	21.7 %	4.3 %	7.0 %
EBIT	117,834	110,640	55,874	55,188	- 1,711	- 831
EBIT margin	17.0 %	16.4 %	14.3 %	15.2 %	- 3.1 %	- 1.3 %
Assets						
Segment assets	824,460	806,631	404,960	375,238	62,036	48,363
Other segment information						
Investments in property, plant and equipment and investment property	76,188	52,524	43,662	76,992	2,346	32,245
Investments in intangible assets	5,114	8,513	429	156	35	93
Total investments	**81,302**	**61,037**	**44,091**	**77,148**	**2,381**	**32,338**
Depreciation of property, plant and equipment and investment property	74,021	74,579	23,300	23,115	4,023	5,347
of which impairment	1,125	0	0	0	0	1,170
Amortisation of intangible assets	9,607	10,553	472	543	57	56
Total amortisation and depreciation	**83,628**	**85,132**	**23,772**	**23,658**	**4,080**	**5,403**
Earnings from associates accounted for using the equity method	951	714	0	0	3,726	3,014
Non-cash items	24,097	13,130	9,809	735	2,201	8,047
Container throughput in thousand TEU	6,658	6,561	–	–		
Container transport in thousand TEU	–	–	1,408	1,318		

Holding/Other		Real Estate Subgroup: Real Estate		Total		Consolidation and reconciliation with Group		Group	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
16,942	17,279	35,288	34,108	1,177,668	1,141,818	0	0	1,177,668	1,141,818
131,045	120,226	2,395	2,389	147,692	136,541	- 147,692	- 136,541	0	0
147,987	**137,505**	**37,683**	**36,497**	**1,325,360**	**1,278,359**				
- 17,233	- 3,474	21,113	20,228	287,357	295,945	- 916	- 14,548	286,441	281,397
- 11.6 %	- 2.5 %	56.0 %	55.4 %						
- 25,319	- 11,229	16,049	15,151	162,726	168,919	1,284	- 12,380	164,010	156,539
- 17.1 %	- 8.2 %	42.6 %	41.5 %						
162,498	130,559	186,680	190,016	1,640,634	1,550,807	172,233	199,557	1,812,867	1,750,364
2,906	3,585	1,391	890	126,493	166,236	- 500	- 29,568	125,993	136,668
7,387	2,849	28	4	12,993	11,615	- 670	- 2,801	12,323	8,814
10,293	**6,434**	**1,419**	**894**	**139,486**	**177,851**	**- 1,170**	**- 32,369**	**138,316**	**145,482**
7,045	6,028	5,053	5,074	113,442	114,143	- 1,806	- 1,921	111,637	112,222
0	1,812	0	0	1,125	2,981	0	0	1,125	2,981
1,042	1,727	11	4	11,189	12,883	- 394	- 247	10,794	12,636
8,087	**7,755**	**5,064**	**5,077**	**124,631**	**127,026**	**- 2,200**	**- 2,168**	**122,431**	**124,858**
0	0	0	0	4,677	3,728	0	0	4,677	3,728
28,598	2,762	268	298	64,973	24,972	2	- 751	64,975	24,221

Statement of Changes in Equity HHLA Group

in € thousand

	Parent company					
	Subscribed capital		Capital reserve		Retained consolidated earnings	Reserve for foreign currency translation
	A division	S division	A division	S division		
Balance as of 31 December 2014	70,048	2,705	141,078	506	386,900	- 50,220
Dividends					- 40,482	
Settlement obligation to shareholders with non-controlling interests						
Total comprehensive income					66,679	- 11,474
Other changes						
Balance as of 31 December 2015	70,048	2,705	141,078	506	413,097	- 61,694
Balance as of 31 December 2015	70,048	2,705	141,078	506	413,097	- 61,694
Dividends					- 46,062	
Settlement obligation to shareholders with non-controlling interests						
Acquisition of non-controlling interests in consolidated companies					- 6,220	
First consolidation of interests in related parties/from associates accounted for using the equity method					1,501	
Total comprehensive income					73,030	- 2,902
Balance as of 31 December 2016	70,048	2,705	141,078	506	435,345	- 64,595

Other comprehensive income						
Cash flow hedges	Actuarial gains/ losses	Deferred taxes on changes recognised directly in equity	Other	Parent company interests	Non-controlling interests	Total consolidated equity
- 201	- 66,196	21,203	11,686	517,509	29,232	546,741
				- 40,482	- 2,093	- 42,575
				0	- 25,534	- 25,534
381	25,222	- 7,975	- 7	72,826	29,102	101,928
				0	0	0
180	- 40,974	13,228	11,679	549,853	30,707	580,560
180	- 40,974	13,228	11,679	549,853	30,707	580,560
				- 46,062	- 3,280	- 49,342
				0	- 18,045	- 18,045
				- 6,220	- 9,273	- 15,493
				1,501	258	1,759
232	- 45,020	14,504	- 173	39,671	31,727	71,398
412	- 85,995	27,733	11,507	538,744	32,094	570,838

Statement of Changes in Equity – HHLA Port Logistics Subgroup (A division)

in € thousand; annex to the notes

	Parent company			
	Subscribed capital	Capital reserve	Retained consolidated earnings	Reserve for foreign currency translation
Balance as of 31 December 2014	70,048	141,078	360,510	- 50,220
Dividends			- 36,425	
Settlement obligation to shareholders with non-controlling interests				
Total comprehensive income subgroup			58,935	- 11,473
Other changes			- 4,500	
Balance as of 31 December 2015	70,048	141,078	378,519	- 61,693
Balance as of 31 December 2015	70,048	141,078	378,519	- 61,693
Dividends			- 41,329	
Settlement obligation to shareholders with non-controlling interests				
Acquisition of non-controlling interests in consolidated companies			- 6,220	
First consolidation of interests in related parties/from associates accounted for using the equity method			1,501	
Total comprehensive income subgroup			63,719	- 2,902
Balance as of 31 December 2016	70,048	141,078	396,191	- 64,595

Statement of Changes in Equity – HHLA Real Estate Subgroup (S division)

in € thousand; annex to the notes

Balance as of 31 December 2014
Dividends
Total comprehensive income subgroup
Other changes
Balance as of 31 December 2015
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2015
Balance as of 31 December 2015
Dividends
Total comprehensive income subgroup
Balance as of 31 December 2016
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2016

Other comprehensive income						
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Other	Parent company interests	Non-controlling interests	Total subgroup consolidated equity
- 201	- 66,338	21,250	11,686	487,813	29,232	517,045
				- 36,425	- 2,093	- 38,518
				0	- 25,534	- 25,534
381	24,904	- 7,873	- 6	64,867	29,102	93,969
				- 4,500	0	- 4,500
180	- 41,434	13,377	11,680	511,755	30,707	542,462
180	- 41,434	13,377	11,680	511,755	30,707	542,462
				- 41,329	- 3,280	- 44,609
				0	- 18,045	- 18,045
				- 6,220	- 9,273	- 15,493
				1,501	258	1,759
232	- 44,212	14,243	- 173	30,908	31,727	62,635
412	- 85,645	27,620	11,507	496,616	32,094	528,710

			Other comprehensive income		
Subscribed capital	Capital reserve	Retained consolidated earnings	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Total subgroup consolidated equity
2,705	506	36,044	140	- 45	39,350
		- 4,057			- 4,057
		7,505	317	- 102	7,721
		4,500			4,500
2,705	506	43,993	457	- 148	47,513
		238			238
		- 9,654			- 9,654
		- 9,415			- 9,415
2,705	506	34,578	457	- 148	38,098
2,705	506	43,993	457	- 148	47,513
		- 4,733			- 4,733
		9,066	- 808	261	8,518
2,705	506	48,325	- 350	113	51,299
		245			245
		- 9,416			- 9,416
		- 9,171			- 9,171
2,705	506	39,154	- 350	113	42,128

Notes to the Consolidated Financial Statements

General Notes

1. Basic Information on the Group

The Group's parent company is Hamburger Hafen und Logistik Aktiengesellschaft, Bei St. Annen 1, 20457 Hamburg (HHLA or the Group), registered in the Hamburg Commercial Register under HRB 1902. The holding company above the HHLA Group is HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV).

Since 1 January 2007, the HHLA Group has consisted of the Port Logistics subgroup (A division) and the Real Estate subgroup (S division). The part of the Group that deals with the property in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH is allocated to the Real Estate subgroup (S division). All other parts of the company are allocated together to the Port Logistics subgroup (A division). Individual Financial Statements are prepared for each division to determine the shareholders' dividend entitlements; these, in line with the company's articles of association, form part of the Notes to the Annual Financial Statements of the parent company.

Information concerning the segments in which the HHLA Group operates is provided in ▶ Note 44, page 131.

When the shareholders' dividend entitlements are being determined, the expenses and income of HHLA which cannot be attributed directly to one subgroup are divided between the two subgroups according to their shares of revenue. All transfer pricing for services between the two subgroups takes place on an arm's length basis. Interest must be paid at market rates on liquid funds exchanged between the two subgroups. A notional taxable result is calculated for each subgroup to allocate the taxes paid. The resulting notional tax payment represents the amount of tax which would have been paid had each of the subgroups been separately liable for tax.

To illustrate the earnings, net assets and financial position of the subgroups, the annex to these Notes contains the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the cash flow statement for each subgroup.

HHLA's Consolidated Financial Statements for the 2016 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) which apply in the European Union. The provisions contained in Section 315a (1) of the German Commercial Code (HGB) and additional commercial law regulations were also taken into account. The IFRS requirements have been met in full and result in a true and fair view of the earnings, net assets and financial position of the Group.

For the most part, the accounting and valuation policies, notes and disclosures about the Consolidated Financial Statements for the 2016 financial year are based on the same accounting and valuation principles used for the 2015 Consolidated Financial Statements. Exceptions are the effects of new IFRS accounting standards stated in ▶ Note 5, page 87. Use of the latter became mandatory for the Group on 1 January 2016. The accounting and valuation principles applied are explained in ▶ Note 6, page 91.

The financial year as reported by HHLA and its consolidated subsidiaries is the calendar year. The Consolidated Financial Statements and the disclosures in the Notes have been prepared in euros. Unless otherwise stated, all amounts are in thousands of euros (€ thousand). Due to the use of rounding procedures, it is possible that some figures do not add up to the stated sums.

These HHLA Consolidated Financial Statements for the financial year ending 31 December 2016 were approved by the Executive Board on 2 March 2017 for presentation to the Supervisory Board. It is the Supervisory Board's responsibility to examine the Consolidated Financial Statements and to state whether or not it approves them.

2. Consolidation Principles

The Consolidated Financial Statements include the Financial Statements of HHLA and its significant subsidiaries as of 31 December of each financial year. The assets and liabilities of the domestic and foreign companies consolidated in full or using the equity method are recognised in accordance with the uniform accounting principles applied in the HHLA Group.

Capital is consolidated at the time of acquisition by setting off the acquisition costs of the investment against the pro rata fair values of the assets acquired and the liabilities and contingent liabilities assumed. Previously unreported intangible assets which can be included in the accounts under IFRS 3 in conjunction with IAS 38, and contingent liabilities are recognised at fair value.

Any positive difference arising in the course of this initial consolidation is capitalised as goodwill and subjected to an annual impairment test. Following a critical assessment, any negative difference is posted to profit and loss. For a detailed explanation of the impairment testing procedure used, please refer to ▶ Note 6, page 91 and ▶ Note 7, page 99.

Equity interests held by third parties outside the Group are shown in the balance sheet under the item non-controlling interests within equity capital, see also ▶ Note 3, page 83 and ▶ Note 35.

The acquisition of additional non-controlling interests in consolidated companies is treated as an equity transaction in line with the entity concept and therefore set off directly against equity.

Gains or losses from the disposal of non-controlling interests in consolidated companies are likewise recognised directly in equity without effect on profit and loss insofar as the transaction does not lead to a loss of control. In the case of a loss of control, the remaining interests are measured at fair value or, if applicable, using the equity method.

The effects of intra-Group transactions are eliminated in full.

3. Make-Up of the Group

Group of Consolidated Companies

The group of consolidated companies at HHLA comprises a total of 32 domestic and 14 foreign companies. For a complete list of equity investments in accordance with Section 313 (2) of the German Commercial Code (HGB), see also ▶ Note 48, page 142. The information provided here about the equity and annual net profit recorded by the various companies is taken from the respective Annual Financial Statements, which were prepared in line with national accounting regulations. Information required under IFRS 12.10 and IFRS 12.21 is also included in the details of shareholdings.

Consolidated Companies

	Domestic	Foreign	Total
HHLA AG and fully consolidated companies			
1 January 2016	23	9	32
Additions	1	6	7
Mergers	0	1	1
31 December 2016	**24**	**14**	**38**
Companies reported using the equity method			
1 January 2016	7	0	7
Additions	1	0	1
31 December 2016	**8**	**0**	**8**
Total 31 December 2016	**32**	**14**	**46**

Subsidiaries

The Consolidated Financial Statements comprise the financial statements for Hamburger Hafen und Logistik AG and its significant subsidiaries. Subsidiaries are companies controlled by the Group. The Group is deemed to control a company if it has an exposure or right to fluctuating returns resulting from its involvement in the investee and if it can also use its power over the investee to affect these returns. In particular, the HHLA Group controls an investee if – and only if – all of the characteristics listed in IFRS 10.7 apply. Subsidiaries' financial statements are included in the Consolidated Financial Statements from the time when control begins until the time when control ends.

Non-controlling interests are valued at the time of acquisition using the relevant share of the acquired company's identifiable net assets. Changes in the Group's shareholding in a subsidiary which do not lead to a loss of control are recorded in the balance sheet as equity transactions.

Subsidiaries with Substantial Non-controlling Interests

Subsidiary	Headquarters	Segment	Equity stake	
			2016	2015
HHLA Container Terminal Altenwerder GmbH	Hamburg, Germany	Container	74.9 %	74.9 %
METRANS a.s.	Prague, Czech Republic	Intermodal	90.0 %	86.5 %

Financial Information about the Subsidiaries with Substantial Non-controlling Interests

	HHLA Container Terminal Altenwerder GmbH		METRANS a.s.	
in € thousand	2016	2015	2016	2015
Percentage of non-controlling interests	25.1 %	25.1 %	10.0 %	13.5 %
Non-current assets	82,100	91,621	208,832	234,262
Current assets	141,930	129,319	75,828	63,794
Non-current liabilities	52,757	51,244	108,538	114,239
Current liabilities	94,984	91,751	25,567	33,911
Net assets	**76,289**	**77,945**	**150,555**	**149,906**
Book value of non-controlling interests	**28**	**- 7,045**	**22,278**	**28,073**
Revenue	232,483	227,182	230,497	217,583
Annual net profit	- 734	- 26	41,182	32,378
Other comprehensive income	- 922	- 104	0	0
Total comprehensive income	**- 1,656**	**- 130**	**41,182**	**32,378**
of which attributable to non-controlling interests	- 416	- 33	4,109	4,360
of which attributable to shareholders of the parent company	- 1,240	- 97	37,073	28,018
Cash flow from operating activities	89,328	78,797	51,288	50,684
Settlement obligation/intended dividend to holders of non-controlling interests	- 22,603	- 21,627	- 2,536	- 2,061

Interests in Joint Ventures

The Group holds interests in joint ventures. As per IFRS 11, a joint venture is subject to a joint contractual agreement between two or more parties to carry on an economic activity which is subject to joint control. Joint control is the contractually agreed division of managerial responsibilities for this arrangement. It only exists if the decisions associated with this business activity require the unanimous consent of the parties involved in joint management.

The HHLA Group holds more than half of the voting rights in the companies HHLA Frucht, STEIN and Hamburg Vessel Coordination Center, yet has no controlling influence as the companies are effectively jointly managed. This is due primarily to the equal representation of the essential corporate bodies (management and/or Supervisory Board).

Aggregate Financial Information about individually not material Joint Ventures

in € thousand	2016	2015
Group share of profit or loss	3,746	3,023
Group share of other comprehensive income	- 248	434
Group share of comprehensive income	**3,498**	**3,457**

No unrecorded losses relating to joint ventures were incurred either in the reporting year or on a cumulative basis.

Aggregate Book Value of Joint Ventures

in € thousand	31.12.2016	31.12.2015
Aggregate book value	10,481	9,303

Interests in Associated Companies

Companies designated as associated companies are those where the shareholder has a material influence. At the same time, it is neither a subsidiary nor an interest in a joint venture. A material influence is assumed when it is possible to be involved in the associated company's financial and commercial decisions without exercising a controlling influence. This is generally the case when 20 to 50 % of the voting rights are held, either directly or indirectly.

HHLA does not provide information on associated companies as per IFRS 12 because the relevant companies are of minor importance overall for the Group as a whole. HHLA does not believe that this has a negative impact on the statement concerning the nature of interests in other companies and the associated risks. The effects of these interests on the HHLA Group's earnings, net assets and financial position are likewise insignificant.

Accounting for Interests in Joint Ventures and Associates

Interests in joint ventures and associates are accounted for using the equity method. With the equity method, the share in each joint ventures and/or associated company is first stated at acquisition cost. Instead of being amortised, any goodwill recognised within the carrying amount of the investment when it is reported in the balance sheet for the first time is subject to an impairment test for the entire carrying amount of the investment if there are any indications of possible impairment.

As from the acquisition date, HHLA's interest in the results of the joint venture or associated company is recorded in the consolidated income statement, while its interest in changes in equity is recorded directly in consolidated equity. These cumulative changes affect the carrying amount of the interest in the joint venture or associated company. As soon as HHLA's share in the company's losses exceeds the carrying amount of the investment, however, HHLA records no further shares in the losses unless HHLA has entered into obligations to that effect or has made payments for the joint venture or associated company.

Significant results from transactions between HHLA and the joint venture or associated company are eliminated in proportion to the interest in the company.

Company Acquisitions, Disposals and Other Changes to the Group of Consolidated 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 revenue reserves.

METRANS Danubia Krems GmbH, Krems an der Donau, Austria, and METRANS Railprofi Austria GmbH, Krems an der Donau, Austria, were 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., Győr, Hungary, and METRANS İSTANBUL STI, Istanbul, Turkey, were 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 consolidated and included in HHLA's Consolidated Financial Statements for the first time as of 30 September 2016.

Univer Trans Kft., Budapest, Hungary, was consolidated and included in HHLA's Consolidated Financial Statements for the first time as of 31 December 2016.

The initial consolidation of these companies was recognised directly in equity and was 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, disposals of shares in subsidiaries or changes to the group of consolidated companies.

4. Foreign Currency Translation

Monetary assets and liabilities in Separate Financial Statements for the consolidated companies which are prepared in a foreign currency are converted to local currency at the rate applicable on the balance sheet date. The resulting currency differences are recognised in the result for the period.

Non-monetary items held at historical cost in a foreign currency are translated at the applicable rate on the transaction date. Non-monetary items held at fair value in a foreign currency are translated at the rate applicable on the date fair value was measured.

Exchange rate gains and losses recognised in the income statement on foreign currency items resulted in a loss of € 2,188 thousand in the financial year (previous year: € 8,157 thousand). The decline in expenses (€ 1,894 thousand; previous year: € 8,207 thousand) was primarily due to the devaluation of the Ukrainian currency, which was not as pronounced as in the previous year. In addition to this, equity decreased by € 2,902 thousand, with no effect on net income (previous year: € 11,473 thousand). This negative impact on the HHLA Group's earnings, net assets and financial position was also caused by the devaluation of the Ukrainian currency (€ 3,019 thousand, previous year: € 11,530 thousand).

The concept of functional currency according to IAS 21 is applied when translating all Annual Financial Statements of foreign affiliates prepared in a foreign currency. As the subsidiaries in question are generally independent in terms of their financial, economic and organisational activities, the functional currency is the respective national currency. As of the balance sheet date, the assets and liabilities of these subsidiaries are converted to euros at the rate prevailing on the reporting date. Income and expenses are translated at the weighted average rate for the financial year. Equity components are converted at their respective historical rates. Any translation differences are recognised as a separate component of equity without effect on profit and loss. If Group companies leave the group of consolidated companies, the associated translation difference is reversed through profit and loss.

Foreign Currency Translation

		Spot rate = 1€		Average annual rate = 1€	
Currency	ISO code	31.12.2016	31.12.2015	2016	2015
Czech crown	CZK	27.021	27.023	27.041	27.302
Georgian lari	GEL	2.794	2.617	2.627	2.513
Hungarian forint	HUF	309.830	315.980	312.177	–
Polish zloty	PLN	4.410	4.264	4.368	4.193
Ukrainian hryvnia	UAH	28.423	26.223	28.094	24.016

5. Effects of New Accounting Standards

Revised and new IASB/IFRIC standards and interpretations that were mandatory for the first time in the financial year under review:

Standard	Content and Significance
Amendments to IAS 1 Disclosure Initiative	The standard published in December 2014 clarifies how to exercise discretion in the presentation of financial statements. The amendments apply to reporting periods beginning on or after 1 January 2016 and have been enacted in European law with Commission Regulation (EU) 2015/2406. These amendments do not have a material effect on HHLA’s Consolidated Financial Statements
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	The IASB approved amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets on 12 May 2014. The amendments provide guidance on which methods of depreciation and amortisation can be used for property, plant and equipment and intangible assets. Commission Regulation (EU) 2015/2231 provides for application in financial years beginning on or after 1 January 2016. These clarifications have no impact on HHLA’s Consolidated Financial Statements.
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	The amendments published in November 2013 clarify a number of requirements laid out in IAS 19. The company will continue to deduct contributions paid by employees themselves or third parties for benefit plans offered by the company from the service cost in the future. This only applies if there is no link between the amount of the contributions and the employee’s years of service. The amendments can be applied to financial years beginning on or after 1 July 2014. According to Commission Regulation (EU) 2015/29 from 17 December 2014, the amendments must be applied to financial years beginning on or after 1 February 2015. This clarification has no impact on HHLA’s Consolidated Financial Statements.
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	In May 2014, the IASB approved amendments to IFRS 11 Joint Arrangements. The amendments include clarification of how the acquisition of interests in a joint business arrangement should be reported in the balance sheet. These amendments should be taken into account for financial years beginning on or after 1 January 2016. The amendment was enacted in EU law with Commission Regulation (EC) 2015/2173 dated 24 November 2015. It had no impact on HHLA’s Consolidated Financial Statements.
Improvements to IFRS 2010–2012 Cycle	The annual round of improvements published in December 2013 affects the following standards: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets. The amendments take effect for financial years that begin on or after 1 July 2014. Commission Regulation (EU) 2015/28 stipulates that IFRS 2, 3 and 8 as well as IAS 24 must be applied to financial years beginning on or after 1 February 2015. The amendments did not have any effect on HHLA’s Consolidated Financial Statements.
Improvements to IFRS 2012–2014 Cycle	The IASB published the 2012–2014 round of improvements on 25 September 2014, which affects to the following standards: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting. The amendments apply to reporting years which begin on or after 1 January 2016. They were adopted by the EU in Commission Regulation (EU) 2015/2343, with provides for mandatory application in financial years beginning on or after 1 January 2016. These improvements do not have any impact on HHLA’s Consolidated Financial Statements.

Amendments to standards that can be applied on a voluntary basis for the financial year under review which were not adopted by HHLA:

Standard	Content and Significance
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments was finalised by the IASB in July 2014. This standard aims to simplify the requirements for reporting financial instruments in the balance sheet. It was enacted in EU law with Commission Regulation (EU) 2016/2067. Adoption is expected to be mandatory for financial years which begin on or after 1 January 2018. Early adoption is permitted. The HHLA Group cannot yet conclusively determine the effects of the initial application of the standard.
IFRS 15 Revenue from Contracts with Customers	The IASB adopted the standard IFRS 15 Revenue from Contracts with Customers in May 2014. This stipulates the amount and timing of revenue reporting and what information must be disclosed. It replaces the existing guidelines on revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The EU enacted this standard in its legislation with Commission Regulation (EU) 2016/1905 dated 22 September 2016. Adoption is mandatory for financial years which begin on or after 1 January 2018. As a general rule, initial application is retrospective, although various simplification options are available; early adoption is permitted. Based on the current status of the project, the HHLA Group does not expect any material changes in revenue from contracts with customers compared to the previous application of IAS 18.

