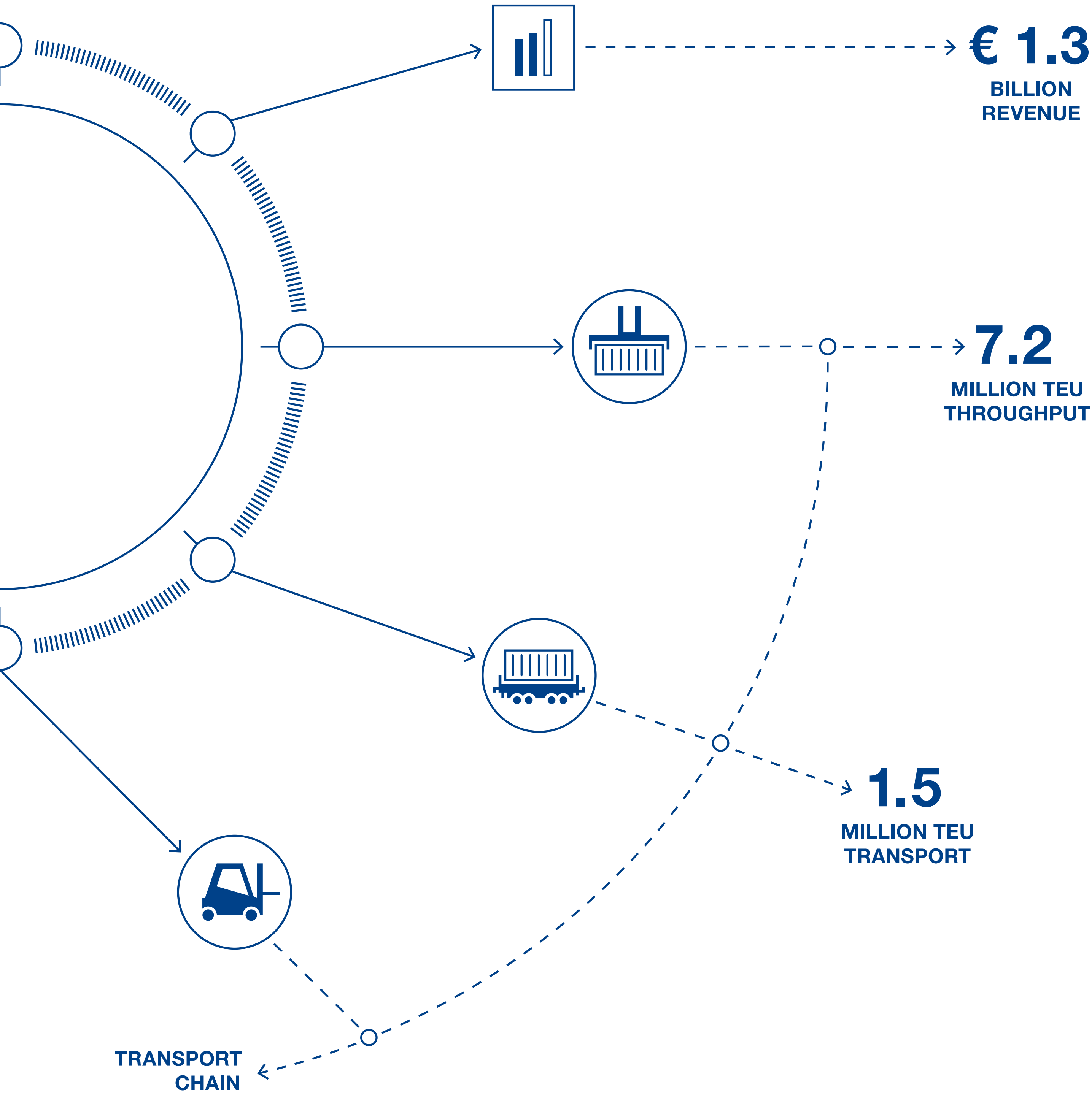
ANNUAL REPORT 2017

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT



HHLA Segments

Container

€ 746.6 million
Revenue

60 %
Share of revenue

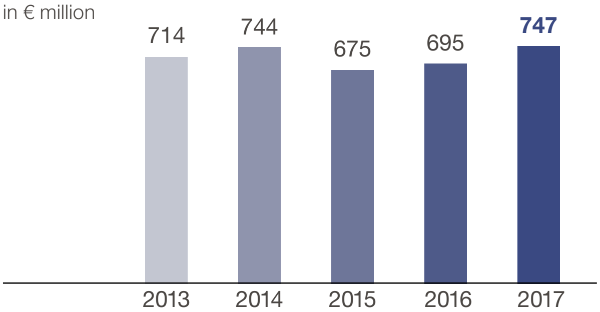
HHLA's container terminals link ships, rail networks and trucks to create an efficient transport chain. The terminals in Hamburg form the most important European hub between Asia and Central/Eastern Europe. HHLA also operates a container terminal in the Ukrainian city of Odessa.

Key Figures

in € million	2017	2016	Change
Revenue	746.6	694.6	7.5 %
EBITDA	194.7	201.5	- 3.3 %
EBITDA margin in %	26.1	29.0	- 2.9 pp
EBIT	109.4	117.8	- 7.2 %
EBIT margin in %	14.7	17.0	- 2.3 pp
Container throughput in thousand TEU	7,196	6,658	8.1 %

Revenue

in € million



Logistics

€ 50.8 million
Revenue

4 %
Share of revenue

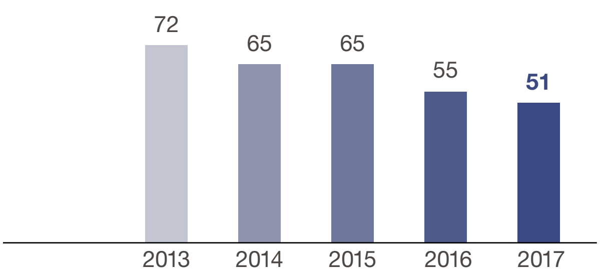
In this segment, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. HHLA also markets its expertise in infrastructure and project development internationally.

Key Figures

in € million	2017	2016	Change
Revenue	50.8	55.0	- 7.6 %
EBITDA	6.9	2.4	pos.
EBITDA margin in %	13.7	4.3	9.4 pp
EBIT	2.6	- 1.7	pos.
EBIT margin in %	5.0	- 3.1	pos.
At-equity earnings	3.9	3.7	4.8 %

Revenue

in € million



2014: IFRS amendment of the consolidation method

Intermodal

€ 414.0 million
Revenue

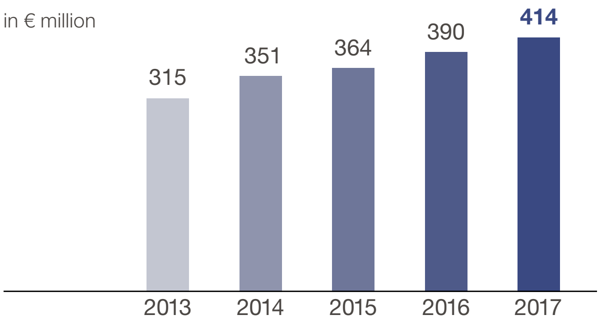
33 %
Share of revenue

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	2017	2016	Change
Revenue	414.0	390.1	6.1 %
EBITDA	95.0	79.6	19.3 %
EBITDA margin in %	22.9	20.4	2.5 pp
EBIT	69.9	55.9	25.1 %
EBIT margin in %	16.9	14.3	2.6 pp
Container transport in thousand TEU	1,480	1,408	5.2 %

Revenue
in € million



Real Estate

€ 37.9 million
Revenue

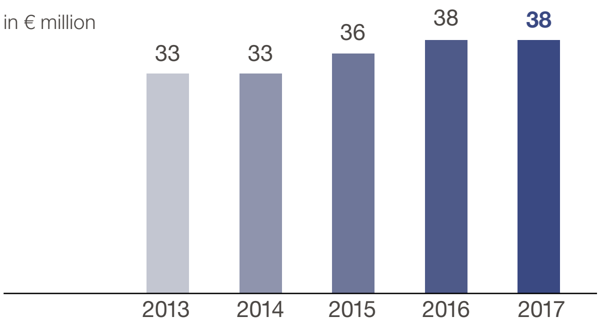
3 %
Share of revenue

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	2017	2016	Change
Revenue	37.9	37.7	0.6 %
EBITDA	21.3	21.1	0.9 %
EBITDA margin in %	56.2	56.0	0.2 pp
EBIT	16.3	16.0	1.5 %
EBIT margin in %	43.0	42.6	0.4 pp

Revenue
in € million



HHLA Key Figures

in € million	HHLA Group 2017	2016	Change
Revenue and Earnings			
Revenue	1,251.8	1,177.7	6.3 %
EBITDA	295.8	286.4	3.3 %
EBITDA margin in %	23.6	24.3	- 0.7 pp
EBIT	173.2	164.0	5.6 %
EBIT margin in %	13.8	13.9	- 0.1 pp
Profit after tax	105.9	105.1	0.8 %
Profit after tax and minority interests	81.1	73.0	11.0 %
Cash flow statement and Investments			
Cash flow from operating activities	275.5	234.6	17.4 %
Investments	142.6	138.3	3.1 %
Performance data			
Container throughput in thousand TEU	7,196	6,658	8.1 %
Container transport in thousand TEU	1,480	1,408	5.2 %

in € million	31.12.2017	31.12.2016	Change
Balance sheet			
Balance sheet total	1,835.3	1,812.9	1.2 %
Equity	602.4	570.8	5.5 %
Equity ratio in %	32.8	31.5	1.3 pp
Employees			
Number of employees	5,581	5,528	1.0 %

	Port Logistics Subgroup[1, 2]			Real Estate Subgroup[1, 3]		
in € million	2017	2016	Change	2017	2016	Change
Revenue	1,220.3	1,146.0	6.5 %	37.9	37.7	0.6 %
EBITDA	274.5	265.3	3.5 %	21.3	21.1	0.9 %
EBITDA margin in %	22.5	23.2	- 0.7 pp	56.2	56.0	0.2 pp
EBIT	156.6	147.6	6.1 %	16.3	16.0	1.5 %
EBIT margin in %	12.8	12.9	- 0.1 pp	43.0	42.6	0.4 pp
Profit after tax and minority interests	71.2	63.7	11.7 %	9.9	9.3	5.9 %
Earnings per share in €[4]	1.02	0.91	11.7 %	3.65	3.44	5.9 %
Dividend per share in €[5]	0.67	0.59	13.6 %	2.00	2.00	0.0 %

1 Before consolidation between subgroups
2 Listed Class A shares
3 Non-listed Class S shares
4 Basic and diluted
5 Dividend proposal for 2017