IASB standards and interpretations that have not yet been adopted by the EU and have not been applied:

Standard	Content and Significance
Amendments to IAS 7 Disclosure Initiative	In January 2016, the IASB published amendments to IAS 7 Statement of Cash Flows, which aim to provide better information about borrowing. These amendments should be taken into account for financial years which begin on or after 1 January 2017. Early adoption is permitted, once the amendments have been endorsed by the EU. The impact on HHLA's Consolidated Financial Statements is currently being examined.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The IASB published amendments to IAS 12 in January 2016. The amendments clarify how deferred tax assets for unrealised losses should be recognised in relation to debt instruments measured at fair value. If changes in market interest rates lead to write-downs to market value, this in turn leads to the formation of temporary differences, even though the losses are not realised. These amendments should be taken into account for financial years which begin on or after 1 January 2017. It is possible to adopt them early following the EU's endorsement. They are not expected to have any impact on HHLA's Consolidated Financial Statements.
Amendments to IAS 40 Transfers of Investment Property	The IASB published amendments to IAS 40 Investment Property on 8 December 2016. The amendments clarify transfers of investment property to or from the portfolio in the case of a change of use. They are expected to be applicable for financial years which begin on or after 1 January 2018. Earlier adoption is permitted, provided they are first enacted in EU legislation. HHLA is examining their effect on the Consolidated Financial Statements.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	The IASB published amendments to IFRS 2 Share-based Payment in June 2016. These amendments apply to financial years beginning on or after 1 January 2018. Early adoption is permitted. The impact on HHLA's Consolidated Financial Statements is currently being examined.
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IASB approved amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in September 2014. These clarify how unrealised gains from transactions between an investor and a joint venture or an associate should be reported. The EFRAG announced in February 2015 that the process of endorsing these amendments had been suspended for the time being because inconsistencies had been identified between the amended standard and the existing IAS 28. The effective date – previously 1 January 2016 – has been postponed indefinitely until the inconsistencies have been resolved.
Amendments to IFRS 15 Clarifications	The final amendments to IFRS 15 were published by the IASB on 12 April 2016. For the most part, the amendments to this standard are clarifications and additional simplifications for the transition to IFRS 15. The effective date is 1 January 2018.
IFRS 16 Leases	The IASB published IFRS 16 Leases in January 2016. This standard supersedes the previously valid IAS 17 Leases and introduces significant accounting changes for lessees. As a general rule, all leases must now be recognised using the right of use approach. Under IFRS 16, lessors will continue to classify leases as operating or finance in line with IAS 17. The new rules aim to help improve the transparency of financial reporting and break down existing information imbalances. The effective date is 1 January 2019. Earlier adoption is permitted if IFRS 15 Revenue from Contracts with Customers is already applied. The HHLA Group cannot yet conclusively describe the effects of the initial application of the standard. Based on its obligations from operating leases where it is a lessee – see ▶ Note 45, page 134 – the Group expects the balance sheet total to increase significantly compared with the existing accounting, as there is a fundamental requirement to report operating leases in the balance sheet. Other than this, the conditions will remain unchanged. The increase in the balance sheet total will be prompted by capitalising the right of use of the asset on the liabilities side via the recognition of a corresponding liability. The income statement will be affected by splitting the leasing expenses into principal and interest.
Improvements zu IFRS 2014 – 2016 Cycle	The 2014–2016 annual round of improvements to IFRS was published by the IASB on 8 December 2016. Three standards are affected. The amendments to IFRS 12 Investment Entities clarify that the regulations contained in the standard also apply to interests covered by IFRS 5. The effective date for these amendments is 1 January 2017. Temporary provisions were deleted from IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IAS 28 Investments in Associates and Joint Ventures clarifies that a different valuation option can be used for each interest in a joint venture or an associated company. IFRS 1 and IAS 28 become applicable on 1 January 2018. HHLA will examine their effect on the Consolidated Financial Statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	On 8 December 2016, the IASB published its interpretation IFRIC 22 clarifying at what point in time the exchange rate should be established for translating foreign currency transactions containing incoming or outgoing payments on account. IFRIC 22 is applicable as of 1 January 2018. Early adoption is permitted. The impact on HHLA's Consolidated Financial Statements is being examined.

Standards and interpretations that have no relevance for HHLA's Consolidated Financial Statements:

Standard	Content and Significance
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 4	Insurance Contracts
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
IFRS 14	Regulatory Deferral Accounts

6. Accounting and Valuation Principles

The Annual Financial Statements of the companies included in the Consolidated Financial Statements are based on uniform accounting and valuation principles. The following specific accounting and valuation principles were applied.

Intangible Assets

Intangible assets are capitalised if the assets are identifiable, a future inflow of benefits can be expected and the acquisition and production costs can be ascertained reliably. Intangible assets acquired in return for payment are recognised at historical cost. Intangible assets with a finite useful life are amortised over their useful life on a straight-line basis. The Group reviews the underlying amortisation methods and the useful lives of its intangible assets with a finite useful life as of each balance sheet date.

Intangible assets with an indefinite useful life are subjected to an impairment test at least once a year. If necessary, value adjustments are made in line with future expectations. In the reporting period there were no intangible assets with an indefinite useful life apart from derivative goodwill.

Internally generated intangible assets are recognised at the costs incurred in their development phase between the time when technological and economic feasibility is determined and production. Costs include all directly attributable costs incurred during the development phase.

The capitalised amount of development costs is subject to an impairment test at least once per year if the asset is not yet in use or if there is evidence of impairment during the course of the year.

Useful Life of Intangible Assets

in years	2016	2015
Software	3 – 7	3 – 7

Property, Plant and Equipment

Property, plant and equipment is reported at the acquisition or production cost less accumulated depreciation, amortisation and impairment. The costs of ongoing maintenance are recognised immediately in profit and loss. The production costs include specific expenses and appropriate portions of attributable production overheads. Demolition obligations are included in the acquisition or production costs at the present value of the obligation as of the time when it arises and an equivalent provision is recognised at the same time. The HHLA Group does not use the revaluation method of accounting. The carrying amounts for property, plant and equipment are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

Depreciation is carried out on a straight-line basis over an asset's useful life. The following table shows the principal useful lives which are assumed.

Useful Life of Property, Plant and Equipment

in years	2016	2015
Buildings	10 – 70	10 – 70
Technical equipment and machinery	5 – 25	5 – 25
Other plant, operating and office equipment	3 – 15	3 – 15

Borrowing Costs

According to IAS 23, borrowing costs which can be directly attributed to the acquisition or production of a qualifying asset are capitalised as a component of the acquisition or production cost of the asset in question. Borrowing costs which cannot be directly attributed to a qualifying asset are recognised as an expense at the time they are incurred.

Investment Property

Investment property consists of buildings held for the purpose of generating rental income or for capital gain, and not for supplying goods or services, for administrative purposes or for sale as part of normal business operations.

IAS 40 stipulates that investment property be held at acquisition or production cost less accumulated depreciation and accumulated impairment losses. Subsequent expenses are capitalised if they result in an increase in the investment property's value in use. The useful lives applied are the same as those for property, plant and equipment used by the Group.

The fair values of these properties are disclosed separately in ▶ Note 24, page 113.

The carrying amounts for investment property are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

Impairment of Assets

As of each balance sheet date, the Group determines whether there are any indications that an asset may be impaired. If there are such indications, or if an annual impairment test is required, as in the case of goodwill, the Group estimates the recoverable amount. This is ascertained as the higher of the fair value of the asset less selling costs and its value in use. The recoverable amount must be determined for each asset individually unless the asset does not generate cash inflows which are largely independent of those generated by other assets or groups of assets. In this case the recoverable amount of the smallest cash-generating unit (CGU) must be determined. If the carrying amount of an asset exceeds its recoverable amount, the asset is deemed to be impaired and is written down to its recoverable amount. The fair value less selling costs and value in use of the cash-generating unit or asset is calculated using the discounted cash flow method. This involves discounting estimated future cash flows to their present value using a discount rate after tax which reflects current market expectations of the interest curve and the specific risks of the asset. As of the balance sheet date, the interest rate for discounting was between 4.6 and 5.5 % p. a. (previous year: 5.0 to 6.3 % p. a.). The discount rate used for the SC HPC Ukraina CGU in the previous year was 19.4 % p.a. The cash flow forecasts in the Group's current plans for the next five years were utilised to determine future cash flows. If new information is available when the financial statements are produced, it is taken into account. Growth factors of 1.0 % (previous year: 1.0 %) were applied in the reporting year. When forecasting cash flows the Group takes future market and sector expectations as well as past experience into account in its planning. Cash flows are primarily determined on the basis of anticipated volumes and income along with the cost structure arising from the level of capacity utilisation and the technology used.

On each reporting date an assessment is made as to whether an impairment loss recognised in prior periods no longer exists or has decreased. If there are such indications, the recoverable amount is estimated. Previously recognised impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is raised to its recoverable amount. This higher carrying amount may not exceed the amount which would have been determined, less depreciation or amortisation, if no impairment losses had been recognised in prior years. Any such reversals must be recognised immediately in profit and loss for the period. Following a reversal, the amount of depreciation or amortisation must be adjusted in subsequent periods in order to write down the adjusted carrying amount of the asset, less any residual value, systematically over its remaining useful life.

Impairment losses on goodwill are not reversed.

Financial Assets

Financial assets as defined by IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, investments held to maturity or available-for-sale financial assets.

Financial assets are initially recognised at fair value. In the case of financial investments for which no fair value through profit and loss is determined, directly attributable transaction costs are also included. The Group defines the classification of its financial assets on initial recognition and reviews this classification every financial year insofar as this is permitted and appropriate.

Financial assets are valued as of their settlement date, i.e. upon delivery and transfer of risk. The only exception is the valuation of derivatives, which are measured as of the trading day.

Financial Assets at Fair Value through Profit and Loss

Derivative financial instruments are classified as held for trading unless they are derivatives designated and effective as hedging instruments. Gains or losses from financial assets held for trading are recognised in profit and loss.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. These assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the result for the period when the loans and receivables are derecognised or impaired and within the scope of repayment.

This category generally also includes trade receivables, receivables from related parties and other financial receivables. These are reported at amortised cost less allowances for doubtful receivables. Write-downs are made if there is substantial objective evidence that the Group will not be able to collect the receivables. Receivables are derecognised as soon as they are deemed to be irrecoverable. Examples of objective evidence are manifest shortages of liquid funds or the institution of insolvency proceedings against a customer. When assessing such situations, HHLA draws on its own data about the specific customer, external information and figures derived from experience.

Cash, cash equivalents and short-term deposits also included in this category are cash in hand, cheques, bank balances on deposit and short-term bank deposits which have a maturity of up to twelve months and which are recognised at their face value. Cash used as a pledge or collateral is disclosed separately.

Financial Investments Held to Maturity
Non-derivative financial assets with fixed or calculable payments and fixed maturities are classified as held-to-maturity financial investments if the Group intends to hold them until maturity and is capable of doing so. The Group had no held-to-maturity financial investments during the financial years ended 31 December 2016 and 2015.

Available-for-Sale Financial Assets
Following their initial recognition, available-for-sale financial assets are measured at fair value on each balance sheet date. The gains or losses arising as a result are taken directly to equity, where they are recorded in a separate reserve. The reserve is reversed through profit and loss on disposal of the financial asset. If impairment losses are recorded based on objective evidence of impairment as per IAS 39.59 rather than valuation-based considerations alone, the impairment must be recognised in the income statement.

The fair values of financial instruments traded on organised markets are determined by reference to the prices quoted on the stock exchange on the balance sheet date. The fair values of financial instruments for which there is no active market are estimated using valuation methods. If the fair values cannot be determined reliably because they are not traded on an active market, they are valued at cost. This applies in particular to non-consolidated interests in affiliated companies and other equity investments.

Impairment of Financial Assets
On each balance sheet date the Group determines whether a financial asset or a group of financial assets is impaired.

Assets Carried at Amortised Cost
If there is an objective indication of impairment to loans and receivables carried at amortised cost, the loss is calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows (excepting future credit defaults), discounted by the original effective interest rate of the financial asset (i.e. the interest rate determined on initial recognition). The amount of the loss must be recognised immediately in profit and loss. If the amount of the write-down decreases in one of the following reporting periods and this decrease can be ascribed objectively to circumstances occurring after the impairment was recognised, then the earlier impairment is reversed. A subsequent reversal of the impairment loss is recognised in profit and loss if the carrying amount of the asset at the time of the reversal does not exceed the amortised cost.

Assets Recognised at Cost
If there is an objective indication of impairment to a non-listed equity instrument that is not recognised at fair value because its fair value cannot be determined reliably, the amount of the write-down is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, discounted at the current market rate of return for a comparable financial asset.

Available-for-Sale Financial Assets
If an available-for-sale financial asset is impaired, the difference recognised in equity between the acquisition cost (less any repayments and amortisation) and the current fair value, less any impairment allowances for the financial asset, is recognised in profit and loss. Reversals of impairment losses on equity instruments classified as available for sale are recorded directly in equity. Impairment of debt instruments is reversed in profit and loss if the increase in the instrument's fair value can objectively be ascribed to an event which occurred after the impairment was recognised through profit and loss.

Inventories

Inventories include raw materials, consumables and supplies, work in progress, finished products and merchandise. They are initially recognised at acquisition or production cost. Measurement at the balance sheet date is made at the lower of cost and net realisable value. Standard sequence of consumption procedures are not used for valuation. Service work in progress is valued using the percentage of completion method if the result of the service transaction can be estimated reliably. Net realisable value corresponds to the estimated sales proceeds in the course of normal operations, less costs until completion and sale.

Liabilities

At initial recognition, liabilities are measured at the fair value of the equivalent goods or services received less transaction costs related to borrowing, including discounts and premiums.

After initial recognition, liabilities are measured at amortised cost using the effective interest rate method.

This does not apply to derivatives recorded as liabilities, which are carried at fair value.

Throughput-Dependent Share of Earnings Attributable to Non-Controlling Interests

Background

In the 2010 financial year, profit and loss transfer agreements were signed between the subsidiaries HHLA Container-Terminal Altenwerder GmbH, Hamburg (CTA), and HHLA CTA Besitzgesellschaft mbH, Hamburg (CTAB), on the one hand and HHLA Container Terminals GmbH, Hamburg (HHCT), on the other. In the profit and loss transfer agreements, HHCT pledges to pay a financial settlement to the non-controlling interest in the above-mentioned companies for the duration of the agreement. The amount of the financial settlement is based largely on earnings and the throughput handled. Should throughput reach a certain level, it is possible for the proportion of earnings allocated to the financial settlement to exceed the share which would result from the non-controlling shareholder’s stake in the companies. The profit and loss transfer agreements were concluded for a fixed term for the financial years 2010 to 2014 (i.e. regular termination is impossible). A contract duration of five years was therefore assumed. Unless the profit and loss transfer agreement is terminated, it will be extended for a further year at the end of this period. CTA merged with CTAB with retroactive effect as of 1 January 2014 based on a merger agreement dated 5 August 2014. As a result, there is now just one profit and loss transfer agreement.

Classification as a Compound Financial Instrument

As profit and loss transfer agreements have been concluded, the interest held by the non-controlling shareholder is classified as a compound financial instrument as per IAS 32.28 because it contains both debt and equity components. These components must be split and entered as either equity or borrowed capital depending on their classification.

Initial Measurement

When it was first entered in 2010, the amount of equity to be to reported for the non-controlling interests was calculated by deducting the fair value of the debt component. The fair value of the debt component in the form of these financial settlements was established by discounting the anticipated resulting cash outflows during the five-year term of the profit and loss transfer agreement.

When this debt component was first recorded under other financial liabilities ▶ Note 38, page 126, it was recognised directly in equity and reduced non-controlling interests within equity as a result ▶ Note 35, page 117.

From the 2014 financial year onwards, extending the profit and loss transfer agreement gives rise to an obligation to pay a financial settlement for the following year. The profit and loss transfer agreement was not terminated in 2016. This means the company has a further obligation to pay a financial settlement for the 2017 financial year. This obligation must also be reported at fair value directly in equity within other financial liabilities by discounting the anticipated cash outflows in the year under review. It reduces non-controlling interests within equity accordingly.

Subsequent Measurement

From 2011 onwards, other financial liabilities arising from the obligation to pay this financial settlement are recorded in the balance sheet at amortised cost. Changes resulting from the expected cash outflows are recognised in profit and loss. The changes result from adjustments to reflect the actual shares in the CTA Group’s earnings and changes in the anticipated future development of the CTA Group. Furthermore, the remaining term of the profit and loss transfer agreement was shortened by one year from 2011 onwards. As of 2013, the liability recognised shows the Group’s payment obligation for the financial year ended and the present value of the anticipated payment obligation for the following year. Obligations are discounted using an interest rate of 7.70 %. Every year from the 2014 financial year onwards, a discount rate is defined for the recognition of the expected current financial settlement. An interest rate of 5.46 % is used for recognising the expected financial settlement for the 2017 financial year (previous year: 5.70 % for 2016). The amount of € 2,932 thousand (previous year: € 804 thousand) reported through profit and loss in the reporting year is recorded in financial income ▶ Note 16 and only impacts non-controlling interests in the CTA Group. This figure includes income of € 4,387 thousand (previous year: € 2,134 thousand) from an adjustment to reflect the actual share of earnings. This was partially offset by expenses of € 1,455 thousand (previous year: € 1,330 thousand) arising from discounting the payment obligation recognised in the previous year.

Development in Non-controlling Interests Held in the CTA Group

in € thousand

As of 31 December 2009 prior to conclusion of the profit and loss transfer agreement	44,617
As of 31 December 2014, taking actual share of earnings and adjustments to settlement obligation into account	- 3,760
Actual share in the CTA Group's earnings for 2015	21,627
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	804
Other adjustments	- 25
Comprehensive income reported in equity	22,406
Reclassification of the settlement obligation for 2016 to other financial obligations	- 25,534
As of 31 December 2015, taking actual share of earnings and adjustments to settlement obligation into account	- 6,888
Actual share in the CTA Group's earnings for 2016	22,603
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	2,932
Other adjustments	- 430
Comprehensive income reported in equity	25,105
Reclassification of the settlement obligation for 2017 to other financial obligations	- 18,045
As of 31 December 2016, taking actual share of earnings and adjustments to settlement obligation into account	172

Development in Other Financial Liabilities Arising from Settlement Obligations

in € thousand

As of 31 December 2014 with continuation of settlement obligation	52,738
Payment of actual share of earnings for 2014	- 30,307
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 804
Reclassification of settlement obligation for 2016 from non-controlling interests	25,534
As of 31 December 2015 with continuation of settlement obligation	47,161
Payment of actual share of earnings for 2015	- 21,627
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 2,932
Reclassification of settlement obligation for 2017 from non-controlling interests	18,045
As of 31 December 2016 with continuation of settlement obligation	40,647

Provisions

A provision is formed if the Group has a present (legal or factual) obligation arising from past events, the settlement of which is likely to result in an outflow of resources embodying economic benefits, and if the amount required to settle the obligation can be estimated reliably. The provision is formed for the amount expected to be necessary to settle the obligation, including future increases in prices and costs. If the Group anticipates a partial or full reimbursement of an amount made as a provision (e.g. in the case of insurance), the reimbursement is recognised as a separate asset only if it is virtually certain. The expenses arising from recognising the provision are disclosed in the income statement after the reimbursement has been deducted. If the interest effect is substantial, non-current provisions are discounted before tax at an interest rate which reflects the specific risks associated with the liability. In the event of discounting, the increase in the amount of the provision over time is recognised under interest expenses.

Pensions and Other Retirement Benefits

Pension Obligations

Pensions and similar obligations include the Group's benefit obligations under defined benefit obligations. Provisions for pension obligations are calculated in accordance with IAS 19 (revised 2011) using the projected unit credit method. Actuarial gains and losses are taken directly to equity and recognised in other comprehensive income, after accounting for deferred taxes. Service expense affecting net income is recognised in personnel expenses and the interest proportion of the addition to provisions is recognised in the financial result.

Actuarial opinions are commissioned annually to measure pension obligations.

Phased Early Retirement Obligations

The compensation to be paid in the release phase of the so-called block model is recognised as provisions for phased early retirement. It is recognised pro rata over the working period over which the entitlements accrue. Since 1 January 2013 and in accordance with IAS 19 (revised 2011), provisions for supplementary amounts have only been accrued pro rata over the required service period, which regularly ends when the passive phase begins.

Actuarial opinions are commissioned annually to measure compensation obligations in the release phase of the block model and supplementary amounts.

If payment obligations do not become payable until after twelve months' time because of entitlements in the block model or supplementary amounts, they are recognised at their present value.

Leases in Which the Group is Lessee

The question of whether an agreement is, or contains, a lease depends on the commercial content of the agreement and requires an assessment as to whether fulfilling the agreement depends on the use of a certain asset or assets and whether the agreement grants a right to use that asset.

Finance Leases

Finance leases – in which virtually all of the risks and potential rewards associated with ownership of an asset are transferred to the Group – are capitalised at the start of the lease at the lower of the leased asset's fair value or the present value of the minimum lease payments. A lease liability is recognised for the same amount. Lease payments are divided into financing expenses and repayment of the lease liability, so that interest is paid on the remaining carrying amount of the lease liability at a constant rate. Financing expenses are recognised through profit and loss in the period in which they arise.

If the transfer of title to the Group at the end of the lease term is not sufficiently certain, capitalised leased assets are fully depreciated over the shorter of the lease term and the asset's useful life. Otherwise, the period of depreciation is the leased asset's useful life.

Operating Leases

Lease instalments for operating leases are recognised as expenses in the income statement on a straight-line basis over the duration of the lease.

Leases in Which the Group is Lessor

The HHLA Group lets properties in and around the Port of Hamburg as well as office properties, warehouses and other commercial space. The rental contracts are classified as operating leases, as the main risks and potential rewards of the properties remain with the Group. The properties are therefore held as investment properties at amortised cost.

Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

Recognition of Income and Expenses

Income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be determined reliably. The following criteria must also be met for income to be recognised:

Sale of Goods and Merchandise

Income is recognised when the principal risks and potential rewards incidental to ownership of the goods and merchandise sold have been transferred to the buyer.

Provision of Services
Income from services is recognised in proportion to the progress of the project in question. The extent to which the service has been provided is determined by the number of hours worked as of the balance sheet date as a percentage of the total number of hours estimated for the project. If the result of a service transaction cannot be estimated reliably, income is recognised only to the extent that the expenses incurred are eligible for reimbursement.

Interest
Interest income and interest expenses are recognised when they are accrued or incurred.

Dividends
Income from dividends is recognised in profit and loss when the Group has a legal right to payment. This does not apply to dividends distributed by companies accounted for using the equity method.

Income and Expenses
Operating expenses are recognised when the service is rendered or when the expense is incurred. Income and expenses resulting from identical transactions or events are recognised in the same period. Rental expenses are recognised on a straight-line basis over the lease term.

Government Grants
Government grants are recognised when there is reasonable certainty that they will be granted and the company fulfils the necessary conditions. Grants paid as reimbursement for expenses are recognised as income over the period necessary to offset them against the expenses for which they are intended to compensate. If subsidies relate to an asset they are deducted from the asset's cost of purchase and recognised in profit and loss on a straight-line basis by reducing the depreciation for the asset over its useful life.

Taxes
Current Claims for Tax Rebates and Tax Liabilities
Current claims for tax rebates and tax liabilities for the financial year and prior periods are measured at the amount for which a rebate is expected from, or payment must be made to, the tax authorities. The tax rates and tax legislation in force as of the balance sheet date are used to determine the amount.

Deferred Taxes
Deferred taxes are recognised by using the balance sheet liabilities method on all temporary differences between the carrying amount of an asset or liability in the balance sheet and the amount for tax purposes, as well as on tax loss carry-forwards.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry-forwards proportionate to the probability that taxable income will be available to offset against the deductible temporary differences and the unused tax loss carry-forwards.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable profits will be available to use against the deferred tax asset. Unrecognised deferred tax assets are reviewed on each balance sheet date and recognised proportionate to the likelihood that future taxable profits will make it possible to use deferred tax assets.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset is realised or the liability is met. Tax rates (and tax regulations) are applied if they have already been enacted as of the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity, likewise not affecting net income.

Deferred tax assets and liabilities are netted only if the deferred taxes relate to income taxes for the same tax authority and the current taxes may also be set off against one another.

Fair Value of Financial Instruments

The fair value of financial instruments is determined on the basis of market values or valuation methods. For cash and other current primary financial instruments, fair value is equivalent to the carrying amounts on the respective balance sheet dates. For non-current receivables and other financial assets, as well as non-current liabilities, fair value is measured based on expected cash flows using reference rates of interest at the balance sheet date. The fair value of derivative financial instruments is determined on the basis of reference interest rates and futures prices at the balance sheet date.

Derivative Financial Instruments and Hedging Transactions

The Group can use derivative financial instruments such as interest rate swaps, interest rate caps and currency futures to hedge against interest and currency risks. These derivative financial instruments are initially recognised at fair value at the time the contracts are concluded and subsequently remeasured at fair value.

Gains and losses from changes in the fair value of derivative financial instruments which do not meet the criteria for qualification as hedging transactions are recognised immediately through profit and loss.

For hedge accounting purposes, hedging instruments are classified as cash flow hedges if they serve as a hedge against risks arising from fluctuations in cash flows which can be attributed to a recognised asset or liability, or a forecast transaction.

A hedge for the currency risk of a fixed obligation is treated as a cash flow hedge.

At the beginning of a hedging relationship, the Group formally designates the hedging relationship to be recognised as a hedging transaction, as well as the risk management aims and strategies relating to the hedge, and documents them. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and a description of how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. These hedging relationships are considered to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk. The hedges are assessed on an ongoing basis to determine whether they were actually highly effective throughout the financial reporting period for which the hedge was designated.

There were no hedging transactions to hedge fair value or net investments in a foreign operation during the reporting period. Cash flow hedges which meet the strict criteria for recognition as hedging relationships are recognised as follows:

Cash Flow Hedges

The effective portion of gains or losses from changes in the fair value of a hedging instrument is recognised directly in equity, taking into account the deferred taxes, while the ineffective portion is recognised in profit and loss.

The amounts recognised in equity are recorded in the income statement in the period affected by the hedged transaction, e.g. when the hedged financial income or expense affects profit and loss or when a forecast sale or purchase occurs. If the hedged transaction is the acquisition cost of a non-financial asset or a non-financial liability, the amounts recognised in equity are added to the originally recognised carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are recognised in profit and loss for the period. If the hedging instrument expires, or is sold, terminated or exercised, or rolled over into another hedging instrument, or if the Group withdraws the designation as a hedging instrument, the amounts previously recognised in equity remain separately recognised in equity until the forecast transaction occurs.

7. Significant Assumptions and Estimates

Preparing the Consolidated Financial Statements in accordance with IFRS requires management to make estimates and assess individual facts and circumstances. The estimates made are based on past experience and other relevant factors and on a going concern basis.

The amounts which actually arise may differ from those resulting from estimates and assumptions.

The accounting and valuation principles applied are explained in ▶ Note 6, page 91. Material assumptions and estimates affect the following issues:

Business Combinations

The fair value of the assets acquired and liabilities and contingent liabilities assumed as a result of business combinations must be estimated. For this purpose HHLA either makes use of opinions from independent external experts or calculates the fair value internally using suitable calculation models. These are normally based on discounted cash flows. Depending on the nature of the assets or the availability of information, market price, capital value and cost-oriented valuation methods are applied.

Goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimate of the fair value less selling costs or the value in use of the cash-generating units to which the goodwill has been allocated. To estimate the fair value or value in use, the Group must forecast the likely future cash flows from the cash-generating unit and also choose an appropriate discount rate with which to calculate the present value of these cash flows. Unforeseeable changes may mean that the assumptions used during planning are no longer appropriate, making it necessary to adjust plans. An impairment loss could be incurred as a result. For more information, please refer to ▶ Note 22, page 108.

Internal Development Activities

These activities relate to the development of software within the Group, which is capitalised as soon as the recognition requirements pursuant to IAS 38.57 are fulfilled. HHLA amortises the software over the expected useful life of three to seven years from the point that the software comes into use. For more information, please refer to ▶ Note 22, page 108.

Investment Property

The fair value of investment property must be disclosed in the Notes. HHLA carries out its own calculations to determine the fair value of this property. Industry-standard discounted cash flow methods are applied. The calculations are based on assumptions about applicable interest rates and the amount and time frame of expected future cash flows which these assets can generate. Detailed information is available in ▶ Note 24, page 113.

Pension Provisions

Actuarial opinions are commissioned annually to determine pension obligation costs. These calculations include assumptions about demographic changes, salary and pension increases, and interest, inflation and fluctuation rates. Because these assumptions are long-term in nature, the observations are assumed to be characterised by material uncertainties. More detailed information is available in ▶ Note 36, page 120.

Demolition Obligations

Provisions for demolition obligations result from obligations to be met at the end of the lease term under long-term lease agreements with the Free and Hanseatic City of Hamburg. All HHLA Group companies in the Port of Hamburg are obliged to return leased land free of all buildings owned by them at the end of the lease term. To calculate the amount of the provision, it was assumed that the obligation would be carried out in full for all leased property, with the exception of buildings designated as historical landmarks in the Speicherstadt historical warehouse district. The calculations are based on assumptions concerning the amount of demolition work necessary, interest rates and inflation. For more information, please refer to ▶ Note 37, page 125.

Provisions for Phased Early Retirement

All employees who have signed, or are expected to sign, an agreement are taken into consideration when recognising and measuring provisions for phased early retirement. The number of employees expected to sign is an estimate. The appraisal reports are also based on actuarial assumptions. For more information, please refer to ▶ Note 37, page 125.

Non-Current and Current Financial Liabilities

This item includes, amongst other things, financial settlement obligations to shareholders with non-controlling interests in consolidated subsidiaries. These liabilities exist because HHLA has concluded a profit and loss transfer agreement with a subsidiary which entitles non-controlling interests to receive financial settlements. see ▶ Note 6, page 91. The parameters used to calculate this amount are subject to significant uncertainties which can cause figures to fluctuate accordingly. For more detailed explanations, please refer to ▶ Note 38, page 126.

Calculating Fair Value

The fair value measured for financial and non-financial assets and liabilities is regularly reviewed by the Group.

The Group also regularly reviews key unobservable input factors and valuation adjustments. When the fair value of an asset or liability is calculated, the Group uses observable market data whenever possible. Based on the input factors used during valuation, the fair values calculated are classified as belonging to different levels of the fair value hierarchy:

- Level 1: Listed prices (non-adjusted) on active markets for identical assets or liabilities
- Level 2: Valuation parameters which do not involve the listed prices included in level 1 but which are observable for the asset or liability either directly (i.e. as a price) or indirectly (i.e. as determined through prices)
- Level 3: Valuation parameters for assets or liabilities which are not based on observable market data

The Group records any transfers between the various levels of the fair value hierarchy at the end of the reporting period in which the amendment was made.

For details of the valuation methods and input parameters used to measure the fair value of the various assets and liabilities, please see ▶ Note 24, page 113 and ▶ Note 47, page 136.

Notes to the Income Statement

8. Revenue

Detailed information about revenue can be found in the Segment Report and in the Notes to the Segment Report under ▶ Note 44, page 131.

9. Changes in Inventories

Changes in Inventories

in € thousand	2016	2015
	266	- 1,417

Changes in inventories relate to changes in the inventories of finished products and service work in progress.

10. Own Work Capitalised

Own Work Capitalised

in € thousand	2016	2015
	6,473	9,331

Own work capitalised results mainly from development activities and from technical work capitalised in the course of construction work.

11. Other Operating Income

Other Operating Income

in € thousand	2016	2015
Income from reimbursements	27,691	6,993
Income from other accounting periods	8,720	6,679
Income from reversal of other provisions	3,384	5,843
Income from compensation	1,998	3,124
Income from exchange rate differences	1,355	2,274
Proceeds on disposal of property, plant and equipment	1,179	3,250
Other	13,142	13,075
	57,469	41,238

Income from reimbursements relates primarily to the effect of terminating the lease for the Übersee-Zentrum and costs which were passed on in connection with leases.

Income from other accounting periods includes income from reversal of other liabilities from previous periods.

Income from the reversal of other provisions arose mainly in connection with the termination of the Übersee-Zentrum lease.

Other operating income includes income from outsourcing of personnel of € 4,445 thousand (previous year: € 4,004 thousand).

12. Cost of Materials

Cost of Materials

in € thousand	2016	2015
Raw materials, consumables and supplies	83,123	90,106
Purchased service	266,844	271,594
	349,967	361,700

The expenses for purchased services mainly consist of rail services purchased by the Intermodal segment.

13. Personnel Expenses

Personnel Expenses

in € thousand	2016	2015
Wages and salaries	306,591	294,508
Social security contributions and benefits	79,246	53,724
Staff deployment	50,287	46,838
Service expense	6,834	5,881
Other retirement benefit expenses	44	624
	443,002	401,575

The direct remuneration paid to members of the Executive Board totalled € 3,143 thousand for the 2016 financial year (previous year: € 2,925 thousand). More details on the remuneration paid to the Executive Board and the Supervisory Board can be found in ▶ Note 48, page 142.

Social security contributions include payments towards the public pension scheme amounting to € 26,794 thousand (previous year: € 26,005 thousand) and payments to the German pension insurance scheme. Personnel expenses increased in the year under review, primarily due to restructuring-related expenses in connection with the discontinuation of project and contract logistics activities, potential expenses for planned phased early retirement obligations and changes to the group of consolidated companies. There were no further significant expenses from the termination of employment.

Service expense includes payments from defined benefit pension commitments and similar obligations.

Average Number of Employees

	2016	2015
Fully consolidated companies		
Employees receiving wages	2,777	2,646
Salaried staff	2,575	2,554
Trainees	95	116
	5,447	5,316

In addition, the Group used an annual average of 558 employees (previous year: 562) of Gesamthafenbetriebs-Gesellschaft m.b.H., Hamburg (GHB).

14. Other Operating Expenses

Other Operating Expenses

in € thousand	2016	2015
Leasing costs	62,872	53,350
Consultancy, services, insurance and auditing expenses	34,778	32,820
External maintenance services	34,686	36,592
Venture expenses	4,566	1,528
Travel expenses, advertising and promotional costs	3,440	3,107
Other taxes	2,646	1,685
External and internal cleaning costs	2,270	2,043
Losses on the disposal of property, plant and equipment	1,800	527
Other personnel expenses	1,755	2,083
Postage and telecommunications costs	1,585	1,559
Expenses from exchange rate differences	1,319	2,471
Expenses from other accounting periods	546	1,701
Other	10,203	6,832
	162,466	146,298

Leasing expenses were largely responsible for the increase in other operating expenses. Detailed information is available in ▶ Note 45.

15. Depreciation and Amortisation

Depreciation and Amortisation

in € thousand	2016	2015
Intangible assets	10,794	12,636
Property, plant and equipment (without finance lease)	95,698	93,107
Assets classified as finance lease	6,496	9,830
Investment property	9,443	9,285
	122,431	124,858

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule. Impairment losses totalling € 1,125 thousand (previous year: € 2,981 thousand) were recognised in the reporting year, see ▶ Note 23, page 110.

16. Financial Result

Financial Result

in € thousand	2016	2015
Earnings from associates accounted for using the equity method	4,677	3,728
Income from exchange rate differences	4,205	13,800
Income from adjustment of settlement obligations to shareholders with non-controlling interests	2,932	804
Interest income from non-affiliated companies and non-consolidated affiliated companies	1,812	1,333
Interest income from bank balances	169	414
Income from interest rate hedges	45	155
Other	0	230
Interest income	9,163	16,736
Interest portion of pension provisions	9,167	7,849
Interest expenses on bank liabilities	7,314	8,710
Expenses from exchange rate differences	6,429	21,761
Interest included in lease payments	5,446	5,550
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,655	4,059
Interest portion of other provisions	1,651	1,762
Expenses from interest rate hedges	164	411
Other	1	0
Interest expenses	31,827	50,102
Net interest income	- 22,664	- 33,366
Income from other equity investments	0	944
Other financial result	0	944
	- 17,987	- 28,694

Earnings from companies accounted for using the equity method relate to the pro rata annual earnings of the joint ventures and associates, see also ▶ Note 25, page 114.

Income and expenses from exchange rate differences in both the reporting period and the previous year are mainly due to the performance of the Ukrainian hryvnia.

Please refer to ▶ Note 6, page 91 for details of income from the adjustment of settlement obligations to non-controlling interests, which totalled € 2,932 thousand (previous year: € 804 thousand).

see ▶ Note 38, page 126 for information about the interest expenses associated with amounts due to banks.

17. Research Costs

Research costs of € 149 thousand (previous year: € 71 thousand) were incurred in the 2016 financial year. These primarily related to research for software development.

18. Income Tax

Paid or outstanding income taxes and deferred taxes are shown under the item income taxes. Income taxes are made up of corporation tax, solidarity surcharge and trade tax. Companies domiciled in Germany pay corporation tax of 15.0 % and a solidarity surcharge of 5.5 % of the corporation tax expense. These companies and German-based subsidiaries in the form of limited partnerships are also liable for trade tax, which is imposed at different local rates. Trade tax does not reduce the amount of a company's profits on which corporation tax is payable.

Components of Income Tax Expenses

Deferred taxes and current income tax in € thousand	2016	2015
Deferred taxes on temporary differences	- 6,017	- 1,948
Of which Domestic	- 6,045	- 1,510
Of which Foreign	28	- 438
Deferred taxes on losses carried forward	- 26	- 71
Of which Domestic	0	0
Of which Foreign	- 26	- 71
Total deferred taxes	- 6,043	- 2,019
Current income tax expense	47,004	34,021
Of which Domestic	31,268	21,138
Of which Foreign	15,736	12,883
Income tax expense recognised in the income statement	**40,961**	**32,002**

Current income tax expenses include tax expenditure from other accounting periods amounting to € 1,164 thousand (previous year: tax income of € 67 thousand).

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards.

Deferred Taxes

	Deferred tax assets		Deferred tax liabilities	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Intangible assets	0	0	1,953	1,662
Property, plant and equipment and finance leases	0	0	13,220	9,903
Investment property	0	0	11,098	10,761
Financial assets	0	0	1,673	1,258
Inventories	554	317	0	0
Receivables and other assets	268	395	206	434
Pension and other provisions	90,677	67,405	1,973	2,181
Liabilities	6,820	6,540	5,277	6,034
Tax losses carried forward	0	26	0	0
	98,319	74,683	35,400	32,233
Netted amounts	- 15,599	- 13,287	- 15,599	- 13,287
	82,720	61,396	19,801	18,946

Reconciliation between the Income Tax Expenses and Hypothetical Tax Expenses based on the IFRS Result and the Group's Applicable Tax Rate

in € thousand	2016	2015
Profit after tax	**146,023**	**127,845**
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	47,136	41,268
Tax income (-), tax expenses (+) for prior years	831	- 288
Effect of tax rate change	232	0
Tax-free income	- 213	- 1,011
Non-deductible expenses	1,606	919
Trade tax additions and reductions	- 803	1,245
Permanent differences	- 948	- 247
Differences in tax rates	- 10,071	- 9,302
Impairment losses in deferred tax assets	2,033	952
Other tax effects	1,158	- 1,534
Actual income tax expenses	**40,961**	**32,002**

Deferred taxes are calculated on the basis of the tax rates currently in force in Germany or those expected to apply at the time of realisation. A tax rate of 32.28 % was used for the calculations in both 2016 and 2015. This is made up of corporation tax at 15.0 %, solidarity surcharge of 5.5 % of the corporation tax, and the trade tax payable in Hamburg of 16.45 %. Limited partnerships are also liable for trade tax. Due to special rules, property management companies generally do not pay trade tax. Due to rules on minimum taxation, tax loss carry-forwards are only partially usable in Germany. Tax losses of up to € 1 million can be set off against taxable profits without restriction, and higher tax losses up to a maximum of 60 %.

The effects of tax rates for domestic and foreign taxes that diverge from the Group parent company's tax rate are reported in the offsetting and reconciliation under differences in tax rates.

Deferred tax assets are recognised on tax loss carry-forwards and temporary differences if it is sufficiently certain that they can be realised in the near future. The Group has no domestic corporation tax loss carry-forwards, no domestic trade tax loss carry-forwards, and no foreign tax loss carry-forwards (previous year: € 135 thousand) for which deferred taxes have been capitalised (previous year: € 26 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 4,057 thousand (previous year: € 5,392 thousand), domestic trade tax loss carry-forwards of € 4,271 thousand (previous year: € 3,632 thousand) and foreign tax loss carry-forwards of € 19,546 thousand (previous year: € 13,811 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 27,041 thousand (previous year: € 12,405 thousand) recognised directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions, cash flow hedges and unrealised gains/losses arising from available-for-sale financial assets.

Deferred Taxes recognised in the Statement of Comprehensive Income

	Gross		Taxes		Net	
in € thousand	2016	2015	2016	2015	2016	2015
Actuarial gains/losses	- 45,441	25,149	14,661	- 7,833	- 30,780	17,316
Cash flow hedges	231	381	- 74	- 130	157	251
Unrealised gains/losses on available-for-sale financial assets	- 164	- 11	49	12	- 115	1
	- 45,374	25,519	14,636	- 7,951	- 30,738	17,568

19. Share of Results Attributable to Non-Controlling Interests

Profits due to non-controlling interests in the amount of € 32,032 thousand (previous year: € 29,165 thousand) primarily relate to non-controlling interests in CTA. This share of earnings increased year-on-year, mainly because a higher level of interest income arising from the measurement of the settlement obligation was attributable to the co-partner.

20. Earnings per Share

Basic earnings per share in €

	Group		Port Logistics Subgroup		Real Estate Subgroup	
	2016	2015	**2016**	2015	**2016**	2015
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	73,030	66,678	63,720	58,935	9,310	7,743
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	1.00	0.92	0.91	0.84	3.44	2.86

Basic earnings per share are calculated in accordance with IAS 33 by dividing the net profit for the Group attributable to the shareholders of the parent company by the average number of shares.

The diluted earnings per share are identical to the basic EPS as there were no conversion or option rights in circulation during the financial year.

21. Dividend per Share

The dividend entitlement for the share classes is based on the portion of the distributable profit attributable to the relevant division. This is calculated in accordance with the German Commercial Code (HGB).

A resolution was passed at the Annual General Meeting held on 16 June 2016 to distribute a dividend of € 46,062 thousand to holders of common shares in the reporting year for the 2015 financial year (previous year: € 40,482 thousand). At the time of the distribution, the number of shares entitled to dividends amounted to 72,753,334, of which 70,048,834 are to be attributed to the Port Logistics subgroup (A division) and 2,704,500 to the Real Estate subgroup (S division). This resulted in dividends of € 0.59 per Class A share and € 1.75 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2017, dividends per share of € 0.59 for the Port Logistics subgroup and € 2.00 for the Real Estate subgroup are due to be paid. Based on the number of dividend-entitled shares as of 31 December 2016, this is equivalent to a distribution of € 41,329 thousand for the Port Logistics subgroup and of € 5,409 thousand for the Real Estate subgroup.

Notes to the Balance Sheet

22. Intangible Assets

Development of Intangible Assets

in € thousand	Goodwill	Software	Internally developed software	Other intangible assets	Payments made on account	Total
Carrying amount as of 1 January 2015	38,933	14,679	21,099	0	3,133	77,844
Acquisition or production cost						
1 January 2015	47,089	62,220	45,736	1,404	3,133	159,582
Additions		1,858	1,820		5,135	8,814
Disposals		- 659				- 659
Reclassifications		1,064	1,431		- 2,463	32
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates	58	- 547		- 1		- 490
31 December 2015	47,147	63,936	48,987	1,403	5,805	167,279
Accumulated depreciation, amortisation and impairment						
1 January 2015	8,157	47,541	24,637	1,404	0	81,739
Additions		4,908	7,728			12,636
Disposals		- 659				- 659
Reclassifications						0
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates	58	- 345		- 1		- 288
31 December 2015	8,215	51,445	32,365	1,403	0	93,428
Carrying amount as of 31 December 2015	38,933	12,491	16,622	0	5,805	73,851
Carrying amount as of 1 January 2016	38,933	12,491	16,622	0	5,805	73,851
Acquisition or production cost						
1 January 2016	47,147	63,936	48,987	1,403	5,805	167,279
Additions		2,188	9,639		496	12,323
Disposals	- 3	- 1,431	- 677			- 2,111
Reclassifications		- 198	4,989		- 4,791	0
Changes in scope of consolidation/ consolidation method		7		854		861
Effects of changes in exchange rates	- 32	- 168		6		- 194
31 December 2016	47,112	64,334	62,938	2,263	1,510	178,157
Accumulated depreciation, amortisation and impairment						
1 January 2016	8,215	51,445	32,365	1,403	0	93,428
Additions		4,588	6,206			10,794
Disposals		- 1,316	- 324			- 1,640
Reclassifications						0
Changes in scope of consolidations/ consolidation method		6				6
Effects of changes in exchange rates	- 33	- 111				- 144
31 December 2016	8,182	54,612	38,247	1,403	0	102,444
Carrying amount as of 31 December 2016	38,930	9,722	24,691	860	1,510	75,713

In the Container segment, goodwill of € 35,525 thousand is attributable to the cash-generating unit (CGU) CTT/Rosshafen and further goodwill of € 1,893 thousand is attributable to the CGU HCCR. Of the CGU CTT/Rosshafen's goodwill, € 30,929 thousand was generated by the acquisition of all the shares in HHLA Rosshafen Terminal GmbH, Hamburg, in 2006. Goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites let long-term by the company.

Carrying Amounts for Goodwill by Segments

in € thousand	31.12.2016	31.12.2015
Container	37,418	37,418
Intermodal and Other	1,512	1,515
	38,930	38,933

In the period for which detailed forecasts are made, cash flows are largely determined by developments in the operating result (EBIT). Developments in EBIT result from anticipated volumes and income along with the relevant cost structure. The cost structure is primarily determined by the level of capacity utilisation achieved and the technology used.

For the CGU CTT/Rosshafen, the recoverable amount is calculated as fair value less selling costs using the discounted cash flow method. The discount rate after tax is 4.62 % (previous year: 4.97 %). Growth factors of 1.0 % (previous year: 1.0 %) were applied.

Based on the estimate used, the recoverable amount for the CGU CTT/Rosshafen is approximately € 30 million higher than the carrying amount for valuation purposes. As the recoverable amount is close to the carrying amount for valuation purposes, the management considers it possible that there could be a change in material assumptions which would lead to the carrying amount exceeding the recoverable amount.

The overview below shows the necessary change in the various material valuation parameters which would lead to the recoverable amount being the same as the carrying amount.

Valuation parameters

in % / pp	Necessary change
Discount rate	+ 0.52 pp
Growth factor	- 0.65 pp
EBIT*	- 14 %

*) *Change applies to the detailed planning of the first five years and the continuation value*

23. Property, Plant and Equipment

Development of Property, Plant and Equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2015	440,550	290,460	178,823	28,183	938,016
Acquisition or production cost					
1 January 2015	757,790	757,042	451,209	28,183	1,994,224
Additions	11,101	4,722	35,713	70,086	121,623
Disposals	- 12,879	- 710	- 19,065	- 380	- 33,034
Reclassifications	5,307	198	17,917	- 23,454	- 32
Changes in scope of consolidation/consolidation method	12,459	1		1,770	14,230
Effects of changes in exchange rates	- 9,048	- 7,412	- 524	- 28	- 17,012
31 December 2015	764,731	753,841	485,251	76,177	2,080,000
Accumulated depreciation, amortisation and impairment					
1 January 2015	317,240	466,582	272,386	0	1,056,208
Additions	30,160	40,120	32,656		102,936
Disposals	- 5,899	- 547	- 15,659		- 22,105
Reclassifications					0
Appreciations	- 583		- 36		- 620
Changes to scope of consolidation/consolidation method	37				37
Effects of changes in exchange rates	- 642	- 2,482	- 394		- 3,519
31 December 2015	340,312	503,672	288,953	0	1,132,937
Carrying amount as of 31 December 2015	424,419	250,169	196,298	76,177	947,063
Carrying amount as of 1 January 2016	424,419	250,169	196,298	76,177	947,063
Acquisition or production cost					
1 January 2016	764,731	753,841	485,251	76,177	2,080,000
Additions	18,417	5,552	23,490	87,856	135,315
Disposals	- 30,416	- 4,418	- 11,519	- 24,881	- 71,234
Reclassifications	15,932	4,544	1,534	- 22,010	0
Changes in scope of consolidation/consolidation method	1,026	680	99		1,805
Effects of changes in exchange rates	- 2,052	- 1,913	- 154	- 6	- 4,125
31 December 2016	767,638	758,286	498,701	117,135	2,141,760
Accumulated depreciation, amortisation and impairment					
1 January 2016	340,312	503,672	288,953	0	1,132,937
Additions	33,933	38,896	29,365		102,194
Disposals	- 29,977	- 3,054	- 11,023		- 44,054
Reclassifications	- 6	- 1	7		0
Appreciations					0
Changes to scope of consolidation/consolidation method	576	343	94		1,013
Effects of changes in exchange rates	- 246	- 912	- 108		- 1,266
31 December 2016	344,592	538,944	307,288	0	1,190,824
Carrying amount as of 31 December 2016	423,046	219,342	191,413	117,135	950,936

The additions result largely from the expansion of the container terminals in Hamburg and the expansion of the METRANS Konténer Kft. terminal.

Disposals in the financial year under review mainly relate to the return of the Übersee-Zentrum to Hamburg Port Authority (HPA) and payments on account made by METRANS a.s. for locomotives, which were previously capitalised as plants under construction. The company has changed its plans with regard to these assets, which are now being acquired via operating leases.

Changes to the consolidated group relate solely to the METRANS Group subsidiaries which were included in the Consolidated Financial Statements for the first time in the 2016 financial year.

The negative effects of changes in exchange rates arose chiefly in connection with the devaluation of the Ukrainian currency.

The depreciation of land and buildings includes write-downs in the amount of € 1,125 thousand for a building at a container terminal in Hamburg which is no longer used. In the previous year, there were write-downs of € 2,981 thousand on land and buildings as well as on other plant, operating and office equipment.

Buildings, surfacing and movable non-current assets with a carrying amount of € 3,112 thousand (previous year: € 4,207 thousand) have been pledged as collateral in connection with loans taken up by the Group.

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties from the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in ▶ Note 45, page 134.

As of the balance sheet date, the Group had obligations of € 34,199 thousand (previous year: € 87,978 thousand) from purchase commitments attributable to investments in property, plant and equipment.

Development of Assets which are Classified as Finance Lease and are included in Property, Plant and Equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Total
Carrying amount as of 1 January 2015	100,243	2,384	46,664	149,291
Acquisition or production cost				
1 January 2015	108,456	7,917	67,546	183,920
Additions		268	3,488	3,756
Disposals		- 30	- 12,012	- 12,042
Reclassifications			- 12,090	- 12,090
Changes in scope of consolidation		1		1
Effects of changes in exchange rates	- 176	14	30	- 132
31 December 2015	108,281	8,171	46,962	163,414
Accumulated depreciation, amortisation and impairment				
1 January 2015	8,213	5,533	20,882	34,629
Additions	2,185	827	6,818	9,830
Disposals		- 8	- 8,868	- 8,876
Reclassifications			- 10,509	- 10,509
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 19	2	11	- 6
31 December 2015	10,380	6,354	8,334	25,067
Carrying amount as of 31 December 2015	97,901	1,818	38,628	138,347
Carrying amount as of 1 January 2016	97,901	1,818	38,628	138,347
Acquisition or production cost				
1 January 2016	108,281	8,171	46,962	163,414
Additions		102	3,988	4,090
Disposals		- 13	- 5,644	- 5,657
Reclassifications		- 1,708	13	- 1,695
Changes in scope of consolidation				0
Effects of changes in exchange rates	- 37	- 214		- 251
31 December 2016	108,244	6,338	45,319	159,901
Accumulated depreciation, amortisation and impairment				
1 January 2016	10,380	6,354	8,334	25,067
Additions	2,183	408	3,905	6,496
Disposals		- 13	- 5,559	- 5,572
Reclassifications		- 402		- 402
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 5	- 202		- 207
31 December 2016	12,558	6,145	6,680	25,383
Carrying amount as of 31 December 2016	95,686	193	38,639	134,518

24. Investment Property

Development of Investment Property

in € thousand	Investment property	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2015	199,026	169	199,196
Acquisition or production cost			
1 January 2015	322,758	169	322,927
Additions	180	634	815
Disposals	- 30	- 97	- 127
Reclassifications			0
31 December 2015	322,909	706	323,615
Accumulated depreciation, amortisation and impairment			
1 January 2015	123,731	0	123,731
Additions	9,285		9,285
Disposals	- 4		- 4
Reclassifications			0
31 December 2015	133,012	0	133,012
Carrying amount as of 31 December 2015	189,897	706	190,603
Carrying amount as of 1 January 2016	189,897	706	190,603
Acquisition or production cost			
1 January 2016	322,909	706	323,615
Additions	1,864	971	2,835
Disposals			0
Reclassifications			0
31 December 2016	324,773	1,677	326,450
Accumulated depreciation, amortisation and impairment			
1 January 2016	133,012	0	133,012
Additions	9,443		9,443
Disposals			0
Reclassifications			0
31 December 2016	142,456	0	142,456
Carrying amount as of 31 December 2016	182,317	1,677	183,994

The properties held as investment property are mainly warehouses converted to office space and other commercial real estate in Hamburg's Speicherstadt historical warehouse district as well as logistics warehouses and surfaced areas.