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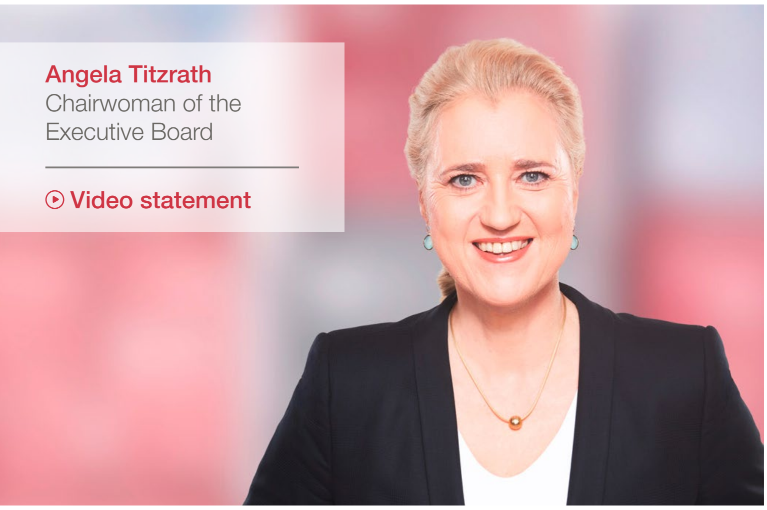
50 YEARS OF CONTAINER 50 YEARS OF KNOW-HOW

This Annual Report was published on **28 March 2018.**
http://report.hhla.de/annual-report-2017

Letter to the Shareholders



Angela Titzrath
Chairwoman of the Executive Board

Video statement

> *Cargo finds its own way. To ensure that it continues to pass through Hamburg, we constantly invest in our facilities.*

Ladies and gentlemen,

It takes an average of between five and six minutes to walk 400 metres. This gives you an idea of the scale of the ships which the container terminals operated by Hamburger Hafen und Logistik AG (HHLA) will have to deal to a greater extent. And these 400-metre-long vessels will become an increasingly frequent sight for the Port of Hamburg. In June 2017, we successfully handled our first ship of this size with a capacity of 20,000 standard containers (TEU). At present, the ships still cannot come to Hamburg fully loaded due to the depth of the river Elbe's navigation channel. However, now that the legal dispute surrounding the dredging of the navigation channel has been resolved, we expect the excavation work to begin soon. This will provide greater planning certainty for HHLA and its clients and strengthen the Port of Hamburg's competitive position. For 2018, we are therefore confident that HHLA will be able to build on its highly successful financial year 2017 – also in view of the positive forecasts for the global economy and world trade.

External conditions such as economic trends and the nautical accessibility of the port are important for HHLA's business. However, these alone are no guarantee of success. The crucial factor is how we as a company maintain and expand our market position. In the past year, we held numerous talks with our customers around the world and conducted extensive sales activities. In the wake of new syndicate structures, it was important to consolidate our existing business relationships with shipping companies. Cargo finds its own way. To ensure that it continues to pass through Hamburg, we constantly invest in our facilities. We have purchased state-of-the-art gantry cranes and storage technology to ensure we are well equipped to handle ships with capacities of more than 20,000 TEU. However, our considerations on processes and workflows are not restricted to the quayside, but comprise the entire logistical value chain. Digitisation offers us new, wide-ranging opportunities to improve our efficiency and further enhance our performance. We aspire to be the driving force behind the digital transformation of the port. HHLA embraced innovative IT solutions long before the digital age began. We have a wealth of in-house experience and expertise in this field, as the largely automated Container Terminal Altenwerder still proves 15 years after opening.

This increased emphasis on networked structures in thought and deed also applies to our hinterland activities. Our Intermodal subsidiaries Metrans and Polzug once again made a significant contribution to HHLA's earnings. In the past year, we merged Metrans and Polzug to help us successfully maintain our leading position in a highly competitive environment. By getting freight off the road and onto rail, we are making an important contribution to climate protection.

Our strong business performance also benefits you, our shareholders. At the Annual General Meeting on 12 June 2018, the Executive and Supervisory Boards of HHLA will propose a dividend of € 0.67 (previous year: € 0.59) per entitled Class A share for the listed shares in the Port Logistics subgroup and € 2.00 for the non-listed Class S shares in the Real Estate subgroup. For the 2018 financial year, we expect volumes in both container throughput and container transport to remain largely unchanged. At Group level, this means that revenue would be on par with the previous year. However, the Executive Board anticipates a significant year-on-year increase in the Group's operating result (EBIT).

Yours,

A. Titzrath

Angela Titzrath
Chairwoman of the Executive Board

The Executive Board

Angela Titzrath	Heinz Brandt	Jens Hansen	Dr. Roland Lappin
Chairwoman (CEO)	Chief Human Resources Officer (CHRO)	Chief Operating Officer (COO)	Chief Financial Officer (CFO)
Economist (MA) First appointed: 2016	Legal assessor First appointed: 2009	Fully qualified engineer and business administration manager First appointed: 2017	Fully qualified industrial engineer First appointed: 2003
Responsibility	**Responsibility**	**Responsibility**	**Responsibility**
Corporate Development Corporate Communications Sustainability Container Sales Intermodal Segment Logistics Segment	Human Resources Purchasing and Materials Management Health and Safety in the Workplace Legal and Insurance (including Compliance)	Container Operations Container Engineering Information Systems	Finance and Controlling Investor Relations Internal Audit Real Estate Segment

The Executive Board (f.l.t.r.)

Jens Hansen
Heinz Brandt
Angela Titzrath
Dr. Roland Lappin

Dear shareholders,

In the 2017 financial year, the Supervisory Board dutifully fulfilled the responsibilities entrusted to it by law, the company's 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 ensured that the firm was managed lawfully, properly and appropriately. It also constantly monitored the organisation of the company and the Group, the risk management system and the economic viability of management activities, and was satisfied that all of them were fit for purpose.

Working Relationship between the Supervisory Board and the Executive Board

The Supervisory Board was involved in all decisions of major significance for HHLA and the Group. The Executive Board provided the Supervisory Board with regular, prompt 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. All measures for which the approval of the Supervisory Board or one of its committees was required by law, the articles of association or the Executive Board's rules of procedure were submitted on time. After conducting their own examination and in-depth discussions with the Executive Board, the Supervisory Board or Supervisory Board committees approved all such measures. 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.

The Work of the Supervisory Board

The Supervisory Board held four routine meetings and two special meetings in the 2017 financial year.

At routine meetings, the Supervisory Board regularly looks at the current revenue, earnings and liquidity trend 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:

At the **special meeting on 23 February 2017** – following in-depth preparations by the Personnel Committee – the Supervisory Board discussed the appointment of Mr. Hansen as Dr. Behn's successor and appointed Mr. Hansen to the Executive Board for an initial period of three years with effect as of 1 April 2017.

The **financial statements meeting held on 24 March 2017** focused 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, the Supervisory Board report as well as the reports on transactions with related parties and on the relationship between the A and S divisions for the 2016 financial year. Representatives of the auditors were present at the meeting. They reported on the main results of their audit and were available to answer questions. In addition to this, the Supervisory Board discussed HHLA's strategy and the Container segment's operating environment in depth at this meeting. Other topics covered at the meeting were the responsibilities within the Executive Board and the agenda for the Annual General Meeting 2017, including the Executive Board's proposal on the appropriation of profit, the candidates proposed for the Supervisory Board re-elections and the Audit Committee's recommendation for the election of the auditor for the 2017 financial year.

At the second routine **meeting on 16 June 2017**, the Supervisory Board primarily dealt with measures to streamline internal organisation and the restructuring of the Polzug Group – in particular the acquisition of key Polzug Group activities by the Metrans Group – and approved the restructuring following an extensive discussion.

The second **special meeting on 21 June 2017**, which followed the Annual General Meeting, served to constitute the newly formed Supervisory Board.

At its **meeting on 29 September 2017**, the Supervisory Board examined two investment proposals – in particular the acquisition of additional locomotives by the Metrans Group – and approved these proposals. We also looked at the new requirements pertaining to corporate governance, annual reporting and auditing at this meeting. After this meeting, a training session on various legal issues was held for the Supervisory Board due to the re-elections.

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board

Finally, at our **meeting on 18 December 2017**, we looked closely at the position and strategic alignment of the company and the Group, the budget for 2018 and the medium-term planning for 2019 to 2022, each in relation to the Group and the Port Logistics and Real Estate subgroups, along with the findings of the risk and opportunity inventory. At this meeting, we further approved an investment in an accelerator programme in the logistics sector and the granting of a guarantee in connection with the restructuring of the Polzug Group. In addition, we once again examined the new requirements in relation to annual reporting and auditing, especially the non-financial reporting obligation introduced with Sections 289b et seqq. and Section 315b et seq. of the German Commercial Code (HGB). To increase the frequency with which our reports are examined, we resolved to have the combined non-financial report for HHLA and the Group checked by an external auditor with in-depth knowledge of the subject based on their auditing work. This is also standard market practice. Finally, we aligned the Supervisory Board's rules of procedure with the new legal requirements and recommendations of the German Corporate Governance Code and approved both a role specification for the Supervisory Board and a diversity concept for the Executive Board.

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 – the members of the Executive Board as well. The average attendance at the meetings of the Supervisory Board and its committees in the reporting period was approximately 89 %. With the exception of Ms. Petersen and Ms. Schwiegershausen-Güth, who have only held Supervisory Board seats since the re-elections in June 2017, no member of the Supervisory Board attended half or fewer of the meetings of the Supervisory Board and the committees to which they belong. No conflicts of interest regarding members of the Executive Board or the Supervisory Board arose in the reporting period. The Supervisory Board does not include any former members 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. Following any committee work, the chairs report to the Supervisory Board about the committees' activities. 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 143

The **Finance Committee** and the **Audit Committee** each held four meetings in the 2017 financial year, convening in March, June, September and December 2017.

At its meetings, the **Finance Committee** regularly looks at the Group's financial results as well as its general financial and earnings position. During the reporting period, the Finance Committee also examined various investments, in particular the acquisition of additional locomotives by the Metrans Group, investments in two accelerator programmes and the granting of two guarantees by HHLA in connection with expansion projects, subsidised measures and the restructuring of the Polzug Group. Finally, the December meeting focused on a detailed preliminary review of the budget for 2018 and the medium-term planning for 2019 to 2022.