The additions result from the adjustment of provisions for demolition costs and from conversion costs in connection with changes of use.

Rental income from investment property at the end of the financial year was € 51,391 thousand (previous year: € 51,022 thousand). The direct operating expenses for investment property, which are fully attributable to rental income, amounted to € 10,502 thousand (previous year: € 14,867 thousand) at the end of the reporting year.

Fair value is calculated and measured annually by HHLA's Real Estate segment. The associated inputs are classified as Level 3 in the fair value hierarchy, see ▶ Note 7, page 99.

Fair Value Reconciliation

in € thousand	2016	2015
As of 1 January	584,212	521,005
Change in fair value (not realised)	43,813	63,207
As of 31 December	628,025	584,212

The valuation method used to measure the fair value of investment property as well as the key unobservable input factors applied:

Valuation method	Key unobservable input factors	Relationship between key unobservable input factors and measurement at fair value The estimated fair value would increase (fall) if
Fair values are measured by applying the discounted cash flow method (DCF method) to the forecast net cash flows from managing the properties. This method is based on detailed forecasts of ten years or up to the end of the useful lives of properties with a remaining useful life of less than ten years. The cash flows are discounted using standard market interest rates. Property-specific fair value is determined on the basis of property-specific measurement criteria.	contractually agreed rental income	the expected rent increases were higher (lower)
	expected rent increases	the expected rent increases were higher (lower)
	vacancy periods	the vacancy periods were shorter (longer)
	level of occupancy	the level of occupancy was higher (lower)
	rent-free periods	the rent-free periods were shorter (longer)
	possible termination of the tenancy agreement	tenancy agreements were not terminated (were terminated)
	re-leasing	the property was re-leased sooner (later)
	operating, management and maintenance costs	operating, management and maintenance costs were lower (higher)
	rent of the land	the rent was lower (higher)
	discount rate (3.43 to 6.91 % p. a.)	the risk-adjusted discount rate was lower (higher)

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties from the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in ▶ Note 45, page 134.

25. Associates Accounted for Using the Equity Method

Interests in Associates Accounted for Using the Equity Method

in € thousand	31.12.2016	31.12.2015
Interests in joint ventures	10,481	9,303
Interest in associates companies	3,836	3,171
	14,317	12,474

Interests in joint ventures comprise Hansaport, HHLA Frucht, STEIN, ARS-UNIKAI, Kombi-Transeuropa and Hamburg Vessel Coordination Center. Interests in associated companies include the shares in CuxPort and – since the 2016 financial year – the shares in DHU.

The interests reported are higher than in the previous year due largely to the earnings recorded in financial income for the various companies at equity less the dividends received. see ▶ Note 16, page 104.

For more information, please refer to ▶ Note 3, page 83.

26. Financial Assets

Financial Assets

in € thousand	31.12.2016	31.12.2015
Securities	3,940	3,871
Shares in affiliated companies	2,655	4,878
Other equity investments	241	349
Other financial assets	14,434	11,341
	21,270	20,439

In the reporting year – as in the previous year – the securities relating to insolvency insurance for phased early retirement entitlements were netted out against the corresponding phased early retirement obligations because they fulfil the conditions for plan assets as per IAS 19 (revised 2011). The securities portfolio recognised as plan assets in the financial year amounted to € 3,116 thousand (previous year: € 3,120 thousand). see ▶ Note 37, page 125. Before offsetting, this results in a securities portfolio of € 7,056 thousand (previous year: € 6,991 thousand).

The shares in affiliated companies include shares in Group companies which are of minor importance for giving a true and fair view of the Group's earnings, net assets and financial position and are therefore not consolidated.

Other financial assets primarily comprise receivables from a graduated rent totalling € 4,174 thousand (previous year: € 3,905 thousand), receivables from bank guarantees amounting to € 3,498 thousand (previous year: € 3,347 thousand), receivables from relief funds totalling € 2,609 thousand (previous year: € 2,423 thousand) and receivables from HPA amounting to € 333 thousand (previous year: € 351 thousand).

27. Inventories

Inventories

in € thousand	31.12.2016	31.12.2015
Raw materials, consumables and supplies	19,237	20,073
Work in progress	2,159	1,719
Finished products and merchandise	616	791
	22,012	22,583

Impairment losses on inventories recognised as an expense amount came to € 1,269 thousand (previous year: € 1,225 thousand). This expense is reported under cost of materials, see ▶ Note 12, page 102.

28. Trade Receivables

Trade Receivables

in € thousand	31.12.2016	31.12.2015
	160,440	128,130

The trade receivables are owed by third parties, do not bear interest and all have a remaining term of less than one year. No receivables were assigned as collateral for financial liabilities, either in the previous year or in the year under review. Collateral for trade receivables is only held to a minor extent (e.g. rental guarantees).

Details of impairment allowances for trade receivables can be found in ▶ Note 47, page 136.

29. Receivables from Related Parties

Receivables from Related Parties

in € thousand	31.12.2016	31.12.2015
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV)	74,000	43,906
Receivables from HHLA Frucht- und Kühl-Zentrum GmbH	5,175	4,915
Receivables from Kombi-Transeuropa Terminal Hamburg GmbH (KTH)	1,262	2,286
Receivables from Free and Hanseatic City of Hamburg (FHH)	793	1,351
Receivables from Hamburg Port Authority (HPA)	121	349
Receivables from METRANS İSTANBUL STI	0	4,061
Other receivables from related parties	385	1,647
	81,736	58,515

Receivables from HGV include € 74,000 thousand from existing cash clearing (previous year: € 43,900 thousand).

METRANS İSTANBUL STI was included in the group of consolidated companies at HHLA for the first time in the reporting year. The associated receivables were therefore eliminated during a consolidation of liabilities.

30. Other Financial Receivables

Other Financial Receivables

in € thousand	31.12.2016	31.12.2015
Current receivables from employees	1,345	1,234
Current reimbursement claims against insurers	591	365
Other	236	1,687
	2,172	3,286

31. Other Assets

Other Assets

in € thousand	31.12.2016	31.12.2015
Current tax credit	12,513	13,046
Payments on account	4,434	4,868
Other	22,930	10,901
	39,877	28,815

Current tax credits were lower than in the previous year. This was largely because value added tax receivables were down.

Payments on account relate among other things to prepayments of € 772 thousand (previous year: € 2,443 thousand) for flood protection work.

Other assets include receivables of € 14,489 thousand from a leasing company resulting from an agreement being changed from a finance lease to an operating lease.

32. Income Tax Receivables

Income Tax Receivables

in € thousand	31.12.2016	31.12.2015
	488	8,644

Income tax receivables consist of tax receivables resulting from advance tax payments and corporation tax credit. The year-on-year decrease stems from adjusted notices of tax prepayment.

33. Cash, Cash Equivalents and Short-Term Deposits

Cash, Cash Equivalents and Short-Term Deposits

in € thousand	31.12.2016	31.12.2015
Cash and cash equivalents with a maturity of up to 3 months	12,869	57,965
Short-term deposits with a maturity of 4–12 months	18,795	73,050
Bank balances and cash in hand	145,528	63,550
	177,192	194,565

Cash, cash equivalents and short-term deposits are made up of cash in hand and various bank balances in different currencies.

Cash of € 16,193 thousand (previous year: € 10,686 thousand) is subject to foreign exchange outflow restrictions.

As of the balance sheet date, the Group had unused lines of credit amounting to € 207 thousand (previous year: € 1,207 thousand) and had met all the conditions for their use. HHLA is confident that the Group has sufficient credit lines at its disposal whenever required.

34. Non-Current Assets Held for Sale

There were no non-current assets held for sale either in the reporting period or in the previous year.

35. Equity

Changes in the individual components of equity for the 2016 and 2015 financial years are shown in the statements of changes in equity.

Subscribed Capital

As of the balance sheet date, HHLA's share capital consists of two different classes of share: Class A shares and Class S shares. Subscribed capital totals € 72,753 thousand, divided into 70,048,834 Class A shares and 2,704,500 Class S shares; each no-par-value share represents € 1.00 of share capital on paper.

The share capital has been fully paid in.

In the course of the stock flotation on 2 November 2007, 22,000,000 Class A shares were placed on the market. This corresponds to a free float of approx. 30 % of HHLA's share capital.

As of the balance sheet date, the Free and Hanseatic City of Hamburg holds 69.58 % of the voting rights through the company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

Authorised Capital I

The Executive Board is authorised until 13 June 2017, with the consent of the Supervisory Board, to increase the company's share capital by up to € 35,024,417.00 by issuing up to 35,024,417 new registered Class A shares (no-par-value shares each with a nominal value of € 1.00) in return for cash deposits and/or contributions in kind on a one-off or repeated basis (authorised capital I). The statutory subscription right of the holders of Class S shares shall be excluded. Class A shareholders must in principle be granted subscription rights. The new shares may also be purchased by one or more banks chosen by the Executive Board together with the obligation to offer them for sale to Class A shareholders (indirect subscription right). However, the Executive Board is authorised – with the approval of the Supervisory Board – to exclude the subscription rights of holders of Class A shares in certain cases:

a. if it is necessary to do so in order to offset fractional amounts;

b. if the Class A shares are issued in return for a contribution in kind, especially in connection with the acquisition of companies, parts of companies or equity shares in companies, as part of company mergers and/or for the purpose of acquiring other assets, including rights and receivables; subscription rights may only be excluded for Class A shares accounting for up to 20 % of the share capital attributable to Class A shares in conjunction with this authorisation (i.e. up to the amount of € 14,009,766.00);

c. if the company's Class A shares are issued in return for cash and the issue price per share is not significantly lower than the price of similar Class A shares in the company already listed on the stock exchange at the time of the share issue. However, subscription rights can only be excluded in this case if the number of shares thus issued together with the number of treasury shares sold during the term of this authorisation for which subscription rights were excluded as per Section 186 (3) sentence 4 AktG and the number of Class A shares which can be created by exercising warrants and/or conversion rights or fulfilling conversion obligations arising from warrants, convertible bonds and/or participation rights issued during the term of this authorisation for which subscription rights were excluded as per Section 186 (3) sentence 4 AktG does not exceed a total of 10 % of the company's share capital at the time this authorisation comes into effect or – if the total is lower – at the time the authorisation is exercised;

d. if the Class A shares are offered to persons employed by the company or by one of its associates as defined in Section 15 AktG or are transferred to them;

e. to the extent necessary to grant the bearers of warrants, convertible bonds and/or conversion obligations those subscription rights to new Class A shares to which they would be entitled as shareholders after exercising the warrant or conversion right or fulfilling their conversion obligation.

The Executive Board shall be authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of the capital increases out of authorised capital I, in particular the additional rights embodied in share certificates and the other conditions of the share issue. After each share increase from authorised capital – or once the authorisation has expired – the Supervisory Board is permitted to adjust the wording of the articles of association accordingly, in particular with regard to the amount of share capital and the number of no-par-value Class A shares in existence.

Authorised Capital II

The Executive Board is authorised until 13 June 2017, with the consent of the Supervisory Board, to increase the company's share capital by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares (no-par-value shares each with a nominal value of € 1.00) in return for cash deposits and/or contributions in kind on a one-off or repeated basis (authorised capital II). The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is authorised, with the consent of the Supervisory Board, to remove from the Class S shareholders' subscription right fractional amounts which arise due to the subscription relationship.

The Executive Board is authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of capital increases out of authorised capital II, in particular the additional rights embodied in a share certificate and the other conditions of the share issue. After each share increase from authorised capital – or once the authorisation has expired – the Supervisory Board is permitted to adjust the wording of the articles of association accordingly, in particular with regard to the amount of share capital and the number of no-par-value Class S shares in existence.

Other Authorisations

The Annual General Meeting of HHLA held on 16 June 2016 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 16 June 2019 bearer or registered bonds with warrants or convertible bonds or combinations of these instruments (hereinafter known collectively as “debenture bonds”) with a total nominal value of up to € 200,000,000.00 and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered Class A shares in the company, each representing € 1.00 of the share capital, subject to the detailed terms of the bonds with warrants and/or convertible bonds. The respective terms may also provide for a warrant or conversion obligation as well as an issuer put option to provide Class A shares in the company as of the end of the term or at an earlier date. The detailed terms of the resolution state that shareholders’ subscription rights may also be excluded when the debenture bonds are issued. As per Article 3 (6) of the articles of association, conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This is made up of 10,000,000 new registered Class A shares.

The Annual General Meeting held on 16 June 2016 additionally authorised the company’s Executive Board to purchase Class A treasury shares up to a maximum of 10 % of the portion of the company’s share capital accounted for by Class A shares at the time of the resolution or, if lower, at the time the authorisation is exercised. In addition to being sold on the stock exchange or offered to all shareholders in line with their shareholdings, the Class A treasury shares acquired under this authorisation or previous authorisations may – subject to the approval of the Supervisory Board – be used in the cases stipulated by the resolution excluding other shareholders’ subscription rights and/or be redeemed either in whole or in part without the need for an additional resolution by the Annual General Meeting. This authorisation expires on 15 June 2021. This authorisation may be used for any legally permissible purpose, except for trading in treasury shares.

HHLA does not currently hold any treasury shares. There are no plans to buy back shares.

Capital Reserve

The Group’s capital reserve includes premiums from share issues and the associated costs of issue, which are deducted from the capital reserve. It also comprises premiums from capital increases at subsidiaries with non-controlling interests and a reserve increase from an employee stock purchase plan.

At the reporting date, the HHLA Group had capital reserves of € 141,584 thousand (previous year: € 141,584 thousand).

Retained Earnings

Retained earnings include net profits from prior years for companies included in the Consolidated Financial Statements, as far as these were not distributed as dividends. This item also encompasses differences between HGB and IFRS as of 1 January 2006 (the transitional date).

In the previous year, measurement differences between HGB and IFRS in the amount of € 4.5 million resulting from the separation of divisions were recognised directly in equity in the divisional financial statements of the Port Logistics subgroup and the Real Estate subgroup.

Other Comprehensive Income

In accordance with the currently applicable version of IAS 19 (revised 2011), the HHLA Group’s other comprehensive income includes all actuarial gains and losses from defined benefit pension plans. This item additionally comprises changes in the fair value of hedging instruments (cash flow hedges), changes in the fair value of working lifetime accounts and the corresponding tax effects.

The reserve for translation differences enables the recognition of differences arising on the translation of financial statements for foreign subsidiaries.

Non-Controlling Interests

Non-controlling interests comprise outside interests in the Group companies’ consolidated equity and totalled € 32,094 thousand at the end of the financial year (previous year: € 30,707 thousand).

Non-controlling interests increased due to the inclusion of current earnings. They were reduced by the reclassification as per IAS 32 of a minority shareholder’s future estimated entitlements to financial settlements as other financial liabilities for the term of the profit and loss transfer agreement, see ▶ Note 6, page 91 and ▶ Note 38, page 126.

Notes on Capital Management

Capital management at HHLA aims to ensure the Group's long-term financial stability and flexibility in order to safeguard the Group's growth and enable its shareholders to participate in its success. Balance sheet equity is the primary benchmark in this regard. The key value-oriented performance indicator at the HHLA Group is the return on capital employed (ROCE). The equity ratio is also monitored in order to maintain a stable capital structure.

Equity Ratio

in %	31.12.2016	31.12.2015
Equity in € thousand	570,838	580,560
Total assets in € thousand	1,812,867	1,750,364
	31%	33%

The equity ratio decreased compared to the previous year. The decrease in equity is primarily attributable to the development in comprehensive income less dividend distributions. By way of contrast, the balance sheet total increased due to significant changes in deferred tax assets, trade receivables, pension provisions and other non-current provisions.

External minimum capital requirements were fulfilled at all agreed audit points throughout the reporting year. see ▶ Note 38, page 126 for more information.

36. Pension Provisions

Pension Obligations

Provisions for pensions and similar obligations are formed for commitments arising from both vested rights to future pension payments and current payments to active and former members of HHLA Group companies in Germany and any surviving dependants who are entitled to receive such benefits. A distinction is made between defined benefit and defined contribution company pension plans.

Defined Benefit Pension Plans

In the case of defined benefit plans, the Group is obliged to make the agreed payments to current and former employees. HHLA's pension scheme is financed by both provisions and funds.

Company retirement benefits are paid on the basis of various entitlements. As well as individual agreements these are primarily the collective company pension agreement (BRTV) and the so-called "port pension", which is governed by a collective labour agreement for port workers in German seaports.

The BRTV is a total benefit plan. HHLA guarantees the participating employees a certain amount of benefits, which are made up of the statutory pension and the company pension. The amount of total benefits is determined by a variable percentage (according to years of service) of a fictitious net payment in the final wage or salary band based on the applicable social security data contribution levels for the year 1999. The current contribution assessment ceiling is always taken into account.

The amount of the port pension depends on the years in service and is determined by the collective labour agreement for German seaports.

Based on these pension plans, the Group forms provisions for pensions and similar obligations for the amount of expected future retirement and surviving dependants' pensions. External actuaries calculate the amount of the obligation using the projected unit credit method.

Amounts Recognised for Benefit Commitments

in € thousand	31.12.2016	31.12.2015
Present value of pension commitments	442,608	403,613
Obligations from working lifetime accounts	17,922	11,995
	460,530	415,608

Pension Commitments

The balance sheet shows the full present value of pension obligations including actuarial gains and losses. The reported pension obligation relates to an unfinanced plan.

Development of the Present Value of Pension Obligations

in € thousand	2016	2015
Present value of pension obligations as of 1. January	403,613	436,227
Current service expense	4,990	5,038
Past service expense	1,439	547
Interest expense	8,859	7,461
Pension payments	- 19,364	- 19,487
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 3,707	2,060
Actuarial gains (-), losses (+) due to amendments in financial assumptions	46,778	- 28,233
Present value of pension obligations as of 31. December	442,608	403,613

Present Value of the Defined Benefit Pension Obligations Split by Various Groups of Beneficiaries

in %	2016	2015
Current employees	37.1	37.4
Former employees	1.9	3.0
Pensioners	61.0	59.6
	100.0	100.0

As of 31 December 2016, the weighted average term of the defined benefit obligation was 13.6 years (previous year: 13.8 years).

Pension Commitments Recognised in the Income Statement

in € thousand	2016	2015
Current service expense	4,990	5,038
Past service expense	1,439	547
Interest expenses	8,859	7,461
	15,288	13,046

Development of Actuarial Gains/Losses from Pensions Commitments

in € thousand	2016	2015
Actuarial gains (+)/losses (-) as of 1 January	- 39,810	- 65,983
Changes in the financial year due to amendments in experience-based assumptions	3,707	- 2,060
Changes in the financial year due to amendments in financial assumptions	- 46,778	28,233
Actuarial gains (+)/losses (-) as of 31 December	- 82,881	- 39,810

Actuarial Assumptions to Determine Pension Provisions

in %	31.12.2016	31.12.2015
Discount rate	1.40	2.25
Projected salary increase	3.00	3.00
Adjustment of Social Security Pension according to Pension Insurance Report	2016	2015

The biometric data is drawn from the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck.

HHLA derives the interest rates used for discounting from corporate loans with a very good credit rating whose terms and payouts match HHLA’s pension plans.

Sensitivity Analysis: Pension Provisions

	Change in parameter			Effect on present value		
		31.12.2016	31.12.2015	in € thousand	31.12.2016	31.12.2015
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	28,579	24,729
	Decrease of	0.5 %	0.5 %	Increase of	31,957	27,525
Payment trend	Increase of	0.5 %	0.5 %	Increase of	4,490	4,407
	Decrease of	0.5 %	0.5 %	Decrease of	4,394	4,305
Adjustment to state pension	Decrease of	20.0 %	20.0 %	Increase of	1,983	1,606
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	18,063	15,260

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Pension Payments
In the 2016 financial year, HHLA made pension payments for plans totalling € 19,364 thousand (previous year: € 19,487 thousand). HHLA anticipates the following payments for pension plans over the next five years.

Expected Pension Payments

in years in € thousand	
2017	21,032
2018	21,194
2019	21,405
2020	21,634
2021	21,806
	107,071

Obligations from Working Lifetime Accounts
In the 2006 financial year, the affiliated companies in Germany undertook to set up working lifetime accounts due to collective labour agreements. Staff could elect to have remuneration components paid into money market or investment funds by the Group until 31 December 2013. Capital has been invested within the company since 1 January 2014. The funds saved in the employee's account are used to give them paid leave before they enter retirement. The amount of pay to which employees are entitled during their early retirement depends on the amount of funds saved, which in turn depends on the performance of the fund assets – based on the model for contributions up to 31 December 2013 and taking the 3.00 % return guaranteed in the collective labour agreement into account for contributions as of 1 January 2014 – plus other contractually agreed social benefits during the early retirement phase.

The portion of the obligations covered by the funds saved is reported at the funds' fair value. The additional benefits arising from collective labour agreements which are not covered by the funds saved are reported at the full present value of the obligation including actuarial gains and losses.

Allocation of Benefit Commitments

in € thousand	31.12.2016	31.12.2015
Present value of obligations	30,832	24,767
Present value of plan assets (fund shares)	- 12,910	- 12,772
Uncovered allocations	17,922	11,995

Development of the Present Value of the Obligations from Working Lifetime Accounts

in € thousand	2016	2015
Present value of the obligations from working lifetime accounts as of 1 January	24,767	20,266
Current service expense	3,610	3,432
Interest expenses	598	388
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	926	1,770
Actuarial gains (-), losses (+) due to amendments in financial assumptions	1,413	- 1,042
Capital payments	- 482	- 47
Present value of the obligations from working lifetime accounts as of 31 December	30,832	24,767

As of 31 December 2016, the weighted average term of the defined benefit obligation was 19.2 years (previous year: 20.0 years).

Development of the Fair Value of Plan Assets from Working Lifetime Accounts

in € thousand	2016	2015
Fair value of plan assets from working lifetime accounts as of 1 January	12,772	12,935
Expected income from plan assets	290	230
Actuarial gains (-), losses (+) due to amendments in financial assumptions	203	- 351
Capital payments	- 355	- 42
Fair value of plan assets from working lifetime accounts as of 31 December	12,910	12,772

The plan assets consist solely of shares in money market and investment funds. Gains of € 163 thousand were recorded on the plan assets in the financial year (previous year: losses of € 148 thousand).

Actuarial Assumptions to determine Provisions from Working Lifetime Accounts

in %	31.12.2016	31.12.2015
Discount rate	1.70	2.25
Forecast increase in pay	3.00	3.00

The biometric data is drawn from the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck, taking into account age-related fluctuation.

Working Lifetime Accounts recognised in the Income Statement (with the exception of the covered part of the service expenses for funds)

in € thousand	2016	2015
Current service expense including salary conversion	3,610	3,432
thereof gathered at costs as uncovered part	405	301
thereof gathered at funds as covered part	3,205	3,131
Interest expenses	598	388
Expected income from the plan assets	- 290	- 230
	3,918	3,590

Development of Actuarial Gains/Losses from Working Lifetime Accounts

in € thousand	2016	2015
Actuarial gains (+)/losses (-) as of 1. January	- 827	252
Changes in the financial year due to amendments in experience-based assumptions	- 926	- 1,770
Changes in the financial year due to amendments in financial assumptions	- 1,210	691
Actuarial gains (+)/losses (-) as of 31 December	- 2,963	- 827

Sensitivity Analysis: Working Lifetime Accounts

	Change in parameter			Effect on present value			
		31.12.2016	31.12.2015	in € thousand	31.12.2016		31.12.2015
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	1,345	Decrease of	852
	Decrease of	0.5 %	0.5 %	Increase of	1,534	Increase of	972
Payment trend	Increase of	0.5 %	0.5 %	Increase of	76	Increase of	62
	Decrease of	0.5 %	0.5 %	Decrease of	84	Decrease of	69
Expected mortality	Decrease of	10.0 %	10.0 %	Decrease of	31	Increase of	12

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Until 31 December 2013, the obligations from working lifetime accounts were financed by paying a portion of employees' remuneration into the unit-linked pension plan. For 2017, HHLA expects payments in the amount of € 1.7 million.

Portfolio for Obligations from Working Lifetime Accounts

in %	2016	2015
Money market funds	51	52
Mixed funds	33	32
Funds of funds	15	15
Annuity funds	1	1
	100	100

Payments for Obligations from Working Lifetime Accounts

In the financial year under review, HHLA made payments for plans totalling € 482 thousand (previous year: € 47 thousand). In return, the company acquired corresponding securities holdings worth € 355 thousand (previous year: € 42 thousand). The outflow of funds therefore amounted to € 127 thousand in the year under review (previous year: € 5 thousand).

Expected Payments for Obligations from Working Lifetime Accounts which are not Hedged by Securities

in years in € thousand	
2017	361
2018	475
2019	493
2020	709
2021	679
	2,717

Defined Contribution Pension Plans

In the case of defined contribution plans, the relevant companies merely make payments to dedicated funds. There are no further obligations. HHLA does not incur any financial or actuarial risks arising from these commitments.