The **Audit Committee's** work regularly focuses on overseeing accounting, the accounting process and the audit. This includes monitoring the effectiveness of the audit, the internal control system, the risk management system, the internal audit system and compliance, along with the compliance management system. Furthermore, the Audit Committee oversees the choice of the auditing firm and its qualifications, efficiency and independence in addition to the reliability of any additional services provided by the auditor (non-audit services). To assist with this, the Audit Committee has adopted a catalogue listing approved non-audit services by type and scope. Other key issues at the various meetings during the reporting period included a detailed discussion and examination of HHLA's Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the 2016 financial year (March meeting). This was followed by an in-depth consideration of the six-monthly financial report for 2017 and its review (August meeting). At both meetings, representatives of the auditors 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 various new requirements relating to annual reporting and auditing. 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 2017 financial year, the findings of the 2017 risk and opportunity inventory, the planning of the 2018 audit, preparing the declaration of compliance with the German Corporate Governance Code and the Annual Report by the Compliance Officer.

In addition to the respective committee members, the meetings of both the Finance Committee and the Audit Committee are regularly attended by the Chairwoman of the Executive Board and the Chief Financial Officer. HHLA's Compliance Officer also regularly attends the meetings of the Audit Committee, where he speaks about his role, 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** held two meetings in the reporting period. It focused on the general development of business, along with 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 2016 financial year (March meeting), each in relation to the Real Estate subgroup (S division). The committee also dealt with the budget for 2018, the medium-term planning for 2019 to 2022 and approving the conclusion of various lease agreements (December meeting).

The **Nomination Committee** convened twice in the 2017 financial year to prepare election proposals for the Supervisory Board relating to the selection of shareholder representatives at the scheduled Supervisory Board re-elections during the Annual General Meeting on 21 June 2017. When searching for and selecting suitable candidates, the Supervisory Board took into account the requirements of the German Stock Corporation Act, the German Corporate Governance Code, the Supervisory Board's rules of procedure and the targets agreed by the Supervisory Board regarding its make-up.

The **Personnel Committee** met a total of seven times in the 2017 financial year. These meetings focused on preparing personnel decisions to be taken by the Supervisory Board, namely the selection of a successor for Dr. Behn, who left the Executive Board with effect as of 31 March 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 prepared together with the Executive Board at the **Audit Committee meeting on 12 December 2017** and adopted by the Supervisory Board at its **meeting on 18 December 2017**. The current declaration and the declarations of compliance relating to previous years can be viewed by the public on HHLA's website at ▶ www.hhla.de/corporategovernance at any time. In addition to this, the current declaration of compliance and further information about corporate governance can be found in the Corporate Governance section of the Management Report. ▶ see also Corporate Governance, page 46

Audit of Financial Statements

The Annual General Meeting on 21 June 2017 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, to conduct the audit of the Individual and Consolidated Financial Statements for the 2017 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 2017 financial year. In line with the legal requirements and the recommendations of the German Corporate Governance Code – especially those relating to the auditors' independence – the Audit Committee then negotiated the audit assignment, defined the focus areas of the audit and awarded the contract. For the first time, the audit complied with the requirements of the EU Audit Regulation (Regulation [EU] No. 537/2014 of the European Parliament and of the Council of 16 April 2014), the amended Audit Directive (Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014) and the accompanying implementation rules.

The auditors carried out an audit of HHLA's Annual Financial Statements for the 2017 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 2017 financial year including the subgroup financial statements for the A and S divisions in accordance with the International Financial Reporting Standards (IFRS) that apply in the European Union and the additional requirements of German commercial law pursuant to Section 315e HGB, and the Combined Management Report for HHLA and the Group for the 2017 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 2017 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 2017 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."

Finally, the auditors reviewed the combined non-financial report in line with Section 289b et seqq. and Section 315b et seq. of the German Commercial Code (HGB) and reported their findings to the Supervisory Board. The audit did not lead to any reservations.

Each of the above-mentioned financial statements and reports along with the corresponding audit reports was distributed to all members of the Supervisory Board as soon as it had been compiled and checked. The documents were subsequently explained by the Executive Board at the relevant meetings of the Audit and Real Estate Committees on 19 March 2018 and at the Supervisory Board's financial statements meeting held on 23 March 2018 before being 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 scope, focal points and key findings of the audit and were available to answer questions. The representatives of the auditors paid particular attention to the key audit matters described in the certificate along with the audit procedures used and the conclusions regarding the accounting-related internal control and risk management system. Finally, the auditors also reported on the nature and extent of the other services they had provided.

As part of the preliminary review, the Audit and Real Estate Committees closely examined the course of the audit, the auditors' reports, the findings and – in particular – the key audit matters described in the certificate. Once they had completed their examination, they recommended that the Supervisory Board as a whole approve the financial statements and reports. Following a detailed plenary examination of the auditors' reports and findings and the findings of the committees' preliminary review, and based on our own review, we approved the findings of the audit. Following our review, we had no 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 2017 financial year. Accordingly, we approved the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report at our **meeting on 23 March 2018**. HHLA's Annual Financial Statements for the 2017 financial year have therefore been adopted. Following our review, we also had no objections to make to the Executive Board's statements on related parties and on the relationship between the A and S divisions. Finally, following our review, we had no objections to make to the combined non-financial report for the 2017 financial year.

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 19 March 2018 and at the Supervisory Board's meeting on 23 March 2018. Following our own review, which paid particularly close attention to earning trends, financial planning and shareholders' interests, we endorsed the Executive Board's proposal for appropriation of the distributable profit. Together with the Executive Board, the Supervisory Board will propose to the Annual General Meeting that a dividend of € 0.67 per dividend-entitled Class A share and € 2.00 per dividend-entitled Class S share be distributed from distributable profit for the 2017 financial year.

Personnel Changes

Dr. Behn left the Executive Board with effect as of 31 March 2017. Following preparations by the Personnel Committee, the Supervisory Board appointed Mr. Jens Hansen to the Executive Board as Chief Operating Officer to succeed Dr. Behn for an initial period of three years as of 1 April 2017.

Scheduled Supervisory Board re-elections were held in the year under review. At the re-elections of shareholder representatives by the Annual General Meeting on 21 June 2017, existing members Petra Bödeker-Schoemann, Dr. Rolf Bösinger, Dr. Norbert Kloppenburg and Dr. Sibylle Roggencamp were elected for a further term of office. Prof. Dr. Peer Witten and Dr. Bernd Egert left the Supervisory Board when their terms of office ended on 21 June 2017. The Annual General Meeting elected Prof. Dr. Rüdiger Grube and Michael Westhagemann to the Supervisory Board in their place. At its constitutive meeting, the Supervisory Board subsequently appointed Prof. Dr. Rüdiger Grube as Chairman of the Supervisory Board and Berthold Bose as Vice Chairman. Following the re-elections, 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 143 The Supervisory Board would like to thank Prof. Dr. Witten and Dr. Egert for their good work and dedication to the Supervisory Board.

Finally, on behalf of the Supervisory Board, I would like to thank the members of the Executive Board and all Group employees for their hard work in the 2017 financial year, and our shareholders and business partners for the trust they have placed in us.

Hamburg, 23 March 2018

The Supervisory Board

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board

Members of the Supervisory Board

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board
Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg

Berthold Bose
Vice Chairman
Head of ver.di Hamburg

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

Dr. Rolf Bösinger
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Dr. Norbert Kloppenburg
International investments and financing consultant

Thomas Lütje
Director of Sales at HHLA

Thomas Mendrzik
Chairman of the works council of CTA

Norbert Paulsen
Chairman of the joint works council of HHLA

Sonja Petersen
Clerical employee at CTB

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

Maya Schwiegershausen-Güth
Trade union secretary, ver.di

Michael Westhagemann
Management consultant for innovation and technology

▶ For current and former members, as well as members of the committees during the reporting period, see also Note 49 in the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 143

The HHLA Share

Key Figures HHLA Share

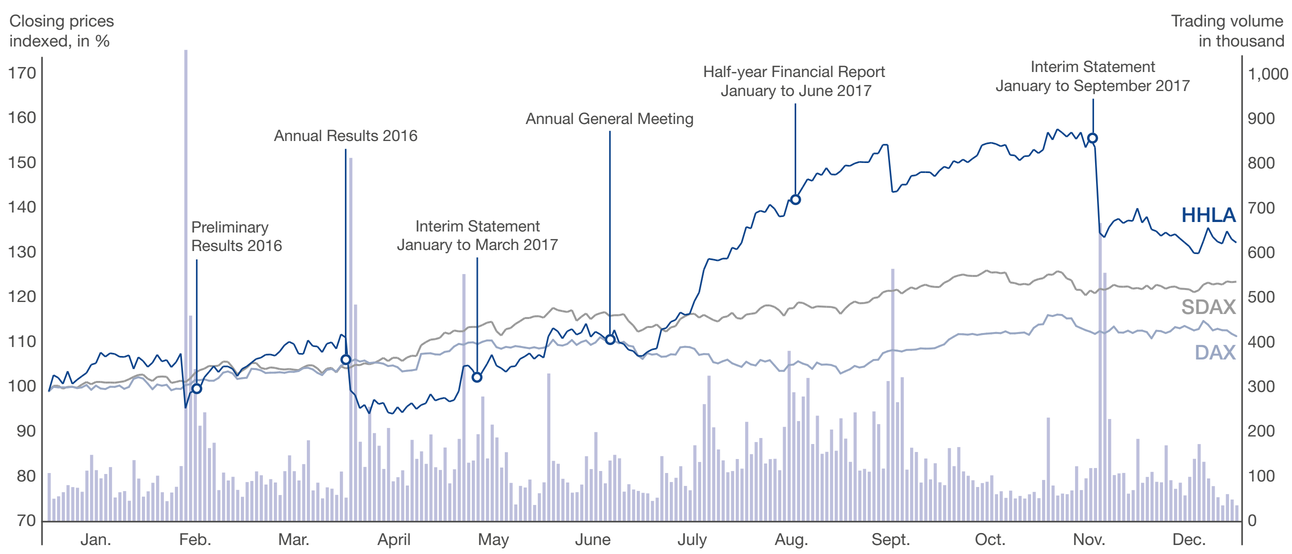
in €, Class A shares, Xetra	2017	2016
Closing price	23.67	17.70
Performance in %	33.7	25.9
Highest price	28.23	17.88
Lowest price	16.80	11.95
Average daily trading volume	117,313	43,143
Dividend per Class A share[1]	0.67	0.59
Dividend yield as of 31.12. in %	2.8	3.3
Number of listed Class A shares in thousand	70,048.8	70,048.8
Market capitalisation as of 31.12. in € million	1,658.1	1,239.9
Price-earnings-ratio as of 31.12.	23.2	19.5
Earnings per share	1.02	0.91