The costs incurred in connection with pension funds which are to be regarded as defined contribution pension plans amounted to € 5,087 thousand in the reporting year (previous year: € 4,454 thousand).

HHLA paid € 26,794 thousand (previous year: € 26,005 thousand) into the state pension system as its employer's contribution.

37. Other Non-Current and Current Provisions

Other Non-Current and Current Provisions

	Non-current		Current		Total	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Demolition obligations	70,606	58,927	0	0	70,606	58,927
Restructuring reserve	10,703	0	2,637	0	13,340	0
Bonuses and single payments	0	0	7,623	6,939	7,623	6,939
Provisions for contingent losses	7,244	0	2	27	7,246	27
Anniversaries	2,885	3,039	365	0	3,250	3,039
Insurance excesses	0	0	2,831	1,901	2,831	1,901
Phased early retirement	495	660	715	1,066	1,210	1,726
Legal fees and litigation expenses	641	712	0	0	641	712
Expected increases in rents	0	0	583	298	583	298
Other	10,070	3,556	2,956	1,077	13,026	4,633
	102,644	66,894	17,712	11,308	120,356	78,202

Demolition Obligations
The demolition obligations relate to HHLA's Container, Logistics and Real Estate segments and are discounted at a rate of 2.0 % p.a. (previous year: 3.0 % p.a.). In the reporting year, an anticipated price increase of 2.0 % (previous year: 2.0 %) was used to calculate the provisions shown. This rate is derived from the German construction cost index. The outflow of these resources is expected in the period 2025–2036.

Restructuring Provisions
The restructuring provision relates to reorganising the Logistics segment. The outflow of funds will take place between 2017 and 2025.

Bonuses and Single Payments
Provisions for bonuses and one-off payments largely consist of provisions for Executive Board members and other senior staff. The funds will become payable in the 2017 financial year.

Provisions for Impending Losses
The provision for impending losses relates to expenses arising from an onerous lease for a terminal site. The outflow of these resources is expected to take place in the period 2017–2039.

Anniversaries
The provisions for anniversaries relate to Group employees' contractual entitlement to anniversary gratuities. The amount recognised is determined by an actuarial opinion. A discount rate of 1.40 % p. a. (previous year: 2.25 % p. a.) was used for the calculation. The outflow of these resources is expected to take place in the period 2017–2057.

Insurance Excesses
This obligation relates to provisions largely created by the Group's parent company to allow for potential cases of damage or loss which go beyond the existing insurance cover. The funds will become payable in the 2017 financial year.

Phased Early Retirement
Provisions for phased early retirement obligations consist of HHLA's obligations from the entitlements accrued during the beneficiaries' working period, plus a supplementary amount added pro rata temporis.

The securities holdings acquired in connection with phased early retirement contracts are classified as plan assets under IAS 19 (revised 2011). They were therefore offset against the phased early retirement obligations included in the provisions. The corresponding figure of € 3,116 thousand (previous year: € 3,120 thousand) therefore reduces the provisions reported, see ▶ Note 26, page 115. In addition to this, pledged bank balances serve to cover the obligation in existence as of the balance sheet date. The amount of the provision was determined using a discount rate of 0.0 % p. a. (previous year: 0.0 % p. a.). The outflow of these resources is expected to take place in the period 2017–2025.

Legal Fees and Litigation Expenses

As of the balance sheet date and as in the previous year, the obligations reported consisted mainly of provisions for legal risks associated with pending proceedings. The outflow of these resources is due between 2018 and 2019.

Expected Increases in Rents

The provision for expected increases in rents was formed for future changes in rents. The funds will become payable in the 2017 financial year.

Other

Other provisions relate largely to obligations arising from individual contractual agreements with members of staff. The outflow of funds will take place between 2017 and 2022.

Development of Other Non-Current and Current Provisions

in € thousand	01.01.2016	Additions	Accured interest	Used	Reversed	31.12.2016
Demolition obligations	58,927	13,283	1,584	253	2,935	70,606
Restructuring reserve	0	13,340	0	0	0	13,340
Bonuses and single payments	6,939	7,623	0	6,751	188	7,623
Provisions for contingent losses	27	7,246	0	2	25	7,246
Anniversaries	3,039	487	67	344	0	3,250
Insurance excesses	1,901	2,533	0	1,524	79	2,831
Phased early retirement	1,726	1,692	0	2,208	0	1,210
Legal fees and litigation expenses	712	3	0	35	39	641
Expected increases in rents	298	374	0	89	0	583
Other	4,633	10,053	0	1,542	118	13,026
	78,202	56,634	1,651	12,748	3,384	120,356

38. Non-Current and Current Financial Liabilities

Non-Current and Current Financial Liabilities as of 31 December 2016

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	32,225	92,197	173,928	298,350
Finance lease liabilities	3,762	9,230	26,051	39,043
Other loans	0	556	15,500	16,056
Liabilities towards employees	9,719	0	0	9,719
Negative fair values of exchange and interest rate hedges	0	0	0	0
Other financial liabilities	30,908	21,652	36	52,596
	76,614	123,635	215,515	415,764

Non-Current and Current Financial Liabilities as of 31 December 2015

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	38,688	105,603	185,305	329,596
Finance lease liabilities	3,886	8,628	27,570	40,084
Other loans	0	639	16,500	17,139
Liabilities towards employees	15,194	0	0	15,194
Negative fair values of exchange and interest rate hedges	164	0	0	164
Other financial liabilities	34,113	26,998	174	61,285
	92,045	141,868	229,549	463,462

Amounts due to banks also include interest of € 1,130 thousand accrued up to the balance sheet date (previous year: € 1,913 thousand). Transaction costs of € 320 thousand (previous year: € 713 thousand), incurred by taking out loans, only increase the amounts due to banks for the duration of the loan.

Other loans comprise a € 10.5 million loan granted by a minority shareholder (previous year: € 11.5 million) as well as promissory note loans of € 5 million issued to other creditors.

Buildings, surfacing and movable non-current assets with a carrying amount of € 3,112 thousand (previous year: € 4,207 thousand) have been pledged as collateral for interest-bearing loans. The collateral agreements provide that the assets are transferred to the banks until the loans and interest have been repaid in full and that they have a right to dispose of the assets if the borrower is in arrears with payments of interest and principal.

The liabilities from finance leases represent the discounted value of future payments for movable non-current assets.

The liabilities towards employees consist primarily of wages and salaries.

The other financial liabilities include a settlement obligation to other shareholders. This entitlement to a financial settlement amounts to € 40,647 thousand for the financial years 2016 and 2017 (previous year: € 47,161 thousand for the financial years 2015 and 2016), see also ▶ Note 6, page 91 and ▶ Note 35, page 117.

Terms of Liabilities from Bank Loans

Interest condition	Interest rate	Currency	Remaining fixed interest period	Nominal value in TCU1	Carrying amount as of 31.12.2016 in € thousand
fixed	0.78 – 4.22 %	EUR	2021 and later	196,852	140,490
fixed	2.76 %	EUR	2020	16,873	9,449
fixed	3.55 – 3.80 %	EUR	2019	20,890	16,581
fixed	3.79 – 4.80 %	EUR	2018	17,641	1,964
fixed	1.90 – 5.67 %	EUR	2017	33,579	3,179
floating	floating + margin	EUR	2017	151,150	105,213
floating	floating + margin	USD	2017	36,000	20,664
					297,540

1 TCU = Thousand Currency Units

The floating interest rates are EURIBOR or LIBOR rates with maturities of one to six months.

Financial Liabilities for which Fair Value is not Equivalent to the Carrying Amount

	Carrying amount		Fair value	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Fixed interest bearing loans	171,663	240,908	178,093	244,891

Interest rates of 1.2 to 2.2 % p. a. (previous year: 1.2 to 2.6 % p. a.) were used to measure the fair value of fixed interest-bearing loans. The interest rates are derived from the risk-free rate depending on maturity plus a premium according to the credit rating. They therefore constitute market rates. The average interest rate for the reported liabilities from bank loans was 2.2 % in the reporting year (previous year: (2.6 %).

The variable interest rates were partly hedged by interest rate hedges until October 2016 (see also ▶ Note 47, page 136). As a result of borrowing, certain affiliates have covenants linked to key balance sheet figures and collateral. Violating these covenants would authorise the lender to demand additional collateral, a change to the conditions or the repayment of the loan. In order to prevent such steps, HHLA constantly monitors compliance with the covenants and, where required, implements measures to ensure that all conditions of the loan are met. As of the balance sheet date, the corresponding borrowings totalled € 64,133 thousand (previous year: € 67,589 thousand).

Maturity of Bank Liabilities

in € thousand	
Up to 1 year	31,095
1 year to 2 years	25,662
2 years to 3 years	23,434
3 years to 4 years	22,880
4 years to 5 years	20,541
Over 5 years	173,928
	297,540

39. Trade Liabilities

Trade Liabilities

in € thousand	31.12.2016	31.12.2015
	68,106	52,007

Trade liabilities from the financial year are only owed to third parties. As in the previous year the total amount is due within one year.

40. Non-Current and Current Liabilities to Related Parties

Non-Current and Current Liabilities to Related Parties as of 31 December 2016

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities to HPA (finance leases)	390	2,192	103,722	106,304
Other liabilities to related parties	8,950	0	0	8,950
	9,340	2,192	103,722	115,254

Non-Current and Current Liabilities to Related Parties as of 31 December 2015

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities to HPA (finance leases)	342	1,894	104,410	106,646
Other liabilities to related parties	6,787	0	0	6,787
	7,129	1,894	104,410	113,433

The liabilities to HPA involve leased mega-ship berths at both the Container Terminal Burchardkai and the Container Terminal Tollerort in Hamburg. The amount recognised in the balance sheet is equivalent to the present value of finance lease liabilities and is based on a lease term up to and including 2062, see also ▶ Note 45, page 134 and ▶ Note 47, page 136.

Financial Liabilities to Related Parties for which the fair values do not correspond to the book values

	Carrying amount		Fair value	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Liabilities to HPA (finance leases)	106,304	106,646	149,820	141,626

41. Other Liabilities

Other Liabilities

in € thousand	31.12.2016	31.12.2015
Liabilities to employees	8,946	0
Tax liabilities	8,005	9,682
Employers' liability insurance premiums	4,342	4,295
Advance payments received for orders	2,156	1,398
Port workers' welfare fund (Hafenfonds)	1,325	1,417
Social security payables	1,232	1,043
Public subsidies	0	2,105
Other	3,940	2,903
	29,946	22,843

The liabilities towards employees include liabilities arising from holiday entitlements (reported within financial liabilities in the previous year).

The decline in tax liabilities is mainly due to the reduction in VAT advance payment liabilities at domestic companies and tax liabilities at foreign companies.

The public subsidies in the previous year relate to preliminary funding in connection with the promotion of intermodal transport. These are deducted from the acquisition cost capitalised for the subsidised investments following an audit to confirm that all the requirements have been met.

There is sufficient certainty that all the conditions have been or will be fulfilled for the public subsidies to promote intermodal transport totalling € 40,815 thousand which were paid to HHLA in the period between 2001 and 2016. These subsidies have therefore already been deducted from the cost of purchasing the subsidised investments. The conditions for the subsidies include obligations to operate the subsidised equipment for a retention period of five to 20 years, observe certain operating criteria and provide the subsidising body with evidence for the use of the funds. The HHLA Group received € 2,774 thousand in public subsidies in the reporting year.

All other liabilities have a remaining term of up to one year.

42. Income Tax Liabilities

Income Tax Liabilities

in € thousand	31.12.2016	31.12.2015
	12,272	5,303

Income tax liabilities result from expected additional payments for corporation tax, solidarity surcharge and trade tax.

When preparing the Annual Financial Statements, provisions are made for the corresponding amounts of corporation tax, solidarity surcharge and trade tax on the basis of the tax and legal situation known at the time of preparation.

Notes to the Cash Flow Statement

43. Notes to the Cash Flow Statement

Free Cash Flow

The balance of the cash inflow from operating activities and the cash outflow from investing activities makes up the free cash flow. This indicates what cash resources are available for dividend distribution or the redemption of existing loans. The free cash flow increased from € 65,127 thousand in the previous year to € 185,639 thousand, due to both higher cash flow from operating activities and lower cash flow from investing activities. The increase in operating cash flow stemmed from higher EBIT, a rise in provisions, growth in trade liabilities and other equity and liabilities, and lower tax payments. An increase in trade receivables had an offsetting effect. The cash flow from investing activities changed because lower payments were made for investments in property, plant and equipment and proceeds from short-term deposits were higher.

Financial Funds

Financial funds include cash in hand and bank balances with a remaining term of up to three months and receivables and liabilities relating to HGV. Receivables from HGV are overnight deposits available on demand. They are recognised at nominal value.

Financial Funds

in € thousand	31.12.2016	31.12.2015
Cash and cash equivalents with a maturity up to 3 months	12,869	57,965
Short-term deposits with a maturity of 4–12 months	18,795	73,050
Bank balances and cash in hand	145,528	63,550
Cash, cash equivalents and short-term deposits	177,192	194,565
Receivables from HGV	74,000	43,900
Short-term deposits with a maturity of 4–12 months	- 18,795	- 73,050
Financial funds at the end of the period	232,397	165,415

Notes to the Segment Report

44. Notes to the Segment Report

The HHLA Group's segment report is prepared in accordance with the provisions of IFRS 8 Operating Segments and requires reporting on the basis of the internal reports to the Executive Board for the purpose of controlling the commercial activities. The segment performance indicator used is the internationally customary key figure EBIT (earnings before interest and taxes), which serves to measure the success in each segment and therefore aids the internal control function.

The accounting and valuation principles applied for internal reporting comply with the principles applied by the HHLA Group described in ▶ Note 6, page 91 "Accounting and Valuation Principles".

In line with the Group's reporting structure for management purposes and in accordance with the definition in IFRS 8, the following four independent segments were identified:

Container

The Container segment pools the Group's container handling operations. The Group's services in this segment consist primarily of handling container ships and transferring containers to other carriers (e.g. rail, truck or feeder ship). HHLA operates three container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort) and another container terminal in Odessa, Ukraine. The portfolio is rounded off by supplementary container services, such as maintenance and repairs provided by its subsidiary HCCR.

Intermodal

As a core element of HHLA's business model, which is vertically integrated along the transportation chain, the Intermodal segment provides a comprehensive seaport-hinterland rail and truck network. The rail companies METRANS and POLZUG and the trucking firm CTD complete HHLA's range of services in this field.

Logistics

The Logistics segment encompasses specialist handling services and consulting. Its service portfolio comprises stand-alone logistics services and entire process chains for the international procurement and distribution of merchandise. The segment also provides consulting and management services for clients in the international port and transport sectors.

Real Estate

This segment is equivalent to the Real Estate subgroup. Its business activities encompass services such as the development, letting and management of properties. These include real estate in the Speicherstadt historical warehouse district and on the northern banks of the river Elbe (fish market area). Furthermore, industrial logistics properties and land in and around the Port of Hamburg are managed by the Holding/Other division.

The Holding/Other division used for segment reporting does not represent an independent business segment as defined by IFRS 8. However, it has been allocated to the segments within the Port Logistics subgroup in order to provide a complete and clear picture.

Due to the structure of the HHLA Group, it is necessary to issue a large number of invoices for inter-segmental services. These predominantly relate to the use of real estate, IT services, administrative services, workshop services and staff provided by the holding company. As a rule, services are valued at cost price. Transfer prices may not exceed the market price of the service in question. If the company providing the service predominantly sells the relevant service on the market outside the Group, it may charge the market price, even if the cost price is lower.

The details of the reconciliation of the segment variables with the corresponding Group variables are as follows:

Earnings

The reconciliation of the segment variable EBIT to consolidated earnings before taxes (EBT) incorporates transactions between the segments and the subgroups for which consolidation is mandatory, along with the proportion of companies accounted for using the equity method, net interest income and the other financial result.

Reconciliation of the Segment EBIT with Consolidated Earnings before Taxes (EBT)

in € thousand	2016	2015
Total segment earnings (EBIT)	162,726	168,919
Elimination of business relations between segments and subgroups	1,284	- 12,380
Group earnings (EBIT)	164,010	156,539
Earnings from associates accounted for using the equity method	4,677	3,728
Net interest	- 22,664	- 33,366
Other financial result	0	944
Earnings before tax (EBT)	146,023	127,845

Segment Assets

The reconciliation of segment assets to Group assets incorporates not only items and financial investments for which consolidation is mandatory, but also claims arising from current and deferred income taxes and financial funds which are not to be assigned to segment assets.

Reconciliation of the Segment Assets with Group Assets

in € thousand	31.12.2016	31.12.2015
Segment assets	1,640,634	1,550,807
Elimination of business relations between segments and subgroups	- 652,840	- 563,376
Current assets before consolidation	547,461	480,627
Financial assets	17,212	17,701
Deferred tax	82,720	61,396
Income tax receivables	488	8,644
Cash, cash equivalents and short-term deposits	177,192	194,565
Group assets	1,812,867	1,750,364

Other Segment Information

The reconciliation to Group investments totalling € - 1,170 thousand (previous year: € - 32,369 thousand) eliminates the inter-segmental sale of property, plant and equipment and internal invoices for services to generate intangible assets.

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,200 thousand (previous year: € - 2,168 thousand), the entire amount is attributable to the elimination of inter-company profits between the segments and the subgroups.

The reconciliation of non-cash items amounting to € 2 thousand (previous year: € - 751 thousand) includes the elimination of inter-company profits and transactions between the segments and the subgroups for which consolidation is mandatory.

Information about Geographical Regions

For the information by region, the segment revenue and disclosures on non-current segment assets are broken down in accordance with the affiliates' respective locations.

Information about Geographical Regions

	Germany		EU		Outside EU		Total		Reconciliation with Group assets		Group	
in € thousand	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment income	794,038	785,109	326,858	316,446	56,772	40,263	1,177,668	1,141,818	0	0	1,177,668	1,141,818
Non-current segment assets	906,315	894,677	288,096	292,820	34,606	39,685	1,229,017	1,227,182	583,850	523,182	1,812,867	1,750,364
Investments in non-current segment assets	97,098	68,306	40,701	76,686	517	490	138,316	145,482	0	0	138,316	145,482

The reconciliation of long-term segment assets to Group assets includes, in addition to consolidation items between the segments, in particular current assets, financial assets as well as current and deferred income taxes.

Information about Key Clients

Revenue of € 128,220 thousand (previous year: € 130,825 thousand) from a single client exceeds 10 % of Group revenue and relates to the Container and Intermodal segments.

Other Notes

45. Lease Liabilities

Obligations under Finance Leases

The Group has concluded various finance lease and hire-purchase agreements for a number of properties, technical equipment, and operating and office equipment. These agreements relate to, among other things, quay walls, lifting and ground-handling vehicles, container wagons and chassis, and IT hardware. For the most part, the contracts include renewal options and, in some cases, a PUT (purchase upon termination) option. The renewal options are always for the lessee; the PUT option can used by the respective lessor to force a sale.

The main obligations from finance leases result from the lease of mega-ship berths from Hamburg Port Authority (HPA), which owns the port areas and is a related party. see ▶ Note 48, page 142. The fixed lease initially runs until 2036, but HHLA anticipates that the lease terms of these assets will extend over 50 years, as in the past. The contracts make provisions for the allocation of liability in the event of nullity and the associated premature termination of the lease as a result of conflict with EU law. The Executive Board of HHLA believes the risk of a conflict with EU law is currently very low. Following the completion of a present value test, the mega-ship berth leases are to be classified as finance lease obligations according to IAS 17. Including expected increases in rent payment rates, this results in anticipated minimum lease payments of € 237,531 thousand (previous year: € 242,364 thousand).

Reconciliation between Future Minimum Lease Payments and their liabilities

in € thousand	31.12.2016	31.12.2015
Within one year	9,325	9,498
Between one and five years	31,826	31,205
Over five years	241,582	248,852
Total minimum lease payments	282,733	289,555
Within one year	4,152	4,228
Between one and five years	11,422	10,522
Over five years	129,773	131,980
Liabilities from finance leases	145,347	146,730
Interest expenses from minimum lease payments	137,386	142,825

The minimum lease payments include interest due to the long terms of the finance leases. The underlying interest rate is 4.21 to 4.22 %, see also ▶ Note 47, page 136.

Liabilities from Operating Leases where the Group is Lessee

Contracts exist between the Free and Hanseatic City of Hamburg and/or HPA and the HHLA Group for the lease of land and quay walls in the Port of Hamburg and in the Speicherstadt historical warehouse district by companies in the HHLA Group. The main contracts expire between 2025 and 2036. Under the terms of the contracts, the lease payments are generally reviewed every five years on the basis of price developments in relevant competing ports or based on appropriate rental indices. Provisions are made for the anticipated increases in lease payments. Leasing expenses for the space in the Speicherstadt historical warehouse district are partly linked to the development of Group income from subletting these buildings.

Without the prior approval of the lessor, the leased areas and the buildings on them belonging to HHLA may not be sold or let. Major changes to the terms of subletting agreements also require the approval of the lessor.

There are also leases relating to real estate and movable property at the container terminal in Odessa, Ukraine. On the whole, the rents payable for this are fixed and will only change during the course of the agreement as a result of future inflation. The company will not have purchase options at the end of the lease agreements. The respective lease agreements have remaining terms of between three and 32 years.

The Group also has leasing agreements for various motor vehicles and items of technical equipment. These leases have an average term of four to ten years and generally do not include renewal options. The lessee takes on no obligations when signing these leases.

Future Minimum Lease Payments Obligations under Uncancellable Operating Leases

in € thousand	31.12.2016	31.12.2015
Within one year	46,360	49,055
Between one and five years	151,619	155,763
Over five years	607,609	664,911
	805,588	869,729

Expenses of € 62,872 thousand (previous year: € 53,350 thousand) were incurred for leases in the financial year. Of this figure, € 2,017 thousand (previous year: € 1,860 thousand) related to conditional rental payments.

Operating Leases where the Group is Lessor

The Group has signed leasing agreements for letting its investment properties on a commercial basis. The investment properties consist of office space, facilities and a commercial property not used by the Group. These leases have remaining uncancellable lease terms of between one and 18 years. After the end of the uncancellable lease period, some contracts give tenants the option of extending the lease for a period of between two years and a maximum of three times five years. Some leases contain a clause under which the rent can be increased in line with market conditions.

Future Minimum Lease Entitlements under Uncancellable Operating Leases for Investment Property

in € thousand	31.12.2016	31.12.2015
Within one year	35,502	35,445
Between one and five years	66,406	76,072
Over five years	46,084	67,302
	147,992	178,819

In the financial year, income of € 57,036 thousand (previous year: € 56,123 thousand) was earned from letting property, plant and equipment and investment property.

46. Contingent Liabilities and Other Financial Obligations

No provisions were formed for the following contingent liabilities because it was deemed highly unlikely that they would be utilised.

Contingent Liabilities

in € thousand	31.12.2016	31.12.2015
Guarantees	10,579	8,387
Comfort letters	1,333	2,500
	11,912	10,887

As of the reporting date, liabilities did not yet exist for the following other financial obligations.

Other Financial Obligations

in € thousand	31.12.2016	31.12.2015
Obligations from operating leases	805,588	869,729
Outstanding purchase commitments	56,787	134,449
Other	9,498	11,559
	871,873	1,015,737

Of the obligations from outstanding purchase commitments, € 34,199 thousand (previous year: € 87,978 thousand) is attributable to investments in property, plant and equipment.

47. Management of Financial Risks

To finance its business activities, the Group uses short, medium and long-term bank loans, finance leases and hire-purchase agreements, as well as cash and short-term deposits. The Group has access to various other financial assets and liabilities, such as trade payables and receivables which arise directly from its business.

The Group also enters into derivative transactions. Derivative financial instruments are most likely to include interest rate hedging instruments such as interest rate swaps, interest rate caps and currency futures. The purpose of these derivative financial instruments is to manage interest rate, currency and commodity price risks which result from the Group’s business activities and its sources of financing.

Derivative financial instruments are used to hedge existing transactions and planned transactions which are sufficiently likely to take place. Hedging transactions are only concluded with counterparties with very good credit ratings. HHLA also makes use of external ratings to assess its counterparties’ creditworthiness. The Group does not hold derivative financial instruments for speculative purposes.

Interest Rate and Market Price Risk

As a result of its financing activities, the Group is exposed to an interest rate risk, which principally stems from medium to long-term borrowing at floating rates of interest.

Managing the Group’s interest expenses involves a combination of fixed and floating-rate debt, depending on the market. It is Group policy to arrange the majority of interest-bearing debt at fixed rates of interest, either by agreeing fixed rates with the lenders or by taking out interest rate swaps. These are used in the HHLA Group to reduce interest rate risks and may also be used to a minor extent to reduce currency and commodity price risks. Derivatives reported in the Consolidated Financial Statements are carried at fair value based on the market prices posted by counterparties. Resulting gains and losses are recognised through profit and loss in the financial result unless the derivative financial instrument is part of a designated cash flow hedging relationship. The effective portion of unrealised gains and losses on cash flow hedges is recognised in equity without effect on profit and loss.

The consolidated companies did not hold any interest rate swaps as of the balance sheet date.

As of the balance sheet date, 57.7 % of the Group’s borrowing was at fixed interest rates, (previous year: 75.9 % including an amount of € 8,354 thousand covered by interest rate swaps).

The fixed-interest financial instruments are not held at fair value and are therefore not subject to market price risks on the balance sheet.

Market price risks can, however, affect securities and equity investments in particular. Due to the minor scope of these instruments, the risk is deemed insignificant.

A change in the variable interest rate affects the interest expenses arising from floating-rate loans, the interest income from overnight deposits and time deposit investments, and the income from interest rate hedges and their fair value.

If the variable interest rate had been 0.5 percentage points higher as of the balance sheet date, interest expenses arising from floating-rate loans would have been € 629 thousand p.a. higher (previous year: € 437 thousand p.a.) and interest income from overnight deposits and time deposit investments would have been € 1,211 thousand p.a. higher (previous year: € 1,188 thousand p.a.).

Exchange Rate Risk

Due to investments in countries outside the eurozone, changes in exchange rates can affect the balance sheet. Foreign currency risks on individual transactions, such as the sale of a shareholding for example, are hedged by currency futures or currency options if a market analysis requires it. The hedging transactions are in the same currency as the hedged item. The Group only concludes currency futures contracts when specific claims or obligations exist.

As in the previous year, there were no currency futures contracts at the balance sheet date.

Revenue in the HHLA Group is predominantly invoiced in euros or in the national currencies of the European affiliates. Investments in these countries are largely transacted in euros.

USD-denominated financial instruments are held in Ukraine, which are subject to an exchange risk. If the euro lost 10 % against the US dollar, this would have a negative impact of just under € 2 million on equity. Depending on the parallel performance of the Ukrainian hryvnia against the US dollar, this full amount could be recognised through profit and loss and reduce the result for the period accordingly by up to almost € 2 million.

For all other currencies, changes in exchange rates do not pose a material risk to the Group.

Commodity Price Risk

The Group is primarily exposed to a commodity price risk when purchasing fuel. Depending on the market situation, the Group can arrange price hedges for part of its fuel requirements. This was not the case at the balance sheet date or on 31 December 2015.

In addition to the market risks mentioned, there are also financial risks in the form of credit and liquidity risks.

Credit Risk/Default Risk

The Group only maintains customer relationships on a credit basis with recognised, creditworthy third parties. Clients who wish to complete transactions with the Group on a credit basis are subject to a credit-scoring procedure. Receivables are also monitored on an ongoing basis and impairment allowances are made if risks are identified, such that the Group is not exposed to any additional significant default risks on receivables. The maximum default risk for the trade receivables and other financial receivables is theoretically the carrying amount for the individual receivable. HHLA has also taken out loan loss insurance to minimise default risks. This covers key outstanding receivables as of the balance sheet date.

Structure of Trade Receivables

in € thousand	31.12.2016	31.12.2015
Receivables not due for payment and not written down	106,095	97,679
Overdue receivables not written down	54,345	30,451
thereof up to 30 days	44,139	23,717
thereof up to 31 to 90 days	8,056	5,222
thereof up to 91 days to one year	2,025	1,479
thereof over one year	125	33
	160,440	**128,130**

Development of the Valuation Allowances on Trade Receivables

in € thousand	2016	2015
Valuation allowances as of 1 January	2,705	2,902
Additions (valuation allowances recognised as expenses)	3,550	672
Used	- 1,231	- 644
Reversals	- 280	- 225
Valuation allowances as of 31 December	4,744	2,705

The default risk in the case of derivative financial instruments and cash, cash equivalents and short-term deposits is, in theory, that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments. The risk of default can be considered to be very low, since the Group as a rule only conducts derivative financial transactions and liquid investments with counterparties with very good credit ratings. In addition, credit risks may arise if the contingent liabilities listed in ▶ Note 46, page 135 are incurred.

Liquidity Risk

The Group guarantees sufficient liquidity at all times with the help of medium-term liquidity planning, by diversifying the maturities of loans and finance leases, and by means of existing lines of credit and funding commitments. If covenants have been agreed for individual loans, they are monitored on an ongoing basis to make sure they are being complied with. HHLA will introduce measures it deems necessary to ensure that the covenants are met.

For details on bank loans and other loans, finance lease liabilities, financial liabilities towards employees and other financial liabilities, please refer to the table of residual maturities for financial liabilities in ▶ Note 38, page 126.

Expected Liquidity Outflows due to Future Interest Payments

	Up to 1 year		1 to 5 years		Over 5 years		Total	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Outflow of liquidity for future interest payments on fixed-interest loans	4,201	5,871	13,769	19,039	11,580	19,117	29,550	44,027
Outflow of liquidity for future interest payments on floating-rate loans	2,020	2,127	3,810	4,598	437	453	6,267	7,178
	6,221	7,998	17,579	23,637	12,017	19,570	35,817	51,205

The consolidated companies did not hold any interest rate swaps as of the balance sheet date, so no interest outflows are anticipated.

Financial Instruments

Carrying Amounts and Fair Values

The table below shows the carrying amounts and fair value of financial assets and financial liabilities, as well as their level in the fair value hierarchy, see also ▶ Note 6, page 91 and ▶ Note 7, page 99.

It does not include any information on financial assets held at fair value and financial liabilities which have not been measured at fair value, where the carrying amount serves as a reasonable approximation of the fair value.

Financial Assets as of 31 December 2016

	Carrying amount			Fair Value			
in € thousand	Loans and receivables	Available for sale	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Financial assets (securities)		3,940	3,940	3,940			3,940
	0	3,940	3,940				
Financial assets not measured at fair value							
Financial assets	14,434	2,896	17,330				
Trade receivables	160,440		160,440				
Receivables from related parties	81,736		81,736				
Other financial receivables	2,172		2,172				
Cash, cash equivalents and short-term deposits	177,192		177,192				
	435,974	2,896	438,870				

Financial Liabilities as of 31 December 2016

	Carrying amount				Fair Value			
in € thousand	Held for trading	Fair value – hedging instruments	Other financial liabilities	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value								
Financial liabilities (interest rate swaps used for hedging transactions)	0	0		0		0		0
	0	0	0	0				
Financial liabilities not measured at fair value								
Financial liabilities (liabilities from bank loans)			298,350	298,350		304,780		304,780
Financial liabilities (finance lease liabilities)			39,043	39,043		39,043		39,043
Financial liabilities (settlement obligation, long-term)			18,045	18,045		18,045		18,045
Financial liabilities (settlement obligation, short-term)			22,603	22,603				
Financial liabilities (other)			37,723	37,723		37,723		37,723
Trade liabilities			68,106	68,106				
Liabilties to related parties (finance lease liabilties)			106,304	106,304		149,820		149,820
Liabilities to related parties (other)			8,950	8,950				
	0	0	599,124	599,124				

Financial Assets as of 31 December 2015

in € thousand	Carrying amount: Loans and receivables	Carrying amount: Available for sale	Carrying amount: Balance sheet value	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Total
Financial assets measured at fair value							
Financial assets (securities)		3,871	3,871	3,871			3,871
	0	3,871	3,871				
Financial assets not measured at fair value							
Financial assets	11,341	5,227	16,568				
Trade receivables	128,130		128,130				
Receivables from related parties	58,515		58,515				
Other financial receivables	3,286		3,286				
Cash, cash equivalents and short-term deposits	194,565		194,565				
	395,837	5,227	401,064				

Financial Liabilities as of 31 December 2015

in € thousand	Carrying amount: Held for trading	Carrying amount: Fair value – hedging instruments	Carrying amount: Other financial liabilities	Carrying amount: Balance sheet value	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Total
Financial liabilities measured at fair value								
Financial liabilities (interest rate swaps used for hedging transactions)	45	119		164		164		164
	45	119	0	164				
Financial liabilities not measured at fair value								
Financial liabilities (liabilities from bank loans)			329,596	329,596		333,579		333,579
Financial liabilities (finance lease liabilities)			40,084	40,084		40,084		40,084
Financial liabilities (settlement obligation, long-term)			25,534	25,534		25,534		25,534
Financial liabilities (settlement obligation, short-term)			21,627	21,627				
Financial liabilities (other)			46,457	46,457		46,457		46,457
Trade liabilities			52,007	52,007				
Liabilties to related parties (finance lease liabilties)			106,646	106,646		141,626		141,626
Liabilities to related parties (other)			6,787	6,787				
	0	0	628,738	628,738				

In the previous year, the € 65 million loan granted by HGV (the holding company above the HHLA Group) to the Real Estate subgroup (see ▶ Note 48, page 142) was repaid following the placement of promissory note loans with a lower interest rate. Promissory note loans with a total volume of € 70 million were issued to banks and € 5 million to other creditors in 2015.

In the year under review, gains of € 45 thousand (previous year: € 148 thousand) were recognised in the income statement on financial assets and/or liabilities held at fair value through profit and loss. These primarily relate to interest rate hedges with no effective hedging relationship as per IAS 39.

In the reporting year, changes of € 119 thousand (previous year: € 245 thousand) in the fair value of financial instruments designated as hedging instruments (interest rate swaps) were recognised directly in equity.

All of the interest rate swaps had expired as of the balance sheet date. On 31 December 2015, the interest rate swaps disclosed covered a total amount of € 8,354 thousand. Of these, financial instruments covering an amount of € 6,065 thousand with a market value of € - 119 thousand were held as part of cash flow hedging relationships to hedge future cash flows from interest-bearing liabilities as of the balance sheet date.

The interest income and interest expenses recorded form part of the financial result. see ▶ Note 16, page 104.

There are no material differences between the carrying amounts and fair values of the financial instruments reported under non-current financial liabilities with details of fair value. They are therefore recognised at their carrying amount. Otherwise, the fair value must be stated.

Valuation Methods and Key Unobservable Input Factors for Calculating Fair Value
The tables below show the valuation methods used for Level 2 and Level 3 fair value measurement and the key unobservable input factors utilised.

Financial Instruments Measured at Fair Value

Type	Valuation method	Key unobservable input factors	Relationship between key unobservable input factors and measurement at fair value
Financial liabilities (interest rate swaps)	Market comparison method: Fair value is based on brokers' prices. Similar contracts are traded on an active market and the prices quoted reflect the actual transactions for similar instruments. The market values are calculated with present value and option pricing models to determine the fair value. Whenever possible, these models use the relevant market prices and interest rates observed at the balance sheet date, obtained from recognised sources, as input parameters. The fair value of available for sale financial assets is determined on the basis of market prices. The relevant fixed interest rate amounts to between 3.82 to 4.33%. Any variable components to be included are based on 1-M to 6-M-EURIBOR rates. Derivatives no longer exists as of the balance sheet date.	Not applicable	Not applicable

Financial Instruments Not Measured at Fair Value

Type	Valuation method	Key unobservable input factors
Financial liabilities (liabilities from bank loans, finance lease liabilities, settlement obligations)	Discounted cash flows	Not applicable
Liabilities to related parties (finance lease liabilities included in this item)	Discounted cash flows: The valuation model utilises the present value, taking into account contractually agreed increases in rent. Discount rates represent an adequate interest rate according to the current risk.	Not applicable

48. Related Party Disclosures

IAS 24 defines related parties as companies and individuals which directly or indirectly control or exert significant influence over the HHLA Group or over which the HHLA Group has control, joint control or significant influence.

The shareholder HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV) and its shareholder, the Free and Hanseatic City of Hamburg (FHH), companies over which the shareholder or the Free and Hanseatic City of Hamburg has control or significant influence, the members of HHLA's Executive and Supervisory Boards, and the subsidiaries, associates and joint ventures in the HHLA Group are therefore defined as related parties. HGV is the final parent company of HHLA which publishes Consolidated Financial Statements. HHLA is the parent company of the HHLA Group.

Transactions with not Fully Consolidated Related Parties

	Income		Expenses		Receivables		Liabilities	
in € thousand	**2016**	2015	**2016**	2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Companies with control over the Group	166	69	1,302	2,266	74,793	45,258	0	0
Non-consolidated subsidiaries	2	18	319	1,434	9	5,427	504	738
Joint ventures	17,835	17,015	14,202	13,230	6,753	7,448	4,170	4,838
Associated companies	978	1,389	0	6	0	0	77	327
Other transactions with related parties	23,214	4,099	39,512	35,528	181	382	110,503	107,530
	42,195	22,590	55,335	52,464	81,736	58,515	115,254	113,433

The receivables from companies with a controlling interest relate to receivables from cash clearing with HGV totalling € 74,000 thousand (previous year: € 43,900 thousand). HHLA's receivables accrued interest at a rate of between 0.00 and 0.10 % p.a. (previous year: between 0.10 and 0.15 % p.a.) in the reporting period. The interest rates for HHLA's liabilities were between 0.10 and 0.20 % p.a. (previous year: between 0.20 and 0.25 % p. a.).

The transactions with joint ventures pertain to transactions with companies accounted for using the equity method. These mainly relate to HHLA Frucht, STEIN and Kombi-Transeuropa.

Obligations from finance leases amounting to € 106,304 thousand (previous year: € 106,646 thousand) for the lease of four mega-ship berths from HPA are included in other transactions with related parties.

Expenses reported as other transactions with related parties mostly include rent for land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

In the year under review, other transactions with related parties include income from the termination of the Übersee-Zentrum lease.

Furthermore, HGV and the Free and Hanseatic City of Hamburg as parties related to HHLA have provided comfort letters and guarantees to lender banks for loans granted to companies in the HHLA Group. The nominal amount of the associated liabilities from bank loans is € 153,000 thousand (previous year: € 183,000 thousand), of which around € 82,874 thousand plus interest was still outstanding on the balance sheet date (previous year: € 95,916 thousand).

With effect from 18 October 2007, a partial loss compensation agreement was concluded between HHLA and HGV. HGV hereby undertakes to assume each annual deficit posted by the HHLA Real Estate subgroup as per commercial law during the term of the agreement. This applies insofar as the deficit is not compensated for by transferring amounts from retained earnings, other revenue reserves or the capital reserve which were carried forward as profit or transferred to these reserves during the term of the contract in accordance with Section 272 (2) (4) of the German Commercial Code (HGB).

Expenses and income from related parties are on standard market terms. The amounts outstanding at the year-end are not secured and – with the exception of overnight funds in clearing and the loan liability to HGV in the previous year – do not attract interest.

No loans or comparable benefits were granted to the members of the Executive and Supervisory Boards in the reporting year or in the previous year.

List of HHLA's Shareholdings by Business Sector as of 31 December 2016

Name and headquarters of the company	Share of capital held directly in %	Share of capital held indirectly in %	Equity in € thousand	Result for the financial year Year	Result for the financial year in € thousand
Port Logistics Subgroup					
Container Segment					
HHLA Container Terminal Burchardkai GmbH, Hamburg[1, 2, 3b]	100.0		76,961	2016	0
Service Center Burchardkai GmbH, Hamburg[1, 2, 3c]		100.0	26	2016	0
HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3b]	100.0		111,449	2016	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1, 2, 3b]		100.0	1,942	2016	0
HHLA Container Terminal Tollerort GmbH, Hamburg[1, 2, 3b]		100.0	34,741	2016	0
HHLA Rosshafen Terminal GmbH, Hamburg[1]		100.0	20,735	2016	1,242
HHLA Container Terminal Altenwerder GmbH, Hamburg[1, 2, 3b]		74.9	80,433	2016	0
SCA Service Center Altenwerder GmbH, Hamburg[1, 2, 3c]		74.9	601	2016	0
HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[4]		66.0	100	2016	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg[4]		37.5	125	2016	15
CuxPort GmbH, Cuxhaven[4]		25.1	12,465	2016	2,279
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven[5]	50.0		27	2016	5
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven[5]	50.0		15	2016	0
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg[4]	40.4		1,473	2016	888
HHLA International GmbH, Hamburg (formerly: HPC Hamburg Port Consulting Gesellschaft mit beschränkter Haftung, Hamburg)[1, 2, 3c]	100.0		369	2016	0
SC HPC UKRAINA, Odessa/Ukraine[1]		100.0	31,969	2016	14,414
Intermodal Segment					
CTD Container-Transport-Dienst GmbH, Hamburg[1, 2, 3c]	100.0		1,256	2016	0
POLZUG Intermodal GmbH, Hamburg[1, 2, 3a]	100.0		7,990	2016	0
POLZUG Intermodal Polska sp. z o.o., Warsaw/Poland[1]		100.0	1,957	2016	- 9,828
HHLA Terminals Polska Sp. z o.o., Warsaw/Poland[1, 5]		95.0	- 5	2016	- 6
POLZUG INTERMODAL LLC, Poti/Georgia[1]		75.0	1,546	2016	413
METRANS a.s., Prague/Czech Republic[1]	90.0		202,033	2016	43,843
JPFE-07 INVESTMENTS s.r.o., Ostrava/Czech Republic[1, 5]		90.0	783	2016	51
METRANS Adria D.O.O., Koper/Slovenia[1]		90.0	1,109	2016	315
METRANS (Danubia) a.s., Dunajská Streda/Slovakia[1]		90.0	68,111	2016	10,805
METRANS (Danubia) Kft., Győr/Hungary[1]		90.0	916	2016	90
METRANS Danubia Krems GmbH, Krems an der Donau/Austria[1]		90.0	242	2016	58
METRANS D.O.O., Rijeka/Croatia[1, 5]		90.0	6	2016	3
METRANS DYKO Rail Repair Shop s.r.o., Prague/Czech Republic[1]		90.0	4,188	2016	391
METRANS İSTANBUL STI, Istanbul/Turkey[1]		90.0	160	2016	- 12
METRANS Konténer Kft., Budapest/Hungary[1]		90.0	9,030	2016	- 408
METRANS Rail s.r.o., Prague/Czech Republic[1]		90.0	3,528	2016	3,088
METRANS Rail (Deutschland) GmbH, Leipzig[1]		90.0	5,560	2016	3,924
Univer Trans Kft., Budapest/Hungary[1]		90.0	753	2016	130
METRANS Railprofi Austria GmbH, Krems an der Donau/Austria[1]		72.0	577	2016	507

Name and headquarters of the company	Share of capital held		Equity	Result for the financial year	
	directly	indirectly			
	in %	in %	in € thousand	Year	in € thousand
IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg[5]	50.0		36	2016	2
IPN Inland Port Network GmbH & Co. KG, Hamburg[5]	50.0		71	2016	- 3
Logistics Segment					
HHLA Logistics GmbH, Hamburg[1, 2, 3c]	100.0		- 1,237	2016	0
HPC Hamburg Port Consulting GmbH, Hamburg (formerly: HHLA Hafenprojektgesellschaft mbH, Hamburg)[1, 2, 3a]	100.0		1,023	2016	0
HPTI Hamburg Port Training Institute GmbH, Hamburg[1, 2, 3c]		100.0	102	2016	0
Uniconsult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3c]		100.0	100	2016	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg[1]	51.0		6,335	2016	599
ARS-UNIKAI GmbH, Hamburg[4]		25.5	129	2016	24
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg[4]	51.0		18,513	2016	2,301
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg[4]	51.0		849	2016	245
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg[3b, 4]	49.0		k. A.	2016	k. A.
HCC Hanseatic Cruise Centers GmbH i.L., Hamburg[1, 6]		51.0	776	2016	3
Holding/Other					
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg[1, 2, 3c]	100.0		3,609	2016	0
HHLA-Personal-Service GmbH, Hamburg[1, 2, 3c]	100.0		45	2016	0
HCCR Erste Beteiligungsgesellschaft mbH, Hamburg[1, 5]		100.0	31	2016	0
Real Estate Subgroup					
Real Estate Segment					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3a]	100.0		4,518	2016	0
HHLA Immobilien Speicherstadt GmbH, Hamburg[1, 5]	100.0		71	2016	9
HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		14,305	2016	1,913
HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		69,185	2016	8,153

1 *Controlled companies.*

2 *Profit and loss transfer agreements were held in these companies in 2016.*

3a *The non-disclosure option provided for in Section 264 (3) of the German Commercial Code (HGB) was used for these companies.*

3b *The non-disclosure option and the option of non-inclusion in the Management Report provided for in Section 264 (3) of the German Commercial Code (HGB) were used for these companies.*

3c *The non-disclosure option and the option of non-inclusion in the Management Report and the Notes provided for in Section 264 (3) of the German Commercial Code (HGB) were used for these companies.*

3d *The non-disclosure option provided for in Section 264b of the German Commercial Code (HGB) was used for these companies.*

4 *Companies recognised using the equity method.*

5 *Due to the minor importance of these companies, they are not recognised using the equity method in the Consolidated Financial Statements or as non-consolidated companies, but rather as equity investments.*

6 *Annual Financial Statements as at 30. June 2016*

Remuneration for Key Management Personnel

IAS 24 requires the remuneration of key management personnel to be disclosed. This relates to the active Executive Board and the Supervisory Board. Apart from the details provided below, there were no notifiable transactions with related parties or their close relatives in the 2016 financial year.

For further details of the remuneration paid to individual Executive and Supervisory Board members, please see the remuneration report, which forms part of the Combined Management Report.

Remuneration for Active Members of the Executive and Supervisory Boards

Remuneration for Active Members of the Executive and Supervisory Boards

	Executive Board		Supervisory Board	
in € thousand	2016	2015	2016	2015
Short-term remuneration	3,143	2,925	327	300
of which is non-perfomance-related	1,619	1,490	–	–
of which is perfomance-related	1,525	1,435	–	–
Benefits due after termination of the contract	1,181	1,506	–	–
	4,325	4,431	327	300

The performance-related portion of the Executive Board's remuneration had not been paid as of the balance sheet date.

In the 2016 financial year, the short-term benefits payable to the Supervisory Board totalled € 327 thousand (previous year: € 300 thousand). Basic salaries accounted for € 199 thousand (previous year: € 197 thousand) of this, remuneration for committee work made up € 78 thousand (previous year: € 70 thousand) and € 50 thousand (previous year: € 33 thousand) consisted of meeting fees.

The past service cost resulting from pension provisions for active members of the Executive Board is reported as post-employment benefits. As of the reporting date, the associated obligation stood at € 13,160 thousand (previous year: € 13,911 thousand).

The Executive Board members' individual pension entitlements as per HGB are as follows:

Individual pension claims of members of the Management Board in accordance with German Commercial Code (HGB)

in € thousand	2016	2015
Klaus-Dieter Peters	4,758	3,644
Angela Titzrath	33	0
Dr. Stefan Behn	4,133	2,861
Heinz Brandt	1,484	1,336
Dr. Roland Lappin	2,449	2,391
	12,857	10,232

Former Members of the Executive Board

Benefits totalling € 692 thousand (previous year: € 685 thousand) were paid to former members of the Executive Board and their surviving dependants. The defined benefit obligation for current pensions calculated in accordance with International Financial Reporting Standards amounts to € 12,386 thousand (previous year: € 11,398 thousand).

49. Board Members and Mandates

Seats on statutory supervisory board or comparable supervisory bodies at domestic and foreign companies.