1 *Dividend proposal for 2017*

Stock Markets Up in 2017 with Strong Year-End

Germany's leading index put in a strong performance over the course of the year. Driven by the positive economic trend, the DAX achieved significant growth in 2017 against a backdrop of low interest rates. At the beginning of the year, the leading indices continued the upward trend of late 2016 and got off to a strong start. In the first quarter, share prices were particularly affected by changing expectations for the US economy, which fluctuated between optimism and political concern. However, the leading indices were kept on track by strong economic data, a weak euro and healthy earnings reported by German companies. As a result, the DAX closed the quarter just short of its all-time high. The markets were sluggish in April. Only after Macron's victory in the French elections did the DAX start a record recovery, briefly interrupted by the Russia scandal in mid-May with alleged contact between US President Trump and the Russian government. This resulted in a brief consolidation phase in the second half of May. Nevertheless, the DAX began to approach the 13,000 mark in mid-June. This upswing was tempered, however, by falling oil prices. Further gains for the leading indices were also prevented by speculation about a possible tightening of monetary policy by the European Central Bank. In the subsequent summer months, the strong euro remained a burden on the benchmark indices. The escalating conflict between the USA and North Korea in late August unsettled the capital markets further. It took until the beginning of the fourth quarter for the DAX to break out of its sideways trend and record modest growth again. The general election in Germany on 24 September had little impact on market sentiment. It was not until the European Central Bank announced plans to reduce its monthly bond purchases in late October that the DAX gained further momentum. As a result, Germany's leading index reached its all-time high of 13,479 points on 3 November. However, the DAX was unable to establish itself permanently above the 13,000 mark and remained volatile around this level. Germany's stock markets were only briefly impacted by the failure to form a new government and the announcement of US tax reforms. The DAX was thus ultimately unable to maintain 13,000 points and closed the year at 12,918. This corresponds to a year-on-year increase of 12.5 % – a strong performance that was doubled by the SDAX, which grew by 24.9 % in the course of the year. The small cap index finished at 11,887 points.

Share Price Development 2017



Source: Datastream

HHLA Share Price Rises by Approximately 34 %

The HHLA share got off to a very strong start in 2017 and was able to outperform the leading indices until 9 February, when the Federal Administrative Court announced its decision regarding dredging of the river Elbe. Following the announcement, the share price dropped by 15 % for a period as a number of strongly differing interpretations circulated on the market. Once the verdict had been clarified – a decision in favour of dredging the river under certain conditions – the share rallied and finished the quarter just under the € 20 mark. After the figures for 2016 were published on 30 March, including guidance for the 2017 financial year, the share price dropped by more than 10 % in one day. Considering the positive results achieved in 2016, the capital markets had expected a more bullish forecast and were therefore hesitant. In April, the share stabilised around € 17 and remained in line with the markets. It picked up in early May with the improved outlook for volume and earnings in the Container segment for 2017, following successful negotiations with the shipping companies. Buoyed by the positive results of the first quarter, published in the Interim Statement on 12 May, the share price gathered momentum and passed the € 20 mark for the first time in early June. Following the dividend payment adopted by the Annual General Meeting on 21 June 2017, the share traded at a corresponding discount. At the end of the first half-year, positive throughput data from Asia and technical indicators in chart analyses strengthened the share's dynamic upward trend. The positive guidance update for 2017 published with the first-half results in mid-August lifted the share price above the € 25 mark, where it remained. The share had last traded at this price in March 2012. In the second half of August, various analysts raised their upside targets and helped fuel market demand. However, a sell recommendation in mid-September led to a noticeable fall in the share price. By the beginning of October, however, it had recovered again and stabilised at around € 27. In the run-up to the publication of the nine-month results on 14 November, the share price picked up again and passed the € 28 mark in early November. HHLA confirmed its guidance for the financial year. The sell recommendation of one financial analyst on 16 November led to profit-taking by numerous investors and prompted a 10 % decline. The share price subsequently stabilised at around € 24. In view of the outstanding hearings for appeals against the dredging of the river Elbe, the capital market remained cautious. Once the Federal Administrative Court had dismissed the last appeals against the dredging of the river Elbe on 18 December, the HHLA share soared to a month-high of € 24.27. It closed the year at € 23.67. Over the year as a whole therefore, the HHLA share price was up by 33.7 % in total.

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

Shareholder Base Still Widely Spread

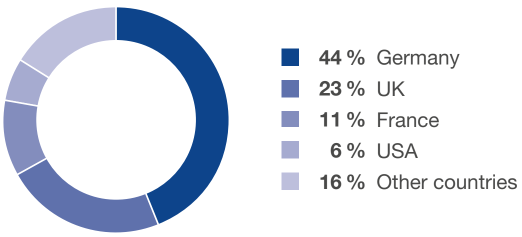
HHLA's shareholder base remained largely stable in 2017. In terms of the listed Class A shares, the Free and Hanseatic City of Hamburg remained the company's largest shareholder with an unchanged stake of 68.4 %. The free float portion amounted to 31.6 %. According to the voting rights notifications submitted to HHLA as of the end of 2017, no single investor held more than 3 % of the remaining free float shares at this time. In the course of the year, the US investor First Eagle Investment Management fell below the 5 % reporting threshold in mid-August and below the 3 % reporting threshold in October. Among daily traded shares, ownership shifted slightly in favour of institutional investors. They continued to hold the majority of free floating shares at year-end, accounting for 22.9 % of all shares (previous year: 22.2 %). Meanwhile, 8.0 % of share capital was held by private investors (previous year: 8.7 %). Overall, HHLA's share capital remained widely distributed among some 26,000 registered shareholders. In regional terms, the largest free float shareholders were based primarily in Germany, the USA, the UK and 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 2017, 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 as well as the "Börsentag Hamburg" stock exchange event. These initiatives were supplemented by roadshows in major European

Coverage of IR Activities

Contact with Investors by Region in 2017



cities. Investors were also invited to a large number of meetings at the company's headquarters in Hamburg. There was considerable interest in the opportunities offered for discussion. Furthermore, the Executive Board provided details on business developments during quarterly conference calls. For the first time, the Executive Board invited financial analysts to a capital market day at the hinterland terminal in Prague in mid-November to report in depth on developments in the Intermodal segment.

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 team also responds to issues of particular relevance to investors. In the 2017 financial year, HHLA's investors showed a keen interest in the verdict on the dredging of the river Elbe and the current status of the supplementary planning order. 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. Volumes at Hamburg Süd following its takeover by the shipping company Maersk also proved to be a key topic for the capital market in the second half of the year.

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.

HHLA Share Still of Interest for Analysts

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.

As in the previous year, a total of 17 financial analysts covered HHLA's business development and issued reports and recommendations concerning the share. This means that the HHLA share has above-average coverage for an SDAX company. More than half of the analysts recommend buying or holding the share. They particularly emphasise the successful Intermodal business and growth potential resulting from the forthcoming dredging of the navigation channel. Meanwhile, following the share's strong performance in the past year, analysts with sell recommendations primarily highlight the risks arising from the as yet uncompleted dredging of the river Elbe, limited cost flexibility and increasingly fierce competition among the North Range ports.

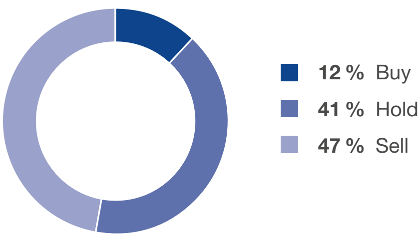
Higher Dividend Proposal

The tenth Annual General Meeting since HHLA's initial public offering was held in Hamburg on 21 June 2017. Around 850 shareholders or 83 % of the nominal capital were represented (previous year: 84 %). 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 thus distributed dividends totalling € 41.3 million, as in the previous year. This corresponded to a payout ratio of approximately 65 % of the Port Logistics subgroup's net profit after minority interests for the year. The dividends were paid out to the shareholders on 26 June 2017. Based on its closing price of € 22.99 on the day of the Annual General Meeting, the HHLA share achieved a dividend yield of 2.6 %, putting it in the top 15 of the SDAX.

On the basis of the earnings achieved in 2017, the Executive Board and Supervisory Board will propose a dividend of € 0.67 per Class A share at the Annual General Meeting to be held on 12 June 2018. A total of € 46.9 million would therefore be distributed (previous year: € 41.3 million). In an external comparison, the payout ratio would remain high at 66 %. 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.

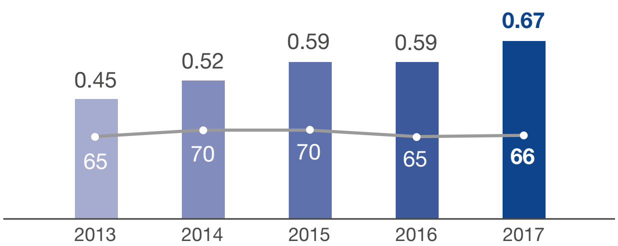
Recommendations by Financial Analysts

as of 31.12.2017



Development of Dividend and Payout Ratio

per Listed Class A Share in € / Payout Ratio in %



2017: 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

HHLA

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			**Real Estate** Subgroup Non-listed Class S shares
Container Segment	**Intermodal** Segment	**Logistics** Segment	**Real Estate** Segment
Container handling Container transfer between modes of transport (ship, rail, truck) Container-related services (e.g. storage, maintenance, repair)	Container transport via rail and truck in the ports' hinterland Loading and unloading of carriers Operation of inland terminals	Specialist handling of bulk cargo, general cargo, vehicles, fruit, etc. Consulting and training	Management of real estate in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona Development Tenancy Facility management

Shareholder Structure

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

of which 70,048,834 Class A shares – listed –		of which 2,704,500 Class S shares – non-listed –
31.6 %	68.4 %	100 %
Free float 22,128,334 Class A shares	**Free and Hanseatic City of Hamburg** Shareholding: 47,920,500 Class A shares + 2,704,500 Class S shares	

Group Structure

Hamburger Hafen und Logistik AG (HHLA) is one of Europe's leading port 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 28 domestic and 14 foreign subsidiaries and associated firms that make up the consolidated group. ▶ see also Note 3 of the Notes to the Consolidated Financial Statements, page 81 No significant legal or organisational changes were made to the company structure in the 2017 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 2017 financial year, the Executive Board of HHLA comprised four members, whose areas of responsibility are defined by their specific tasks and operating segments.

The HHLA Executive Board 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. Jens Jansen was appointed to HHLA's Executive Board with effect from 1 April 2017. He succeeds Dr. Stefan Behn, who left the Executive Board as of 31 March 2017.

The Supervisory Board of HHLA has twelve members in all, with six representing the shareholders and six representing the employees. ▶ see also Note 49 of the Notes to the Consolidated Financial Statements, page 143

Business Activities

As an integrated handling, transport and logistics provider, the **Port Logistics subgroup** offers services throughout 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. Its activities consist primarily of handling container ships (loading and discharging 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

Angela Titzrath Chairwoman	**Heinz Brandt** Chief Human Resources Officer	**Jens Hansen**[1] Chief Operating Officer	**Dr. Roland Lappin** Chief Financial Officer
Responsibility	Responsibility	Responsibility	Responsibility
Corporate Development Corporate Communications Sustainability Container Sales Intermodal Segment Logistics Segment	Human Resources Purchasing and Materials Management Health and Safety in the Workplace Legal and Insurance (including Compliance)	Container Operations Container Engineering Information Systems	Finance and Controlling Investor Relations Internal Audit Real Estate Segment

1 Member of the Executive Board since 1 April 2017

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. HHLA's rail companies 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 is a UNESCO World Heritage Site. In this central location, HHLA offers some 300,000 m^2 of commercial space. Other prime properties totalling approximately 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 34.

Market Position

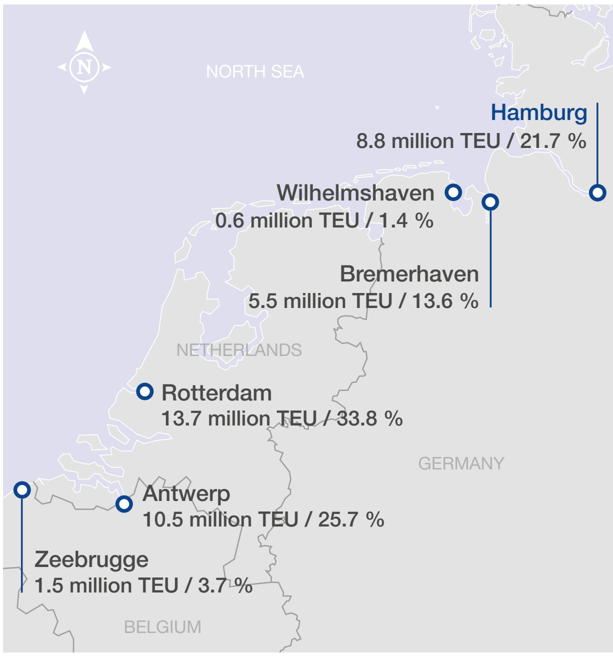
With its listed core business Port Logistics, HHLA operates on the European market for sea freight services. This market offers long-term growth prospects as a number of key Central European countries strengthened their competitiveness after the debt crisis, thereby paving the way for a further increase in foreign trade and consumer spending. Eastern Europe also offers growth potential and stable forecasts. Whether these positive trends materialise depends on the resolution of regional conflicts and the development of fuel and energy prices.

The relevant economic indicators suggest that the European Union can expect a steady increase in gross domestic product. Due to the persistently high debt rate, however, stronger growth is only expected in the medium and long term. In the short term, external factors and unresolved structural problems will impact containerised trade and transport volumes.

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 directly at ports such as Gdansk or Gothenburg has also estab-

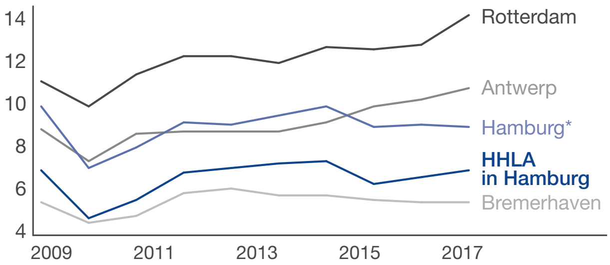
Throughput at the North Range Ports

Volumes and market shares, 2017



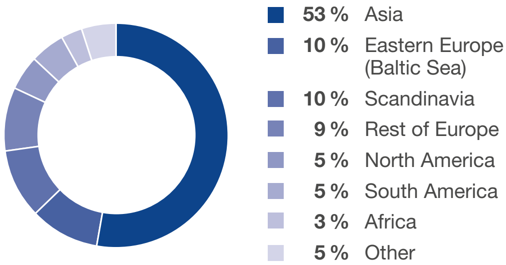
Source: Port Authorities / own calculation (market share)

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, 2017



Source: Hamburg Hafen Marketing e.V.

lished itself, however, and is increasingly competing with this network system. Adriatic ports, such as Koper, and the Polish ports have also improved their infrastructure and are competing with the Port of Hamburg for freight in the hinterland.

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 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).

Apart from a change in the ownership structure at the remaining terminal in Zeebrugge, there were no changes at the rival ports in 2017. Competition remains extremely fierce and the ports are increasingly dependent on changing shipping company constellations. The resulting shift towards 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 8.8 million TEU, Hamburg ranked 18th among the world's ports in 2017 and is thus the third-largest European container port after Rotterdam and Antwerp.

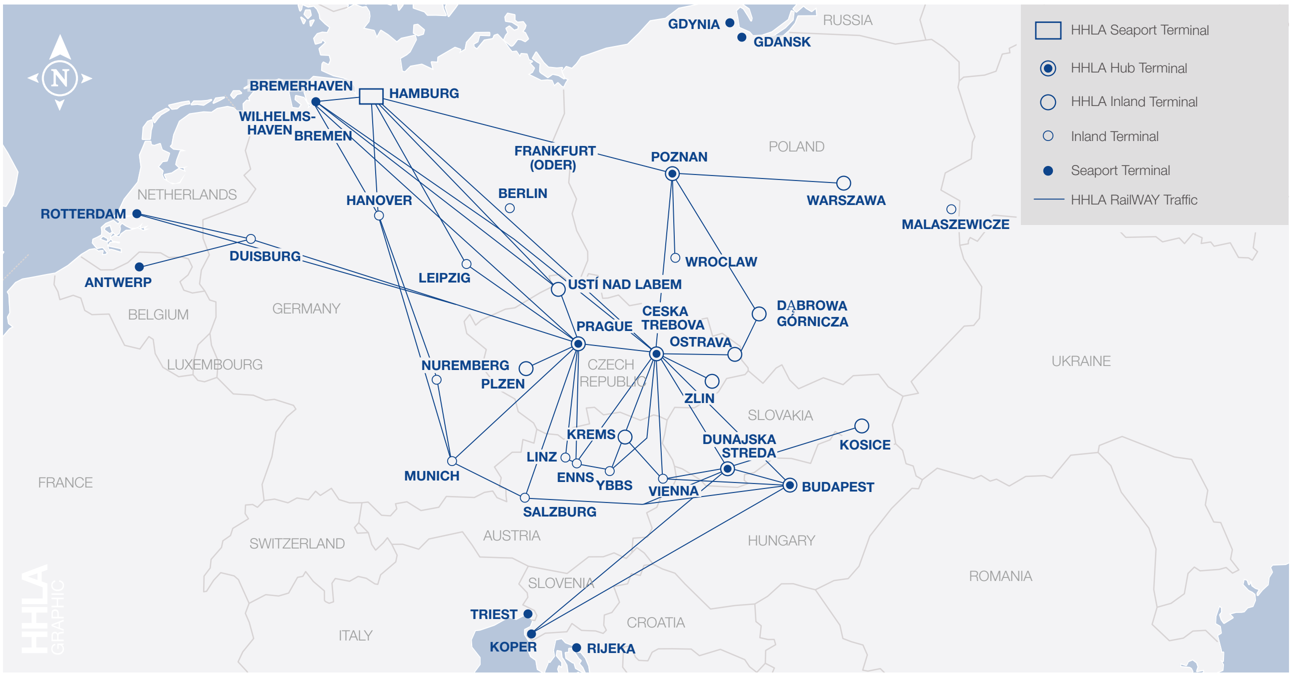
In Hamburg, HHLA expanded its position as the largest container handling firm with a throughput volume of 6.9 million TEU in 2017. The HHLA container terminals significantly increased their market share for handling at the Port of Hamburg to approximately 78 % (previous year: 73 %). Asia, Eastern Europe and Scandinavia were 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 2.3 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 approximately 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 handling of its landmarked buildings with world heritage status. The properties compete with German and international investors marketing high-quality properties in comparable locations.

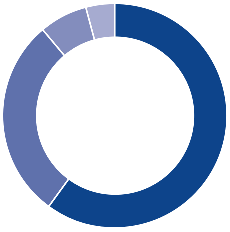
Customer Structure and Sales

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 again in 2017. Hapag-Lloyd completed its purchase of the Middle Eastern UASC in May. However, most of the effects of this deal will only be felt in the course of 2018. The takeover of the Hamburg-based shipping company Hamburg Süd by Denmark's Maersk Line, already announced in December 2016, was finalised in late 2017. In addition, the planned purchase of OOCL by the Chinese line COSCO Shipping is currently being examined by the anti-trust authorities. The merger of three Japanese shipping companies – NYK Line,

Revenue Distribution Split by Customers

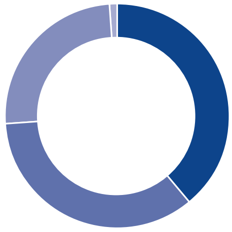
in the Container segment at the main hub of Hamburg in 2017



- **60 %** Top 1–5
- **29 %** Top 6–10
- **7 %** Top 11–15
- **4 %** Other

Capacity Breakdown by Shipping Line Alliances

on Far East–Europe services as of 31 December 2017



- **39 %** 2M + HHM
- **35 %** Ocean Alliance
- **25 %** THE Alliance
- **1 %** Others

Source: Alphaliner Monthly Monitor, January 2018

MOL and K Line – to create Ocean Network Express (ONE for short) was approved by the anti-trust authorities. The new company is due to start operating in April 2018. In the reporting year, HHLA's customer base included all of the world's top 15 container shipping companies. 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 36

Mergers in container shipping have reduced the number of large shipping line alliances from four to three.

Top 15 Shipping Companies

by carrying capacity as of 31 December 2017

Shipping company	Alliance 2017	in thousand TEU
1. APM-Maersk	2M	4,152
2. MSC	2M	3,148
3. CMA CGM Group	Ocean Alliance	2,514
4. COSCO Shipping	Ocean Alliance	1,801
5. Hapag-Lloyd (incl. UASC)	THE Alliance	1,548
6. Evergreen	Ocean Alliance	1,060
7. OOCL	Ocean Alliance	689
8. Yang Ming	THE Alliance	595
9. MOL	THE Alliance	584
10. NYK Line	THE Alliance	558
11. PIL	–	385
12. Zim	–	366
13. Hyundai M.M.	2M - associated	347
14. K Line	THE Alliance	341
15. Wan Hai	–	236

Source: Alphaliner Monthly Monitor, January 2018

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.