The Supervisory Board Members and their Mandates

Prof. Dr. Peer Witten (Chairman)

Fully qualified business administration manager, Hamburg
Former member of the Otto Group Executive Board

Other mandates
- Forum Grundstücksgesellschaft GmbH & Co. KG, Hamburg
- Otto AG für Beteiligungen, Hamburg
- Röhlig & Co. Holding GmbH & Co. KG, Bremen
- Verwaltungsgesellschaft Otto mbH, Hamburg

Wolfgang Abel (Vice Chairman)

Postal worker, Bad Oldesloe
Trade union secretary, ver.di Hamburg

Other mandates
- Asklepios Kliniken Hamburg GmbH, Hamburg (until 11 July 2016)

Torsten Ballhause

Fully qualified business and employment lawyer (HWP), Hamburg
Local manager of the Transport division, ver.di Hamburg

Other mandates
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg (Vice Chairman)[1]
- Member of the Management Committee of Hafenfonds der Gesamthafen-Betriebsgesellschaft mbH, Hamburg

Petra Bödeker-Schoemann

Fully qualified business administration manager, Hamburg
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Other mandates
- Gesellschaft zur Beseitigung von Sonderabfällen mbH, Kiel
- GMH Gebäudemanagement Hamburg GmbH, Hamburg
- HADAG Seetouristik und Fährdienst AG, Hamburg
- Hamburger Wasserwerke GmbH, Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman) [1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman) [1]
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg [1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg (Chairwoman) [1]
- P+R-Betriebsgesellschaft mbH, Hamburg
- SAGA Siedlungs-Aktiengesellschaft Hamburg, Hamburg
- SBH Schulbau Hamburg, Hamburg
- SGG Städtische Gebäudeeigenreinigung GmbH, Hamburg
- Stromnetz Hamburg GmbH, Hamburg

Dr. Rolf Bösinger (since 18 February 2016)

Fully qualified economist, Hamburg
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Other mandates
- Erneuerbare Energien Hamburg Clusteragentur GmbH, Hamburg (Chairman)
- Hamburgische Investitions- und Förderbank A. ö. R., Hamburg
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HWF Hamburgische Gesellschaft für Wirtschaftsförderung mbH, Hamburg (Chairman)
- hySOLUTIONS GmbH, Hamburg (Chairman)
- Landwirtschaftliche Rentenbank, Frankfurt am Main
- Life Science Nord Management GmbH, Hamburg (Chairman)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg (Vice Chairman) (since 1 September 2016)
- WTSH Wirtschaftsförderung und Technologietransfer Schleswig-Holstein GmbH, Kiel
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg (Chairman)

Dr. Bernd Egert

Physicist, Winsen (Luhe)
Former State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Other mandates
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (since 23 March 2016) [1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (since 23 March 2016) [1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg (since 23 March 2016) [1]

Holger Heinzel

Fully qualified business administration manager, Hittfeld
Director of Finance and Controlling at HHLA

Other mandates
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1]
- Member of the Management Committee of Hafenfonds der Gesamthafen-Betriebsgesellschaft mbH, Hamburg

Dr. Norbert Kloppenburg

Fully qualified agricultural engineer, Hamburg
Member of the Executive Board of KfW Bankengruppe

Other mandates
- DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne (First Vice Chairman)
- Deutsche Energie-Agentur GmbH, Berlin (Vice Chairman)
- KfW IPEX-Bank GmbH, Frankfurt am Main (Chairman)

Andreas Kummer (since 15 July 2016)

Car mechanic, Rosengarten
Chairman of the works council of HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg

Other mandates

- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg (since 22 October 2016) [1]

Frank Ladwig (until 25 July 2016)

Port technician, Hamburg
Chairman of the works council of HHLA Container Terminal Tollerort GmbH (until 31 January 2017)
Chairman of the Group works council (until 31 January 2017)

Other mandates

- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg (until 21 October 2016) [1]
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (until 31 January 2017)

Stephan Möller-Horns (until 9 February 2016)

Economist, Lüneburg
Departmental Head at the Hamburg Ministry for the Economy, Transport and Innovation

Other mandates

- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (until 9 February 2016) [1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (until 9 February 2016) [1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg (until 9 February 2016) [1]

Arno Münster (until 14 July 2016)

Port technician, Hamburg

Other mandates

- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (until 14 July 2016) [1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (until 14 July 2016) [1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg (until 14 July 2016) [1]

Thomas Nahr (since 26 July 2016)

Retail sales assistant/port technician, Hamburg
Member of the joint works council of Hamburger Hafen und Logistik AG

Other mandates

- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1]

Norbert Paulsen

Fully qualified engineer, Hamburg
Chairman of the joint works council of Hamburger Hafen und Logistik AG

Other mandates

- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Vice Chairman) [1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Vice Chairman) [1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg (Vice Chairman) [1]

Dr. Sibylle Roggencamp

Fully qualified economist, Molfsee
Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

Other mandates

- Elbphilharmonie und Laeiszhalle Service GmbH, Hamburg
- Flughafen Hamburg GmbH, Hamburg
- Hamburg Musik GmbH, Hamburg
- Hamburger Hochbahn AG, Hamburg
- Hamburgischer Versorgungsfonds AöR, Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1]
- HSH Beteiligungsmanagement GmbH, Hamburg (since 26 January 2017)
- HSH Portfoliomanagement AöR, Kiel (since 23 November 2016)
- Sprinkenhof GmbH, Hamburg (Chairwoman)
- Stromnetz Hamburg GmbH, Hamburg
- Universitätsklinikum Hamburg KöR, Hamburg
- Vattenfall Wärme Hamburg GmbH, Hamburg (until 29 June 2016)

1 Mandates within the Group

Supervisory Board Committees

Finance Committee

- Dr. Sibylle Roggencamp (Chairwoman)
- Frank Ladwig (Vice Chairman) (until 25 July 2016)
- Torsten Ballhause (Vice Chairman since 8 August 2016)
- Dr. Bernd Egert (since 23 March 2016)
- Dr. Norbert Kloppenburg
- Andreas Kummer (since 15 July 2016)
- Stephan Möller-Horns (until 9 February 2016)
- Arno Münster (until 14 July 2016)
- Thomas Nahr (since 26 July 2016)

Audit Committee

- Dr. Norbert Kloppenburg (Chairman)
- Arno Münster (Vice Chairman) (until 14 July 2016)
- Norbert Paulsen (Vice Chairman since 8 August 2016)
- Torsten Ballhause
- Petra Bödeker-Schoemann
- Dr. Bernd Egert (since 23 March 2016)
- Andreas Kummer (since 15 July 2016)
- Stephan Möller-Horns (until 9 February 2016)

Real Estate Committee

- Petra Bödeker-Schoemann (Chairwoman)
- Norbert Paulsen (Vice Chairman)
- Dr. Bernd Egert (since 23 March 2016)
- Holger Heinzel
- Stephan Möller-Horns (until 9 February 2016)
- Arno Münster (until 14 July 2016)
- Thomas Nahr (since 26 July 2016)
- Dr. Sibylle Roggencamp

Personnel Committee

- Prof. Dr. Peer Witten (Chairman)
- Wolfgang Abel (Vice Chairman)
- Torsten Ballhause (since 15 July 2016)
- Dr. Rolf Bösinger (since 23 March 2016)
- Dr. Bernd Egert (until 23 March 2016)
- Andreas Kummer (since 26 July 2016)
- Frank Ladwig (until 25 July 2016)
- Arno Münster (until 14 July 2016)
- Dr. Sibylle Roggencamp

Nomination Committee

- Prof. Dr. Peer Witten (Chairman)
- Dr. Bernd Egert (Vice Chairman) (until 23 March 2016)
- Dr. Rolf Bösinger (since 23 March 2016)
- Dr. Sibylle Roggencamp

Arbitration Committee

- Prof. Dr. Peer Witten
- Wolfgang Abel
- Dr. Bernd Egert
- Andreas Kummer (since 26 July 2016)
- Frank Ladwig (until 25 July 2016)

The Executive Board Members and their Mandates

Angela Titzrath (Chairwoman) (member of the Executive Board since 1 October 2016, Chairwoman since 1 January 2017)

Economist (MA), Hamburg
First appointed: 2016

Areas of responsibility (since 1 January 2017)
- Corporate development
- Corporate communications
- Sustainability
- Intermodal segment
- Logistics segment

Other mandates
- CTD Container-Transport-Dienst GmbH, Hamburg (since 1 January 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg (since 1 January 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (since 1 January 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg (since 1 January 2017)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg (since 1 January 2017)
- HHLA Logistics GmbH, Hamburg (since 1 January 2017)
- HPC Hamburg Port Consulting GmbH, Hamburg (since 1 January 2017)
- METRANS a.s., Prague, Czech Republic (since 1 January 2017)
- POLZUG Intermodal GmbH, Hamburg (since 1 January 2017)
- SCA Service Center Altenwerder GmbH, Hamburg (since 1 January 2017)
- Service Center Burchardkai GmbH, Hamburg (since 1 January 2017)
- Evonik Industries AG, Essen
- AXA Konzern AG, Cologne
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg (since 1 January 2017)
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg (since 1 January 2017)

Klaus-Dieter Peters (Chairman) (until 31 December 2016)

Forwarding agent, Hamburg
First appointed: 2003

Areas of responsibility
- Corporate development
- Corporate communications
- Sustainability
- Intermodal segment
- Logistics segment

Other mandates
- CTD Container-Transport-Dienst GmbH, Hamburg (until 31 December 2016)
- HHLA Container Terminal Altenwerder GmbH, Hamburg (until 31 December 2016)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (until 31 December 2016)
- HHLA Container Terminal Tollerort GmbH, Hamburg (until 31 December 2016)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg (until 31 December 2016)
- HHLA International GmbH, Hamburg (formerly HPC Hamburg Port Consulting Gesellschaft mit beschränkter Haftung, Hamburg) (until 23 September 2016)
- HHLA Logistics GmbH, Hamburg (until 31 December 2016)
- HPC Hamburg Port Consulting GmbH, Hamburg (formerly HHLA Hafenprojektgesellschaft mbH, Hamburg) (since 17 August 2016) (until 31 December 2016)
- METRANS a.s., Prague, Czech Republic (until 31 December 2016)
- POLZUG Intermodal GmbH, Hamburg (until 31 December 2016)
- SCA Service Center Altenwerder GmbH, Hamburg (until 31 December 2016)
- Service Center Burchardkai GmbH, Hamburg (until 31 December 2016)
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg (until 31 December 2016)
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg (until 31 December 2016)

Dr. Stefan Behn

Fully qualified business administration manager, Hamburg
First appointed: 1996

Areas of responsibility
- Container sales
- Container operations
- Container engineering
- Information systems

Other mandates
- Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven (until 2 August 2016)
- Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven (until 2 August 2016)
- DAKOSY Datenkommunikationssystem AG, Hamburg
- HCC Hanseatic Cruise Centers GmbH, Hamburg
- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg
- HHLA Container Terminal Altenwerder GmbH, Hamburg
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- HHLA Container Terminal Tollerort GmbH, Hamburg
- HHLA International GmbH, Hamburg (formerly HPC Hamburg Port Consulting Gesellschaft mit beschränkter Haftung, Hamburg) (until 23 September 2016)
- HHLA Rosshafen Terminal GmbH, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg (formerly HHLA Hafenprojektgesellschaft mbH, Hamburg) (since 17 August 2016)
- SCA Service Center Altenwerder GmbH, Hamburg
- Service Center Burchardkai GmbH, Hamburg

Heinz Brandt

Legal assessor, Bremen
First appointed: 2009

Areas of responsibility
- Human resources
- Purchasing and materials management
- Health and safety in the workplace
- Legal and Insurance[1]

Other mandates
- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg
- HHLA International GmbH, Hamburg (formerly HPC Hamburg Port Consulting Gesellschaft mit beschränkter Haftung, Hamburg) (until 23 September 2016)
- HHLA Logistics GmbH, Hamburg
- HHLA-Personal-Service GmbH, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg (formerly HHLA Hafenprojektgesellschaft mbH, Hamburg) (since 17 August 2016)
- Member of the Management Committee of Hafenfonds der Gesamthafen-Betriebsgesellschaft mbH, Hamburg

Dr. Roland Lappin

Fully qualified industrial engineer, Hamburg
First appointed: 2003

Areas of responsibility
- Finance and controlling[2]
- Investor relations
- Internal audit
- Real Estate segment

Other mandates

- Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
- HHLA Container Terminal Burchardkai GmbH, Hamburg
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- HHLA Rosshafen Terminal GmbH, Hamburg
- IPN Inland Port Network GmbH & Co. KG, Hamburg
- IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg
- METRANS a.s., Prague, Czech Republic
- POLZUG Intermodal GmbH, Hamburg
- Service Center Burchardkai GmbH, Hamburg
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

1 Including compliance
2 Including organisation

50. German Corporate Governance Code

HHLA has based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code (the Code) as published on 5 May 2015. Information on corporate governance at HHLA and a detailed report on the amount and structure of the remuneration paid to the Supervisory Board and Executive Board can be found in the Group Management Report and ▶ Note 48 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2016 and on 9 December 2016 issued the declaration of compliance 2016 in accordance with Section 161 of the German Stock Corporation Act (AktG), which is permanently available to shareholders on the company's website under www.hhla.de.

51. Auditing Fees

In both the reporting year and the previous year, fees for auditing the financial statements primarily consisted of the fees for the audit of the Consolidated Financial Statements, the audits of the financial statements of Hamburger Hafen und Logistik Aktiengesellschaft and its domestic subsidiaries, and the review of the interim financial statements. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (previous year: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft) was appointed as the auditor for the 2016 financial year.

Auditing Fees

in € thousand	2016	2015
Audit of financial statements	512	555
Other certification services	0	50
Tax advisory services	2	0
Other services	0	0
	514	605

52. Events after the Balance Sheet Date

The Federal Administrative Court reached a decision on the dredging of the river Elbe on 9 February 2017. It does not lead to a revocation of the plan approval for the dredging of the river Elbe. According to the court's ruling, however, the plan approval is unlawful in part due to violations of habitat conservation law and is therefore not enforceable in the first instance. Two points (review of potential harm to the hemlock water dropwort due to the increase in salt levels in connection with the project as well as provisions on cohesive measures) that the Federal Administrative Court explicitly classifies as remediable must be revised. An approximate timeline for the practical and procedural implementation of the measures needed to rectify these shortcomings is not yet available. As such, no reliable forecasts of a possible starting date for construction can be made.

There were no other events of special significance after the balance sheet date 31 December 2016.

Hamburg, 2 March 2017

Hamburger Hafen und Logistik Aktiengesellschaft

A. Titzrath | M. Brandt | R. Lappin

Angela Titzrath | Dr. Stefan Behn | Heinz Brandt | Dr. Roland Lappin

Annual Financial Statements of Hamburger Hafen und Logistik Aktiengesellschaft (HHLA)

The Annual Financial Statements and Combined Management Report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the 2016 financial year have been prepared according to the provisions of German commercial law and have been endorsed with an unrestricted auditor's certificate by the auditors of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

Income Statement

for the period from 1. January to 31. December 2016

in €	2016	2015
Revenue	157,858,227.42	121,225,080.51
Increase or decrease in work in progress	- 582,546.35	- 457,740.37
Own work capitalised	682,321.59	465,143.78
Other operating income	7,030,996.79	17,089,859.90
of which income from translation differences	150,409.49	4,163.59
Cost of materials	8,000,778.36	3,274,447.17
Expenses for raw materials, consumables, supplies and purchased merchandise	2,455,967.28	2,770,694.52
Expenses for purchased services	5,544,811.08	503,752.65
Personnel expenses	113,545,257.69	111,346,012.60
Wages and salaries	97,032,971.37	93,374,437.16
Social security contributions and expenses for pension and similar benefits	16,512,286.32	17,971,575.44
of which for pensions	540,212.01	2,654,290.20
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	3,078,660.75	4,052,138.27
Other operating expenses	61,491,974.77	29,660,333.18
of which expenses from translation differences	79,981.76	6,005.18
Income from profit transfer agreements	78,629,889.20	66,553,031.57
Income from equity participations	36,161,488.68	23,470,713.24
of which from affiliated companies	33,553,193.95	20,409,102.24
Other interest and similar income	3,930,739.39	4,391,440.97
of which from affiliated companies	3,727,975.67	3,790,312.30
Expenses from assumed losses	20,612,301.49	8,367,801.39
Interest and similar expenses	10,831,094.41	40,429,816.33
of which to affiliated companies	0.00	2,221,823.58
of which from accrued interest	9,158,463.48	37,468,292.92
Taxes on income	18,394,143.09	6,161,198.82
of which income from the change unrecognized taxes	3,693,661.45	7,767,087.30
Profit after tax	**47,756,906.16**	**29,445,781.84**
Other taxes	171,589.67	333,146.25
Net profit for the year	**47,585,316.49**	**29,112,635.59**
Profit carried forward from the previous year	222,602,383.86	233,971,891.95
Dividend distributed	46,061,687.06	40,482,143.68
Unappropriated profit	**224,126,013.29**	**222,602,383.86**

Balance Sheet as of 31 December 2016

in €	31.12.2016	31.12.2015
ASSETS		
Intangible assets		
Internally generated industrial and similar rights and values	1,185,559.91	0.00
Purchased software	2,120,960.28	2,371,430.30
Assets in development	6,497,245.41	1,192,368.55
Payments in advance	74,160.00	0.00
	9,877,925.60	3,563,798.85
Property, plant and equipment		
Land, equivalent land rights and buildings, including buildings on leased land	3,893,662.05	4,794,148.40
Technical equipment and machinery	8,621.10	90,630.47
Other plant, operating and office equipment	2,103,866.46	2,047,438.18
Payments made on account and plant under construction	1,833,912.10	121,979.86
	7,840,061.71	7,054,196.91
Financial assets		
Interests in affiliated companies	367,696,955.51	367,327,229.27
Loans to affiliated companies	10,500,000.00	11,500,000.00
Equity investments	7,604,179.45	7,604,179.45
Non-current securities	947,277.94	943,085.62
	386,748,412.90	387,374,494.34
Non-current assets	404,466,400.21	397,992,490.10
Inventories		
Raw materials, consumables and supplies	102,560.19	154,691.46
Work in progress	670,172.84	1,252,719.19
	772,733.03	1,407,410.65
Receivables and other assets		
Trade receivables	651,293.14	867,842.20
Receivables from the Free and Hanseatic City of Hamburg	2,771.91	12,656.13
Receivables from the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg	74,000,000.00	43,906,458.90
Receivables from affiliated companies	399,332,181.78	378,617,204.52
Receivables from investee companies	5,033,946.75	4,720,951.01
Other assets	4,788,787.38	11,351,621.71
	483,808,980.96	439,476,734.47
Cash and cash equivalents	129,632,909.02	164,202,688.63
Current assets	614,214,623.01	605,086,833.75
Accruals and deferrals	661,717.95	739,799.56
Deferred tax assets	39,885,000.92	35,478,457.10
Balance sheet total	1,059,227,742.09	1,039,297,580.51

in €	31.12.2016	31.12.2015
EQUITY AND LIABILITIES		
Equity		
Subscribed capital		
Port Logistics subgroup	70,048,834.00	70,048,834.00
Real Estate subgroup	2,704,500.00	2,704,500.00
	72,753,334.00	72,753,334.00
Capital reserve		
Port Logistics subgroup	136,771,470.63	136,771,470.63
Real Estate subgroup	506,206.26	506,206.26
	137,277,676.89	137,277,676.89
Statutory reserve		
Port Logistics subgroup	5,125,000.00	5,125,000.00
Real Estate subgroup	205,000.00	205,000.00
	5,330,000.00	5,330,000.00
Other earnings reserves		
Port Logistics subgroup	56,105,325.36	56,105,325.36
Real Estate subgroup	1,322,353.86	1,322,353.86
	57,427,679.22	57,427,679.22
Retained earnings	62,757,679.22	62,757,679.22
Unappropriated profit		
Port Logistics subgroup	196,564,319.39	199,044,818.51
Real Estate subgroup	27,561,693.90	23,557,565.35
	224,126,013.29	222,602,383.86
Equity	496,914,703.40	495,391,073.97
Provisions		
Provisions for pensions and similar obligations	303,327,400.31	313,095,443.46
Tax provisions	8,938,584.01	33,620.28
Other provisions	39,612,292.25	22,244,010.29
	351,878,276.57	335,373,074.03
Liabilities		
Liabilities from bank loans	70,300,499.73	76,237,999.73
Payments on account	774,740.36	1,611,568.19
Trade Liabilities	1,253,010.61	1,266,417.73
Liabilities towards the Free and Hanseatic City of Hamburg	28,766.33	5,167.63
Liabilities towards affiliated companies	119,367,283.16	107,621,393.32
Liabilities towards investee companies	3,300,781.14	3,746,352.30
Other liabilities	10,156,198.70	13,516,189.42
of which from taxes	2,100,803.00	3,536,812.32
of which for social security	794,761.92	917,536.31
	205,181,280.03	204,005,088.32
Accruals and deferrals	12,255.53	0.00
Deferred tax liabilities	5,241,226.56	4,528,344.19
Balance sheet total	1,059,227,742.09	1,039,297,580.51

Auditor’s Report

“We have audited the Consolidated Financial Statements prepared by Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the Consolidated Financial Statements, together with the Group Management Report – which is combined with the company’s Management Report – for the fiscal year from 1 January to 31 December 2016. The preparation of the Consolidated Financial Statements and the Combined Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) and the articles of association is the responsibility of the company’s Executive Board. It is our responsibility is to express an opinion on the Consolidated Financial Statements and the Combined Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). These standards require that we plan and perform the audit in such a way that misstatements and infringements having a material impact on the presentation of the company’s net assets, financial position and earnings in the Consolidated Financial Statements in accordance with the applicable accounting regulations and in the Combined Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Combined Management Report are assessed during the audit, primarily by carrying out spot checks. The audit involves assessing the Annual Financial Statements of those companies included in the Consolidated Financial Statements, the definition of the consolidated group, the accounting and consolidation principles used, and the key estimates made by the company’s Executive Board. It also entails an evaluation of the overall presentation of the Consolidated Financial Statements and the Combined Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and earnings of the Group in accordance with these requirements. The Combined Management Report is consistent with the Consolidated Financial Statements, complies with the legal requirements and, as a whole, provides a faithful view of the Group’s position and accurately presents the opportunities and risks of future development.”

Hamburg, 6 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Claus Brandt
Wirtschaftsprüfer
[German Public Auditor]

Christoph Fehling
Wirtschaftsprüfer
[German Public Auditor]

Assurance of the Legal Representatives

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and earnings of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the coming financial year.

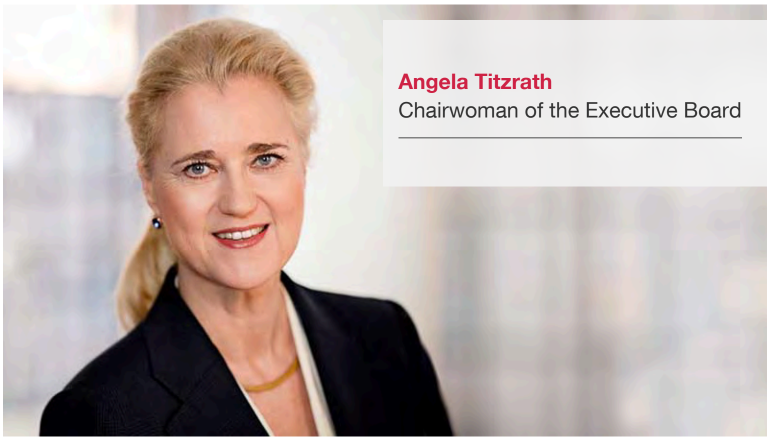
Hamburg, 2 March 2017

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Angela Titzrath	Dr. Stefan Behn	Heinz Brandt	Dr. Roland Lappin

Sustainability



Angela Titzrath
Chairwoman of the Executive Board

Ladies and Gentlemen,

We pursue a sustainable business model by doing business responsibly and with a focus on the future. It is our firm belief that profitable growth and future business success depend to a great extent on acting in a forward-looking and responsible manner. We have enhanced our sustainability efforts by successfully implementing a number of economic, environmental and social measures. The use of state-of-the-art technology, compliance with best-practice social standards, the implementation of highly efficient business processes and value-based corporate governance are the core elements of our sustainability strategy. In other words, sustainability in thought and deed is at the heart of all HHLA's business decisions.

Ecologically sustainable transport chains lay the foundation for our economic success. This is why we have increased our investment in intermodal transport. We set standards in environmentally friendly transport with our value-adding investments in highly efficient hinterland terminals, eco-friendly electric locomotives, hybrid shunters and quiet container wagons. In this way, we have successfully transferred traffic from road to rail while attracting and retaining cargo for our seaport terminals. In 2016, we added two tracks to the rail terminal at our Container Terminal Altenwerder, taking the total to nine. This increased the terminal's capacity by 140,000 to 930,000 standard containers. HHLA has thus once again made an important contribution towards strengthening the Port of Hamburg, Europe's largest "rail port".

As well as transferring freight transport from road to more eco-friendly rail, the implementation of our sustainability strategy is also determined by the business processes at our terminals. Automated, electrified processes and equipment play a vital role in helping us reach our environmental and climate protection targets, while also improving space efficiency. The trend towards ever-larger ships and the subsequent increase in peak loads at our facilities requires greater energy consumption. We are combating this development by using energy-efficient devices and optimizing our processes. In addition, we are replacing our diesel-powered devices and equipment with electric technology. We use electricity from renewable sources in order to reduce CO_2 emissions. Based on the positive experience we have made so far with battery-operated automated guided vehicles (AGVs), we took the decision in 2016 to replace all remaining diesel-powered AGVs with electric AGVs. The uptake of e-mobility has been slower than expected in Germany – but not at HHLA. Our fleet of electric cars was expanded by 10 percent to 77 vehicles in the reporting period. This means that we now have the largest e-vehicle fleet of any European port.

In view of the measures implemented and resolved in the past financial year, we are confident of reaching the climate protection goal we set ourselves by 2020. Based on our 2008 figures, we aim to reduce our CO_2 emissions per container handled by at least 30 percent by 2020. At the end of 2016, we had already achieved a reduction of 27.3 percent. Our increased use of electric technology not only reduces climate-damaging CO_2 emissions, it also cuts local emissions of other harmful substances and noise. In this way, HHLA is making a measurable contribution towards improving local air quality.

HHLA operates in eleven European countries and approximately one third of its employees are based outside Germany. We offer our 5,500-plus employees a wide range of benefits and workplaces that meet the highest occupational health and safety standards. The modern business world is undergoing radical change. In order to meet this challenge, we strive to continuously enhance the skills of our employees. Specialised vocational training and professional development programmes help them acquire the necessary knowledge. Our employees are the foundation upon which we can build our long-term success. This belief is also reflected in our HR strategy, which considers such aspects as a healthy work-life balance and diversity criteria.

Our real estate experts continue to drive the sustainable development of Hamburg's Speicherstadt historical warehouse district – designated a UNESCO World Heritage Site – taking into account its listed status and the unique characteristics of this district.

HHLA takes social responsibility by supporting various projects that focus on maritime economics and environmental topics at primary schools in Hamburg. For as the events of 2016 have shown, education is a vital prerequisite for public debate and cohesion in a democratic society.

A. Titzrath

Angela Titzrath
Chairwoman of the Executive Board

Sustainability Strategy

Sustainable business practices have long been an integral part of HHLA's business model. The company connects port terminals with hinterland networks to transport chains for environmentally friendly global flows of goods that conserve resources in an exemplary fashion. Corporate management is also geared towards the principle of sustainable value creation. In this way, HHLA demonstrates how environmental and economic targets can be reconciled with one another.

HHLA's sustainability strategy is based on three pillars: the environment, society and the economy. Ten fields of activity and guidelines have been defined and implemented in HHLA's sustainability initiative. The fields of activity focus on environmentally friendly transport chains, climate protection and efficient land use. This lays the foundations for HHLA to take a leading role in the area of sustainability.

Sustainability Organisation and Dialogue

A Sustainability Council headed by the Chairman of the Executive Board is responsible for the sustainability strategy. The Council comprises managers from within the Group as well as the external expert Prof. Schaltegger from the Leuphana University of Lüneburg. This body provides a forum for discussing and approving sustainability issues and measures across the Group, as well as for regularly evaluating and updating the existing stakeholder structure. At Group level, the sustainability team reports directly to the Chairman of the Executive Board.

HHLA engages in regular dialogue with its stakeholders, including customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, suppliers, potential and existing shareholders and investors, associations and institutions, research institutes, political decision makers, NGOs, local residents close to the terminals and interested members of the public. The Annual Report is an established medium that supplements this regular dialogue and takes the stakeholder groups' interests into account. ▶ see Materiality Analysis, page 159

Principles and Reporting Standards

HHLA's commitment to sustainability is binding, transparent, measurable and comparable. The company applies the Global Reporting Initiative (GRI 4 standard) guidelines on sustainability reporting, the most commonly used standard of its kind in the world. In doing so, HHLA also facilities comparison at an international level.