The share of revenue attributable to HHLA's five most important customers in the Container segment rose again in the 2017 financial year, taking it to 60 % (previous year: 57 %). The ten most important customers accounted for 89 % of revenue (previous year: 82 %) generated by HHLA's container terminals in Hamburg – up markedly on the previous year's figure due to the wave of consolidation. Meanwhile, the figure for the 15 most important customers edged up to 96 % (previous year: 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) which formulates the structural framework for the reliable development of commercial activity in the Hamburg port area. HafenEG's objectives are to maintain the Port of Hamburg's competitiveness as an international all-purpose port, to safeguard freight volumes and to use the public infrastructure as efficiently as possible. To this end, the Port of Hamburg employs a "landlord model", by which the Hamburg Port Authority (HPA) owns the port area and is responsible for building, developing and maintaining the infrastructure, while the privately owned port operators are responsible for the development and maintenance of the suprastructure (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. In the area of the Port of Hamburg, the aforementioned international provisions are implemented and specified by 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. In the 2017 financial year, significant legislative projects for HHLA at a European level included the passing of the 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 by means of the amended General Block Exemption Regulation (Allgemeine Gruppenfreistellungsverordnung – AGVO). At a national level, significant legislative projects included the revision of the Regulation on Installations for the Handling of Substances Hazardous to Water (Verordnung über Anlagen zum Umgang mit wassergefährdenden Stoffen – VAwS). In the 2017 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 taking a leading position as a port logistics provider and thus achieving sustainable growth in its enterprise value. With its business model of vertical integration throughout 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. Hamburg's role as a logistics hub plays a key role here. Sustainable business practices form an integral part of the corporate strategy.

HHLA's Executive Board initiated a business development process at the beginning of 2017 with the aim of strengthening HHLA's future viability and dynamism over the long term. The necessary changes are linked across all segments and underpinned by a series of measures. The defined objectives are pursued systematically.

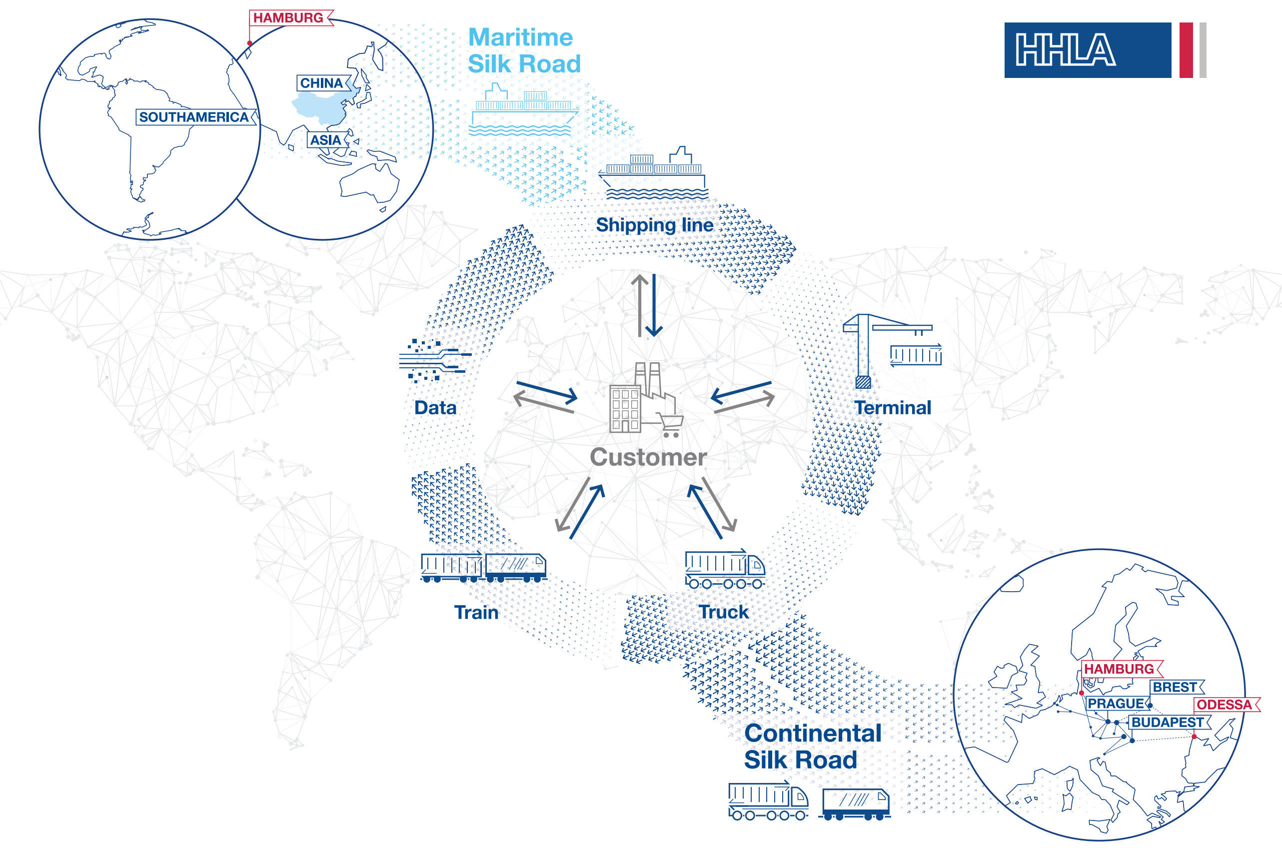
The permanent nature of the process enables the company to react swiftly and in a targeted manner to the increasing pace of change. It focuses on paying close attention to relevant market trends, safeguarding efficiency and forging links within the company, with customers and partners, and also with the forwarding industry and trade, while ensuring that all corporate activities are agile, flexible and effective.

Logistical and Digitally Innovative Hub on the Silk Road

With its prime objective of making HHLA a logistical and digitally innovative hub on the emerging "New Silk Road", the business development process is focusing on the following navigation milestone: HHLA comes from Hamburg and is at home in Europe. As a gateway to the future, it offers its customers the best way to transport their goods safely, quickly and efficiently.

HHLA's Service Network

HHLA connects its customers with the maritime and continental Silk Road:



Corporate Strategy

Sustainably increasing enterprise value at HHLA

Meet the Challenges of Tomorrow

HHLA is developing its existing core business for the challenges of tomorrow.

Exploiting Additional Growth Areas

HHLA is focusing on profitable growth areas of tomorrow.

Organisation and Corporate Culture

HHLA is aligning its organisation and corporate culture for tomorrow.

Investments and Finance

HHLA is aligning its investments and operating results for sustained and profitable growth of tomorrow.

Four initiatives have been identified to achieve this objective:

- **Fit for tomorrow's world**: Our core business is being strengthened to enable sustainable, profitable trading in tomorrow's world. A corresponding programme for the future is being implemented. This programme aims to enhance competitiveness, quality and profitability.
- **Tapping new growth areas**: HHLA is tapping growth potential along the transport flows of the future, along the logistics value chain and in new, digital business models.
- **Organisation and corporate culture**: The company organisation and culture are being aligned with tomorrow's world. The client is being placed more than ever at the centre of all activity.
- **Investments and finance**: The company will continue to gear its investments and operating results towards sustainable, profitable growth.

The core of our business is dominated by the subgroups Real Estate and Port Logistics.

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 is currently pursuing the following guidelines for the **listed Port Logistics subgroup**:

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. 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.

HHLA plans to continuously improve the services it provides by expanding intermodal transport between the international port and the hinterland. Besides enhancing the scope and range of its services, HHLA also focuses on increasing its vertical integration.

HHLA therefore intends to further expand the market position of its Intermodal subsidiaries. Investments here will concentrate on inland terminals and connecting them to international ports via direct links. By acquiring its own rolling stock (container wagons) and expanding its own traction fleet (locomotives), the company is gradually increasing vertical integration so that it can largely operate independently on the market. HHLA is accompanying these measures by expanding its trucking services.

In addition to purely organic growth, HHLA is examining opportunities for acquisitions. Potential acquisitions and equity investments focus on port projects and shareholdings in attractive growth markets. HHLA's interest is based on the economies of scope offered by the existing network and the opportunities it presents to tap additional potential.

Corporate and Value Management

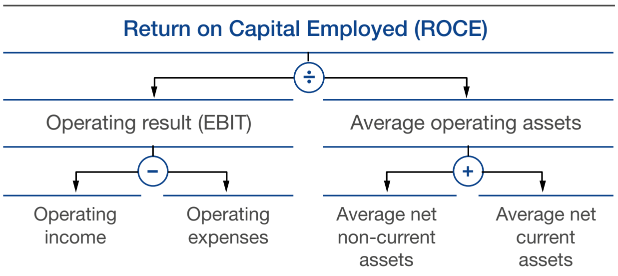
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2017 financial year.

Financial Performance Indicators

The key performance measures for operations used by the HHLA Group are the operating result (EBIT) and the average operating assets (capital employed). EBIT and capital expenditure as key drivers of capital employed are the main intra-year and short-term performance measures. Return on capital employed (ROCE) is calculated for the measurement of long-term, value-oriented 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 2017 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 succeeded in increasing its operating result (EBIT) significantly in the 2017 financial year. EBIT rose by 5.6 % year-on-year to € 173.2 million (previous year: € 164.0 million). ▶ see also Group Performance, page 37 With average operating assets virtually unchanged at € 1,321.2 million (previous year: € 1,317.6 million), the return on capital employed was up 0.7 percentage points on the prior-year figure of 13.1 %. The minimum ROCE of 8.5 % was therefore comfortably exceeded again – by 4.6 percentage points – in the 2017 financial year. The HHLA Group generated a positive value added of € 60.9 million in the reporting period (previous year: € 52.0 million).

Key Figures Value Added

in € million	2017	2016	Change
Operating income	1,296.4	1,241.9	4.4 %
Operating expenses	- 1,123.2	- 1,077.9	4.2 %
EBIT	173.2	164.0	5.6 %
Ø Net non-current assets	1,217.4	1,211.1	0.5 %
Ø Net current assets	103.8	106.5	- 2.6 %
Ø Operating assets	1,321.2	1,317.6	0.3 %
ROCE in %	13.1	12.4	0.7 pp
Capital costs before tax[1] in %	8.5	8.5	0.0 pp
Capital costs before tax	112.3	112.0	0.3 %
Value added in %	4.6	3.9	0.7 pp
Value added	60.9	52.0	17.1 %

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.

In the 2017 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.

Container Terminal 4.0

The Container Terminal Altenwerder (CTA) is one of the most highly automated container terminals in the world. Since it opened in 2002, HHLA has constantly been researching and working on improving and expanding automation at the site. Right at the start, a paradigm was established whereby automated work areas are separated, isolated and off-limits to staff in order to guarantee occupational safety. This principle has always been upheld. Today, however, this paradigm is preventing the company from ramping up its automated processes as it inevitably excludes them from areas used by people. The research project "Container terminal 4.0 – a paradigm shift in the automation of container terminals via human–machine interaction rather than separation" is to be conducted as part of the German government's Innovative Port Technologies (IHATEC) incentive scheme. The project's main objective is to develop automation solutions for various container crane systems used at the terminal in work areas shared by people and machines (e.g. alongside ships and trucks) and to implement them as prototypes. At the same time, the experience, knowledge and evidence gathered during this process should play a fundamental role in establishing the safety standards needed to create a reliable framework for future automation projects.

Further Development of HVCC Software

Also as part of the IHATEC incentive scheme, the Hamburg Vessel Coordination Center (HVCC) launched the project "HVCC software – further development of interface- and real time-based software for the cross-operator coordination of barges, feeder ships and mega-ships at a universal and multi-terminal port with nautical restrictions"). The aim is to expand the software to incorporate the various operators involved in ship calls. This could eliminate redundant working processes and improve data quality. The project's main aims are as follows: Adapt the port to the challenges posed by persistent growth in the volume and size of container vessels. Boost international competitiveness and avoid unnecessary and inefficient transport, thus reducing the environmental impact. Accelerate the use of digital networks in maritime logistics and the port industry while making more effective and efficient use of the infrastructure of the Port of Hamburg and its upstream waterways.

SustEnergyPort

SustEnergyPort is another IHATEC project being conducted by Hamburg Port Consulting GmbH (HPC) to enhance energy sustainability in the port sector. As part of this project, a structured, model-based process is to be developed and filled with content to enable port operators to identify suitable measures for improving their energy sustainability, thereby minimising their environmental impact and enhancing their profitability. The aim is to develop a structured process which will equip ports and terminals to achieve targeted improvements in their energy sustainability.

Performance Certified

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

Purchasing and Materials Management

Purchasing activities of the HHLA Group are centrally organised at the 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 IT departments.

The Purchasing department 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 2017 this stood at 96.8 % (previous year: 95.2 %). The purchase requisition rate indicates the ratio of requisitions entered and authorised via the SAP enterprise resource planning system in compliance with regulations. At 99.7 % in 2017, it was roughly on a par with the prior year (previous year: 99.6 %). The automation of purchasing processes to create efficient, transparent and uniform workflows remained a key objective for procurement in 2017. In the reporting period, approximately 16 % of all purchasing processes were handled fully automatically by means of e-procurement systems (previous year: approximately 14 %). 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 2017 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 2017, equipment and energy accounted for 43.5 % of the Group-wide procurement volume, while information technology (IT) accounted for 24.6 %, construction for 18.1 % and MRO (maintenance, repairs and operations) for 13.8 %.

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 was implemented in 2017 to support this process. Suppliers register on an internet portal, which uses questionnaires to cover topics relevant to procurement, as well as issues 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 tenders, market reconnaissance or on their own initiative. Suppliers already listed in the company's own pool are asked to complete the registration process successively. The need to register is 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 along with information about project procurement and flow. These details are assessed and documented in an event-driven fashion. 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. Early adoption gives suppliers the time and opportunity to prepare for and adjust to the new process.

Sustainable Performance Indicators

Direct and indirect energy consumption by HHLA and its companies were as follows in the year under review.

Direct and Indirect Energy Consumption

	2013	2014	2015	2016	2017
Diesel and heating oil in million litres	27.7	29.2	26.3	26.6	27.4
Natural gas in million m^3	3.1	1.8	2.3	2.4	3.6
Electricity[1] in million kWh	148.7	154.4	138.3	139.6	135.6
thereof from renewable energies	78.0	84.1	76.1	73.2	82.8
Traction current in million kWh	37.9	51.7	130.3	150.0	157.5
District heating in million kWh	4.6	3.7	3.2	3.6	3.6

Consumption of natural gas, traction current and district heating in 2017 is based on preliminary and estimated figures.

1 Electricity without traction current

For more information about sustainability, please refer to the "Sustainability" section of the Annual Report. ▶ see also Sustainability, page 158.

Non-Financial Report

HHLA reports on the Group and HHLA AG in the form of a combined separate Non-Financial Report, the contents of which are integrated into the "Sustainability" section. The non-financial report is also available as a separate PDF from the download centre of the online Annual Report. ▶ http://report.hhla.de/annual-report-2017/non-financial-report

Employees

Development of Headcount

HHLA aligns headcount planning with the economic development of its companies. It aims to provide the majority of its services using in-house staff. Employees of Gesamthafenbetriebs-Gesellschaft (GHB) are used by the container handling firms in Hamburg to cover peaks in operating manpower requirements. The recruitment processes used by the individual companies of HHLA AG are monitored by the HHLA manpower planning team. Proposals to create additional jobs are examined for their consideration of economic planning and operational necessity, as well as other options for filling positions internally or taking alternative action. This ensures that recruitment does not exceed the HR planning for individual companies approved by the Executive Board and can be synchronised with headcount trends at the affiliated companies with the possibility of synergy effects.

HHLA had a total of 5,581 employees at the end of 2017. Compared with the previous year's total, the number of employees increased by 53, or 1.0 %. In addition, HHLA used an annual average of 710 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 558).

Employees by Segment

In the Container segment, the number of employees fell to 2,909 as of 31 December 2017. Total headcount was down by 36 year-on-year in the reporting period (previous year: 2,945). By contrast, total headcount in the Intermodal segment rose strongly again by 185 or 11.0 % to 1,872 employees (previous year: 1,687). This was due to the expansion of services and an increase in vertical integration. Headcount at the other segments decreased. The number of staff employed at the strategic management holding company declined by 2.3 % to 636 (previous year: 651). In the Real Estate segment, headcount remained virtually unchanged at 30 as of 31 December 2017 (previous year: 31). Employee numbers in the Logistics segment decreased to 134 in the reporting period (previous year: 214). This was mainly due to the discontinuation of operating activities in project and contract logistics.

Employees

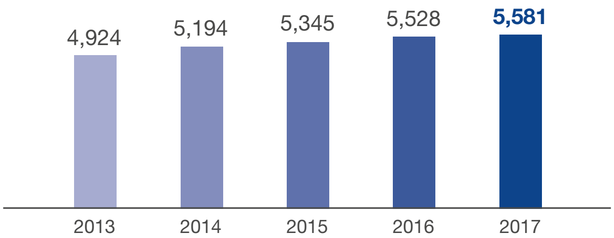
by segments	2017	2016	Change
Container	2,909	2,945	- 1.2 %
Intermodal	1,872	1,687	11.0 %
Holding/Others	636	651	- 2.3 %
Logistics	134	214	- 37.4 %
Real Estate	30	31	- 3.2 %
HHLA Group	5,581	5,528	1.0 %

Employees by Region

In geographical terms, the workforce was concentrated mainly in Germany, with 3,479 staff members (previous year: 3,625), the majority of whom worked in Hamburg. This corresponds to a share of 62.3 % (previous year: 65.6 %). The number of staff employed abroad rose by 10.5 % to 2,102 (previous year: 1,903). This was primarily due to increased staffing levels at the Intermodal companies in the Czech Republic, Slovakia, Hungary and Slovenia, where headcount grew by 14.3 % to 1,465 (previous year: 1,282). In Ukraine, the number of employees rose by 4.1 % to 458 (previous year: 440). The remaining 179 employees (previous year: 181) are spread across subsidiaries in Austria, Poland, Georgia and Turkey.

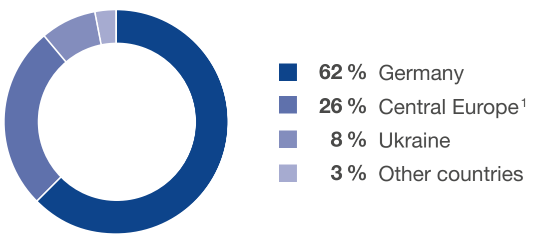
Development of Employees

HHLA Group as of 31.12.



Employees by Region

as of 31.12.2017



1 Czech Republic, Slovakia, Hungary, Slovenia

Recruitment

Women accounted for 31.4 % of the 86 new employees who had not previously worked for HHLA in Germany, for example via Gesamthafenbetriebs-Gesellschaft mbH Hamburg (GHB). More than 34 % of new hires were aged between 30 and 50.

Recruitments 2017

	Total	Females	Females in %
< 30 years	37	11	29.7
30 – 50 years	41	14	34.1
> 50 years	8	2	25.0
HHLA Group	86	27	31.4

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 the holding company and all container terminals in Hamburg since 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.

At 4.7 %, the **fluctuation rate** (excluding internal transfers within the Group) in Germany was virtually unchanged year-on-year (previous year: 4.8 %). Of the 164 people who left the company, 40.2 % were retirees (previous year: 41.7 %).

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. However, the positive trend seen in the previous years continued in 2017 and the ratio of women employed by HHLA in Germany increased once again (including apprentices). At 15.5 %, the ratio of women employed by the company was 0.1 percentage points higher than in the previous year (15.4 %).

Gender distribution on the Executive Board and the two management levels below the Executive Board is governed by the German Act on the Equal Participation of Women and Men in Leadership Positions and by the targets agreed by the Supervisory Board and where applicable, the Executive Board.
▶ see Corporate Governance/Corporate Governance Report, page 46

Age Structure

The average age of staff in Germany in the reporting period was 44.2 (previous year: 43.8). Male employees had an average age of 44.7, while female employees were 41.0 years old on average. Over half of all employees are aged between 30 and 50.

Age Structure of Employment

in %	31.12.2017	Thereof females	31.12.2016	Thereof females
< 30 years	10.9	27.3	12.0	27.5
30 – 50 years	53.5	16.2	53.1	16.0
> 50 years	35.6	10.8	34.9	10.1
HHLA Group	100.0	15.5	100.0	15.4

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

Average Employment Period

in years	31.12.2017	31.12.2016
< 30 years	5.1	4.9
30 – 50 years	11.3	10.9
> 50 years	24.1	24.7
HHLA Group	15.2	15.0

The percentage of employees with a severe disability (including persons of an equivalent status) was 8.8 % at the end of the reporting period (previous year: 8.7 %).

Staff Development

HHLA invested a total of € 4.2 million in educating and training staff from its locations in Hamburg in 2017 (previous year: € 4.5 million).

As of 31 December 2017, 67 apprentices and 12 students were receiving training in Germany in eight different professions and eight dual study courses. 29 % of the 79 apprentices and students were female. The share of female students in 2017 was 58 % (previous year: 50 %).