Furthermore, HHLA was the first maritime company to issue a declaration of compliance with the German Sustainability Code (GSC). This declaration of compliance is available at www.nachhaltigkeitsrat.de. The GSC lists 20 different criteria relating to environmental, social and corporate governance aspects, each with up to two performance indicators. Issues such as the resource consumption, compliance, equal opportunities and health protection for employees play an important role in the code. Companies are also expected to provide clear sustainability targets.

Sustainability Initiative

	Fields of activity	Guidelines
Ecology	Ecological transport chains	Actively liaise with other logistics operators and create sustainable, environmentally friendly transport chains
	Land conservation	Increase the efficient use of port and logistics areas
	Nature protection	Minimise impact on nature and actively protect natural habitats
	Climate protection	Utilise technically and economically viable methods to reduce CO_2
Society	Occupational safety / health promotion	Safety, appropriate working conditions and promotion of health-conscious behaviour
	Staff development	Vocational education, training and CPD as well as tailored staff development programmes
	Social responsibility	Intensify dialogue with society; information and discussions regarding port logistics
Economy	Added value	Make an ongoing and significant contribution to added value and thus raise prosperity at all locations
	Business partners	Tailor-made customer solutions and reliable cooperation with suppliers
	Shareholders	Long-term increase in enterprise value and transparency for investors

Materiality Analysis

The nature of HHLA's business means it has a large number of stakeholders with a variety of expectations and demands. In order to understand these expectations and demands more fully, HHLA conducted a materiality analysis in 2015 as part of its sustainable management activities, in which sustainability topics of political relevance to its internal and external stakeholders were examined. The collection and evaluation of the data was based on the Global Reporting Initiative (GRI) guidelines. HHLA performs a stakeholder survey every two years in order to review the results of the materiality analysis and to enable early recognition of changes in stakeholder expectations.

The Stakeholder Survey Process

At a meeting of the Sustainability Council, HHLA's most significant stakeholders were first identified. This was initially based on internal sources, such as a list of key customers. The main stakeholders identified were customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, business partners and suppliers, the media, potential and existing shareholders, associations and institutions, research institutes, political decision makers, NGOs, and local residents close to the terminals.

Secondly, a list of topics known to be relevant to both internal and external stakeholders were was drawn up. The results from HHLA's sustainability initiative "On Course" were also included in the data collection as the initiative had already discovered relevant topics and determined the main fields of activity. ▶ see Sustainability Strategy, page 158

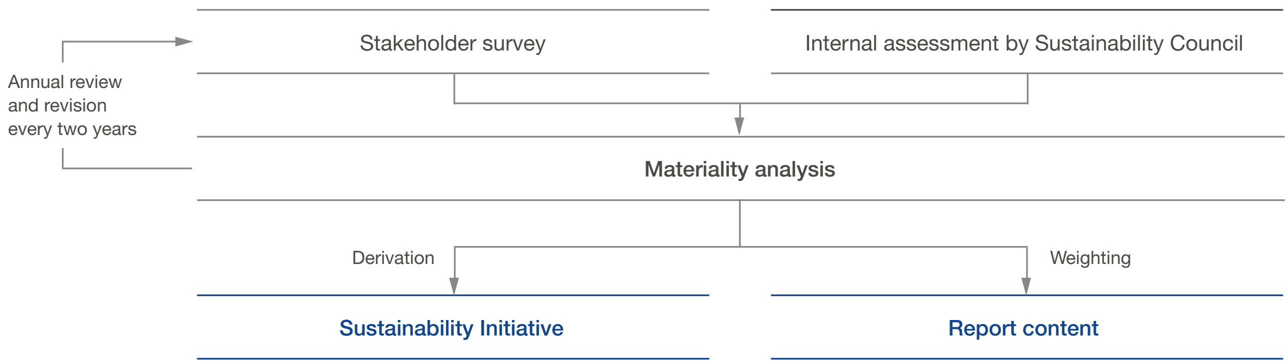
A two-week online survey using a standard questionnaire was then carried out worldwide. External stakeholders from all of the groups identified as well as managers from a number of different divisions took part. In total, approximately 100 people rated topics of potential relevance to HHLA, particularly customers, business partners, suppliers and HHLA staff. All stakeholder groups participated in the survey. Stakeholders also had the chance to rate the importance of topics, as well as add to them or make comments on them. The results of the stakeholder survey were discussed during a Sustainability Council meeting and presented to the Executive Board.

Results of the Stakeholder Survey

The materiality matrix shows the ranking of all sustainability topics. The assessments provided by external stakeholders are combined with those of internal stakeholders in the matrix. The result is a prioritisation of the topics. Key aspects are considered material if they are relevant from the point of view of internal and/or external stakeholders.

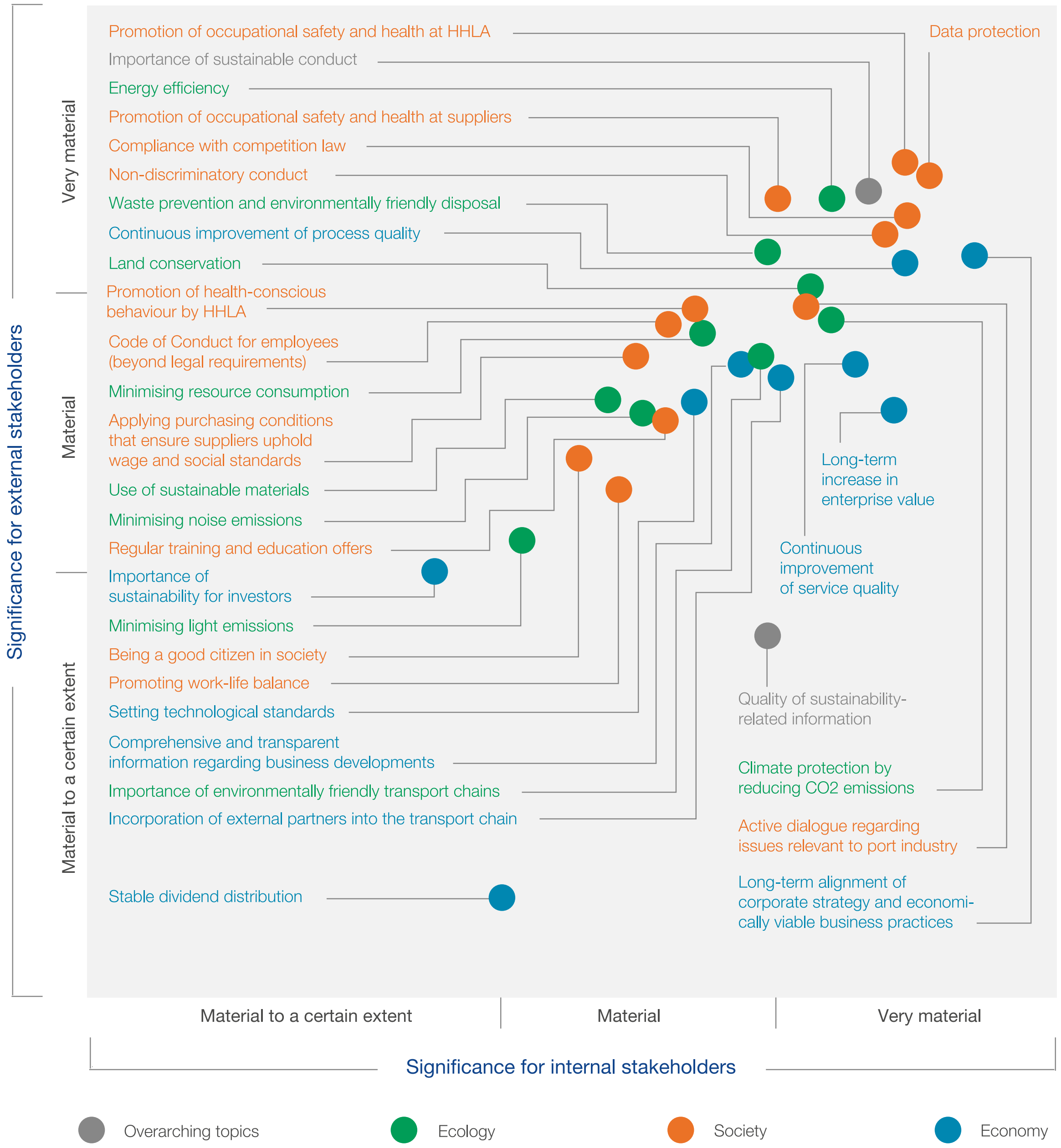
Ensuring a high level of data protection, high occupational safety standards, sustainable conduct, compliance, energy efficiency, continual improvements in quality, the long-term alignment of corporate strategy and the drafting of a Code of Conduct to ensure non-discriminatory behaviour amongst staff and towards third parties were all rated as very material. The topics of carbon emission reductions, occupational safety and health promotion at suppliers, waste prevention and environmentally appropriate disposal, as well as area optimisation and an active dialogue on topics relevant to port management were regarded as material by the survey participants. With a clear majority, the main reasons stated for HHLA's sustainable approach were a long-term, stable economic development and a reduction of environmental effects. The majority of those surveyed considered themselves generally well informed regarding sustainability topics.

The Materiality Analysis Process



Materiality Matrix

Evaluating the relevance of sustainability topics for HHLA



Due to the high correlation of external and internal stakeholders' ratings of potentially relevant topics, only slight adjustments had to be made to the weighting of topics compared with earlier reports. The main fields of activity defined during the sustainability initiative were also largely confirmed by the results: none of the potentially relevant topics were rated as immaterial or less material.

Materiality Analysis

In line with the new G4 guidelines of the Global Reporting Initiative, a comprehensive materiality analysis was carried out for the first time. The results are displayed in the following table. The topics have been assigned to the fields of activity determined by HHLA's sustainability initiative "On Course". The topics "stable dividend distribution" and "importance of sustainability for investors" were rated as "only material to a certain extent". None of the potentially relevant topics covered were rated as immaterial or not very material.

	Fields of activity	Relevance for the stakeholders asked	
		Material	Very material
General		Quality of sustainability-related information	Importance of sustainable conduct
Ecology	Ecological transport chains	Importance of environmentally friendly transport chains	
	Land conservation		Land conservation
	Nature protection	Minimising resource consumption Use of sustainable material Minimising noise emission Minimising light emission	Waste prevention and environmentally appropriate disposal
	Climate protection		Climate protection by reducing CO_2-emissions Energy efficiency
Society	Occupational safety/health promotion	Promotion of health-conscious behaviour by HHLA	Promotion of occupational safety and health at HHLA Promotion of occupational safety and health at suppliers
	Staff development	Promoting work-life balance Regular training and education offers	
	Compliance	Code of Conduct for employees (beyond legal requirements) Applying purchasing conditions that ensure suppliers uphold wage and social standards	Non-discriminatory dealings Data protection Competition compliant behavior
	Social responsibility	Being a good citizen in society	Active dialogue regarding issues relevant to port industry
Economy	Added value	Setting technological standards Incorporation of external partners into the transport chain	Long-term alignment of corporate strategy and economically viable business practices
	Business partners		Continuous improvement of process quality Continuous improvement of service quality
	Shareholders	Comprehensive and transparent communication regarding business developments	Long-term increase in enterprise value

Report Profile

Report Framework

The reporting period is the 2016 financial year (1 January to 31 December 2016). The data presented generally refers to this period or the facts and figures at the end of the reporting period. If information refers to a different period of time, this is explicitly stated. The report is published once a year. The previous Annual Report was published on 30 March 2016.

Unless otherwise stated, the key figures and information in this report concern the entire Group including associated companies in which the company has a majority holding. Some sections contain forward-looking statements. These estimates and statements were made to the best of our knowledge and in good faith. Future global economic conditions, legislation, market conditions, competitors' activities and other factors are not within the control of HHLA.

Defining the Content for this Report

The content structure of this Annual Report is regulated by the disclosure obligation for public limited companies as defined by the German Commercial Code (HGB). In addition to details on the financial and economic situation of the company, the report also includes information from HHLA's sustainability programme, "On Course". The concept of an integrated report includes annual financial and sustainability reporting. It illustrates the interaction between economic, environmental and social factors and their relevance to the company's long-term success.

Every two years, HHLA carries out a materiality analysis to determine the most important sustainability topics. This was conducted by means of an international online survey of stakeholders in autumn 2015. The results of this survey were used to determine the key issues for sustainability reporting. It includes all topics identified as material. ▶ see Materiality Analysis, page 159

Data Collection and Calculation Methods

Financial Statements and Reports

All data and information was collected from the respective units responsible for such information using representative methods for the reporting period. 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 Note 2, Consolidation Principles, page 83

The individual financial statements of HHLA Aktiengesellschaft are prepared in line with the accounting regulations of the German Commercial Code (HGB). The appropriation of profits is based solely on the individual financial statements.

Sustainability Performance Indicators

Sustainability-relevant key figures are input into the internal management information system on a monthly basis and analysed every six months. The Executive Board receives a corresponding report. The sustainability performance indicators are calculated every year and published in the Management Report section of the Annual Report, having been signed off by the auditors. This ensures the reliability of the data. Data comparability and consistency is guaranteed by complying with widely used international reporting standards (e.g. Greenhouse Gas Protocol). ▶ see Sustainable Performance Indicators, page 22

Risk and Opportunity Management

Opportunities and risks are analysed using a comprehensive risk management system. Compliance with corporate guidelines as well as with relevant and recognised national and international industry standards is regarded as an essential part of corporate governance at HHLA. Workflows and processes are structured in line with these regulations. External audits at various HHLA companies (including ISO 14001, ISO 9001, ISO 50001 and CTQI [Container Terminal Quality Indicator]) confirm compliance with recognised international standards. ▶ see Risk and Opportunity Report, page 42

External Audit

The Combined Management Report of the HHLA Group and HHLA Aktiengesellschaft, as well as the Consolidated Financial Statements and Notes, were audited by Price Waterhouse Coopers.

The 2016 Annual Report was prepared in accordance with the international G4 guidelines of the Global Reporting Initiative and meets the option "Comprehensive".

GRI Index

The GRI index refers to parts in this Annual Report or sections of the HHLA website that provide information about individual GRI indicators. The index is available exclusively at www.bericht.hhla.en/gri.

Glossary

Logistics Terms

Ultra Large Vessel (ULV)
A mega-ship that is at least 330 metres long and/or 45 metres wide. This type of vessel is increasingly being used on routes between the Far East and Northern Europe in particular.

Automated Guided Vehicle (AGV)
A fully automatic, driverless transport vehicle which carries containers back and forth between the container gantry cranes on the quayside and the block storage yard at the HHLA Container Terminal Altenwerder.

Block Storage
Automated block storage is used at the HHLA Container Terminals Altenwerder and Burchardkai to stack containers in a compact and efficient manner. Containers are stacked in several storage blocks. Rail-mounted gantry cranes are used to transport and stow the boxes.

ConRo Ship
A vessel which can transport both containers and rolling cargo (see “RoRo”).

Container Gantry Crane
A crane system used to load and discharge container ships. As ships are becoming larger and larger, the latest container gantry cranes have much higher, longer jibs to match.

Feeder/Feeder Ship
Vessels which carry smaller numbers of containers to ports. From Hamburg, feeders are primarily used to transport boxes to the Baltic region.

Hinterland
A port’s catchment area.

Hub Terminal (Hinterland)
A terminal which bundles and distributes consignments as a handling hub. HHLA’s rail companies operate hub terminals like this in Ceska Trebova, Dunajska Streda, Poznan and Prague.

Intermodal/Intermodal Systems
Transportation via several modes of transport (water, rail, road) combining the specific advantages of the respective carriers.

North Range
The North European coast. In the broadest geographic sense, this is where all the international ports in Northern Europe from Le Havre to Hamburg can be found. The four largest ports are Hamburg, Bremerhaven, Rotterdam and Antwerp.

Portal Crane (Also Called a Rail Gantry Crane or Storage Crane)
Crane units spanning their working area like a gantry, often operating on rails. Also called a storage crane when used at a block storage facility, or a rail gantry crane when used to handle rail cargo.

RoRo
Short for “roll on, roll off”, RoRo is a means of loading cargo which can simply be rolled or driven onto or off a ship. Most rolling cargo consists of cars of trucks, but project cargo is also transported in this way on special trailers.

Shuttle Train
A train which travels back and forth on one route with the same arrangement of wagons, eliminating the need for time-consuming shunting. HHLA’s rail subsidiaries operate shuttle trains between the seaports and the hub terminals (hinterland).

Spreader
Weighing several tonnes, the spreader is the part of a container gantry crane or other crane used to grip then lift or lower containers.

Standard Container
See TEU.

Tandem Gantry Crane
A highly efficient container gantry crane capable of unloading or loading two 40-foot containers or four 20-foot containers in a single movement. HHLA uses gantry cranes of this kind at the Container Terminal Burchardkai.

Terminal
In maritime logistics, a terminal is a facility where freight transported by various modes of transport is handled.

TEU (Twenty-Foot Equivalent Unit)
A TEU is a 20-foot standard container, used as a unit for measuring container volumes. A 20-foot standard container is 6.06 metres long, 2.44 metres wide and 2.59 metres high.

Traction
The action of a locomotive pulling a train.

Transport Performance
A performance indicator used for rail traffic, calculated as the product of the volume transported and the distance covered.

Straddle Carrier (Also Called a Van Carrier or VC)
A vehicle used to transport containers at the terminals. The driver manoeuvres their straddle carrier into position above a container and lifts it up. The vehicles can stack containers up to four high.

Financial Terms

DBO (Defined Benefit Obligation)
Defined benefit pension obligation relating to the pension entitlements of active and former employees, including probable future changes to pensions and salaries, earned and measured as of the reporting date.

Derivative Financial Instruments
Financial instruments traditionally used to hedge existing investments or obligations.

Average Operating Assets
Average net non-current assets (intangible assets, property, plant and equipment, investment property) + average net current assets (inventories + trade receivables – trade liabilities).

Dynamic Gearing Ratio
Financial debt (pension provisions + non-current and current liabilities to related parties + non-current and current financial liabilities – cash, cash equivalents, short-term deposits and receivables from HGV [cash pooling]) / EBITDA.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EBT
Earnings before tax.

Equity ratio
Equity / balance sheet total.

At-Equity Earnings
Proportionate profit after tax attributable to a joint venture or an associated company, reported in the income statement under financial income.

Financial Result
Interest income – interest expenses +/– earnings from companies accounted for using the equity method +/– other financial result.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards.

Impairment Test
Assessment of an asset's value in accordance with IFRS.

Investments
Payments for investments in property, plant and equipment, investment property and intangible assets.

Cost of Capital
Expenses associated with the use of funds as equity or borrowed capital.

Operating Cash Flow
According to literature on IFRS key figures: EBIT – taxes + depreciation and amortisation – write-backs +/– changes in non-current provisions (excl. interest portion) +/– gain/loss on the disposal of property, plant and equipment + changes in working capital.

ROCE (Return on Capital Employed before Taxes)
EBIT / Average Operating Assets.

Economy of Scale
A rule of economics which says that higher production quantities go hand in hand with lower unit costs.

Revenue
Revenue from sales or lettings and from services rendered, less sales deductions and VAT.

Value Added
Production value – intermediate inputs (cost of materials, depreciation and amortisation, and other operating expenses); the value added generated is shared between the HHLA Group's stakeholders, such as employees, shareholders, lenders and the local community.

Financial Calendar

30 March 2017

Annual Report 2016
Press Conference, Analyst Conference Call

12 May 2017

Interim Statement January–March 2017
Analyst Conference Call

21 June 2017

Annual General Meeting

14 August 2017

Half-year Financial Report January–June 2017
Analyst Conference Call

14 November 2017

Interim Statement January–September 2017
Analyst Conference Call

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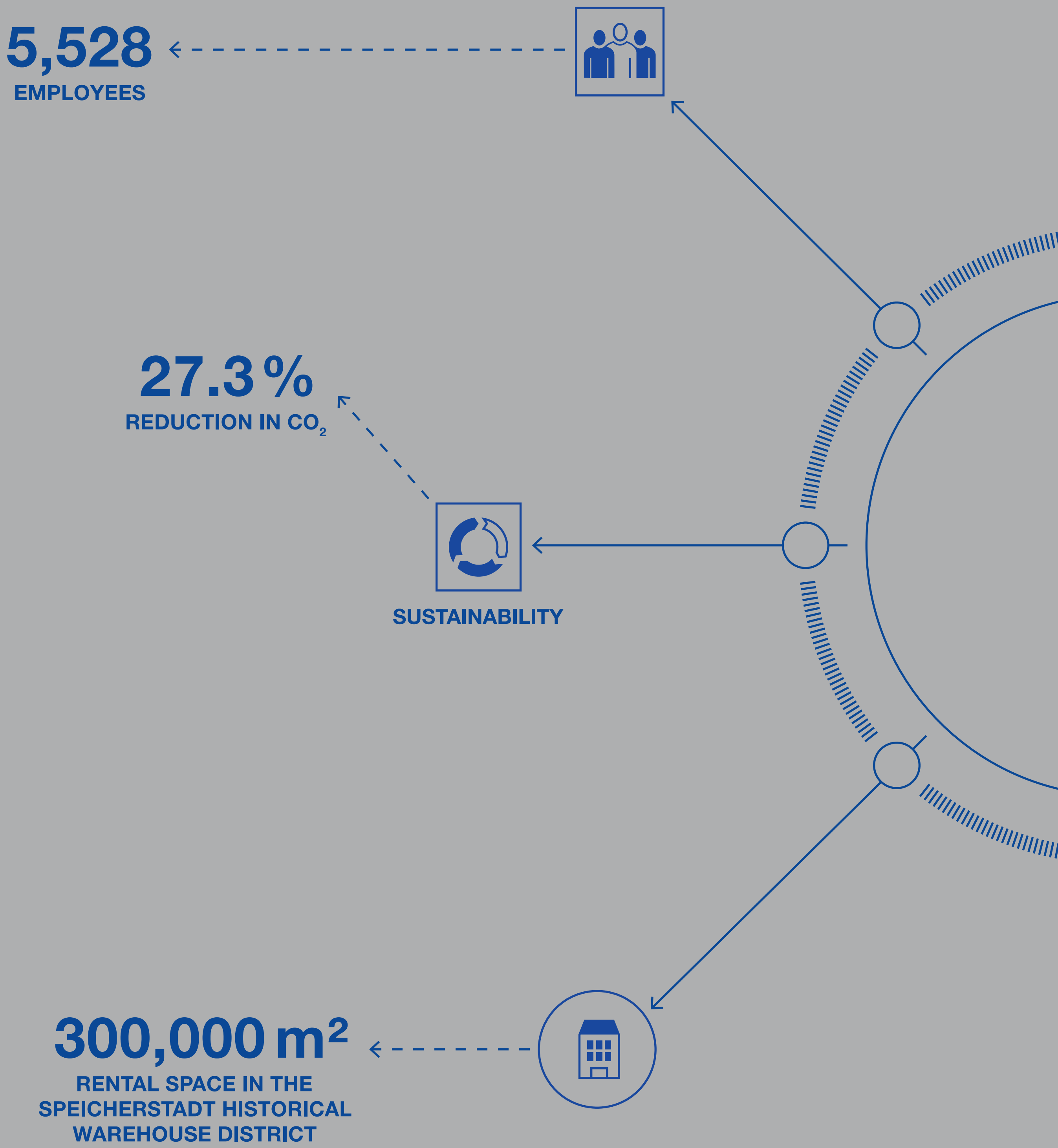
Online annual reports and online sustainabilty reports

HHLA Multi-Year Overview

in € million	2013	2014	2015	2016
Revenue				
Port Logistics subgroup	1,110.1	1,171.2	1,111.0	1,146.0
Real Estate subgroup	33.1	33.5	36.5	37.7
Consolidation	- 5.1	- 5.1	- 5.7	- 6.0
HHLA Group	1,138.1	1,199.6	1,141.8	1,177.7
EBITDA				
Port Logistics subgroup	257.0	276.2	261.2	265.3
Real Estate subgroup	17.8	17.9	20.2	21.1
Consolidation	0.0	0.0	0.0	0.0
HHLA Group	274.8	294.2	281.4	286.4
EBITDA margin in %	24.1	24.5	24.6	24.3
EBIT				
Port Logistics subgroup	140.2	155.6	141.1	147.6
Real Estate subgroup	13.3	13.4	15.2	16.0
Consolidation	0.3	0.3	0.3	0.3
HHLA Group	153.9	169.3	156.5	164.0
EBIT margin in %	13.5	14.1	13.7	13.9
Profit after tax	80.4	90.6	95.8	105.1
Profit after tax and after non-controlling interests	54.3	58.9	66.7	73.0
Cash Flow/Investments/Depreciation and Amortisation				
Cash flow from operating activities	185.1	233.4	195.3	234.6
Cash flow from investing activities	- 106.5	- 114.5	- 130.2	- 48.9
Cash flow from financing activities	- 116.8	- 79.0	- 82.7	- 122.4
Investments	112.7	138.4	145.5	138.3
Depreciation and amortisation	120.9	124.9	124.9	122.4
Assets and Liabilities				
Non-current assets	1,284.6	1,308.1	1,305.8	1,329.0
Current assets	431.4	480.0	444.6	483.9
Equity	600.1	546.7	580.6	570.8
Equity ratio in %	35.0	30.6	33.2	31.5
Pension provisions	364.4	443.6	415.6	460.5
Other non-current assets	462.5	475.3	563.6	567.6
Current liabilities	289.0	322.5	190.6	214.0
Dynamic gearing ratio	2.6	2.6	2.7	2.6
Total assets	1,716.0	1,788.1	1,750.4	1,812.9
Employees				
Employees as of 31.12.	4,924	5,194	5,345	5,528
Performance Data				
Container throughput in million TEU	7.5	7.5	6.6	6.7
Container transport in million TEU	1.2	1.3	1.3	1.4



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