All of the 25 apprentices (of whom eight were on dual study courses) who successfully completed their training in the course of the year were given permanent employment contracts. A total of 17 new apprentices were taken on at the company's Hamburg facilities in 2017, approximately 41 % of whom were women. At the start of the 2017 academic year, 50 % of blue-collar apprentices were women (previous year: 30 %).

As in the previous year, over 700 events lasting one or more days were held in the reporting period. These included more than 650 internal vocational courses conducted by HHLA's own trainers over 3,089 training days. In addition, more than 70 one- to multi- day events with over 870 participant days were organised as part of the company's cross-segment seminar programme. 31 % of the participants were female.

Detailed workforce-related information on strategic HR management, staff development, occupational safety and health promotion, as well as contracts, remuneration and additional benefits can be found in the "Sustainability" section of the report. ▶ see also Sustainability/Employees, page 170.

Economic Environment

Macroeconomic Development

The global economy was on a strong upward trajectory in 2017 with estimates by the International Monetary Fund (IMF) putting year-on-year growth at 3.7 %. This is the most rapid increase since 2010. Despite uncertainty surrounding the future geopolitical and economic environment, macroeconomic growth picked up pace markedly. The most recent economic indicators signalled a significant increase in Germany's GDP of 2.5 %. According to the German Federal Statistical Office, exports rose strongly by 6.3 % year-on-year in 2017. There was also considerable growth in imports of 8.3 %. The Central and Eastern European economies experienced a noticeable upswing. Based on the data currently available, the IMF therefore expects economic output in Europe's emerging countries to rise strongly by 5.2 % in 2017. There was a slight upturn in the Russian economy again in 2017 but sanctions continued to prevent any significant momentum. Nevertheless, Russia's total economic output returned to growth for the first time with an increase of 1.8 %. China maintained its stable growth trajectory and even exceeded its government's own 6.5 % target slightly with growth of 6.8 % for the full year 2017. This economic upturn was also reflected in global trade volumes, which experts believe expanded by 4.7 % in 2017.

Development of Gross Domestic Product (GDP)

in %	2017	2016
World	3.7	3.2
Advanced economies	2.3	1.7
USA	2.3	1.5
Emerging economies	4.7	4.4
China	6.8	6.7
Russia	1.8	- 0.2
Eurozone	2.4	1.8
Central and Eastern Europe (emerging european economies)	5.2	3.2
Germany	2.5	1.9
World trade	4.7	2.5

Source: International Monetary Fund (IMF), January 2018

Sector Development

Given the persistently difficult conditions for container shipping in 2016, there was a surprisingly positive trend in global container throughput in 2017. According to recent estimates by Drewry, throughput increased by 6.0 % worldwide in the past year. This faster rate of throughput growth was mirrored by almost all shipping regions, albeit to different extents. In Europe, the ports in Scandinavia and the Baltic region, the Eastern Mediterranean and the Black Sea benefited most from the upturn. Nevertheless, volume growth at the Scandinavian and Baltic ports was less pronounced than expected as recently as October (forecast from Q3 2017: 8.4 %). Growth of 5.9 % was still slightly stronger than in the previous year, however. Although the strong upturn at the north-western European ports slowed somewhat in the course of the year, Drewry anticipates growth of approximately 4.2 % in the reporting period based on the figures currently available.

Development of Container Throughput by Region

in %	2017	2016
World	6.0	2.5
Europe as a whole	5.0	3.3
North-West Europe	4.2	1.8
Scandinavia and the Baltic region	5.9	5.5
Western Mediterranean	3.7	4.2
Eastern Mediterranean and the Black Sea	7.6	4.8

Source: Drewry Maritime Research, December 2017

The **trend among the major container ports of the North Range**, as well as the largest ports of the western Baltic Sea, was mixed. Hamburg recorded a slight loss in the period under review, with container throughput declining by 1.0 % to 8.8 million TEU. Europe's largest container port, Rotterdam, handled 13.7 million TEU, 10.9 % more than in the previous year. Container throughput in Antwerp was up 4.1 % year-on-year to 10.5 million TEU, thus bolstering the Belgian port's position as Europe's second-largest container port. Following a double-digit decline in 2016, throughput at Belgium's second port, Zeebrugge, recovered to 1.5 million TEU in the reporting period – an increase of 8.7 % on the previous year. With total throughput of 5.5 million TEU, the Bremen ports experienced slight year-on-year growth of 0.5 %. Thanks to its stronger integration into the 2M alliance route network, the JadeWeser-Port in Wilhelmshaven recorded throughput of 0.6 million TEU – 15.1 % more than in the previous year. The port of Gdansk once again achieved strong growth in container throughput of 21.6 % to 0.6 million TEU.

By contrast, the volume of containers handled in Gothenburg fell by 19.3 % year-on-year to 0.6 million TEU. There was a strong increase in container throughput at Russia's Baltic Sea ports. The total volume of containers at the ports of St. Petersburg, Ust-Luga and Kaliningrad rose by 10.7 % year-on-year in 2017.

Development of Container Throughput at Northern European Ports

in million TEU	2017	2016	Change
Rotterdam	13.7	12.4	10.9 %
Antwerp	10.5	10.0	4.1 %
Hamburg	8.8	8.9	- 1.0 %
Bremen ports	5.5	5.5	0.5 %
Zeebrugge	1.5	1.4	8.7 %
Gdansk	1.6	1.3	21.6 %
Gothenburg	0.6	0.8	- 19.3 %
Wilhelmshaven	0.6	0.5	15.1 %

Source: Port Authorities

The market research institute AXS Alphaliner estimates that the carrying capacity of the global **container ship fleet** increased by 3.8 % to 21.1 million TEU in 2017 (previous year: 1.5 %). This means that transport capacity rose at a considerably slower rate than transport demand. Nevertheless, the increase in ship sizes remains unbroken. The number of ultra large vessels with a capacity of more than 10,000 TEU increased particularly strongly, with growth of 16.8 % to 453. This means that some 80 % of the ships delivered in 2017 can carry in excess of 10,000 TEU. The shipping companies MSC and CMA CGM recently ordered additional vessels with a carrying capacity of 22,000 TEU. In view of the modest ordering activities of shipping lines, shipyards around the world currently have an aggregate order backlog of 2.7 million TEU. This corresponds to 12.7 % of the total carrying capacity of the fleet in use at present.

Rail freight traffic in Germany declined over the course of the year. Compared with the previous year, transport volumes fell by 3.3 % in the first ten months of 2017. However, traffic performance – transport volume multiplied by the distance travelled – decreased by only 2.5 % in the same period. The trend in intermodal traffic was also weak. In the period from January to October 2017, 5.1 million TEU was transported by rail, corresponding to a 5.1 % decrease year-on-year.

At a **European level**, however, the upward trend in rail freight traffic which began in late 2016 continued in the reporting period. Transport demand for rail traffic increased substantially in the first three quarters of 2017, both in Europe as a whole and in those markets of Central and Eastern Europe of particular relevance to HHLA. Whereas transport volumes rose by 4.9 % year-on-year across Europe as a whole, growth in Central and Eastern Europe was even stronger at 9.2 %. However, trends varied considerably in the individual markets. While Poland recorded a 17.0 % rise in rail freight in the first nine months, transport volumes in the Czech Republic fell by 1.6 %. In line with rising transport volumes, traffic performance across Europe was up by 4.2 % and by as much as 9.1 % in Central and Eastern Europe.

Course of Business and Economic Situation

Key Figures

in € million	2017	2016	Change
Revenue	1,251.8	1,177.7	6.3 %
EBITDA	295.8	286.4	3.3 %
EBITDA margin in %	23.6	24.3	- 0.7 pp
EBIT	173.2	164.0	5.6 %
EBIT margin in %	13.8	13.9	- 0.1 pp
Profit after tax and minority interests	81.1	73.0	11.0 %
At-equity earnings	4.8	4.7	2.2 %
ROCE in %	13.1	12.4	0.7 pp

Overall View

The HHLA Group's performance in the 2017 financial year was very encouraging. Thanks to sales activities and an investment policy aligned with trends in ship sizes, the HHLA Group succeeded in capitalising on the positive economic environment while the consolidation trend among its clients continued. These efforts led to a marked increase in container throughput in the Container segment. At the same time, container transport in the Intermodal segment rose noticeably. Developments at HHLA's two largest segments led to moderate growth in both revenue and the operating result at Group level.

Forecast and Actual Figures

	Actual 31.12.2016	Forecast 30.03.2017	Forecast 05.05.2017	Forecast 14.08.2017	Actual 31.12.2017
Container throughput	6.7 million TEU	At previous year's level	Significant increase	Significant increase	7.2 million TEU
Container transport	1.4 million TEU	Moderate increase	Moderate increase	Moderate increase	1.5 million TEU
Revenue	€ 1,177.7 million	At previous year's level	Moderate increase	Moderate increase	€ 1,251.8 million
EBIT	€ 164.0 million	In a range of € 130 to 160 million before possible one-off expenses of up to € 15 million	In the upper half of a range of € 140 to 170 million before possible one-off expenses of up to € 15 million	In a range of € 150 to 170 million after possible one-off expenses of up to € 15 million[1]	€ 173.2 million
Capital expenditure	€ 138.3 million	In the range of € 160 million (incl. previous year's surplus)	In the range of € 160 million (incl. previous year's surplus)	In the range of € 160 million (incl. previous year's surplus)	€ 142.6 million

1 Specification 14.11.2017: Including additional expenditure of up to € 10 million for the harmonisation of existing pension schemes

Container throughput was well in excess of guidance for the 2017 financial year stated in the prior-year report. The Executive Board therefore issued an ad hoc announcement on 5 May 2017 with more specific guidance on anticipated volume and earnings trends in the Container segment and thus on the Group's expected earnings in 2017. As the Container segment's performance in the first half of 2017 exceeded expectations, further specific guidance on the Group's 2017 earnings was issued in August. Despite additional expenses announced in November 2017 in connection with the harmonisation of the existing pension schemes, this more specific guidance was confirmed by actual developments. Capital expenditure came in below the communicated figure.

As a result of the business trend in 2017, HHLA's financial position at the end of the reporting period on 31 December 2017 remained stable. The equity ratio increased by 1.3 percentage points to 32.8 % (previous year: 31.5 %) while liabilities remained largely unchanged from the previous year. Aided by sufficient liquidity, HHLA was able to reduce its gearing ratio from 2.6 to 2.3. The company 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 2017 financial year were dominated by the merger of three companies in the Logistics segment and one company in the Container segment. This did not have any effect on the HHLA Group's revenue and earnings.

The 2017 Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union, taking into consideration the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Group Management Report was prepared in line with the requirements of German Accounting Standard no. 20 (GAS 20).

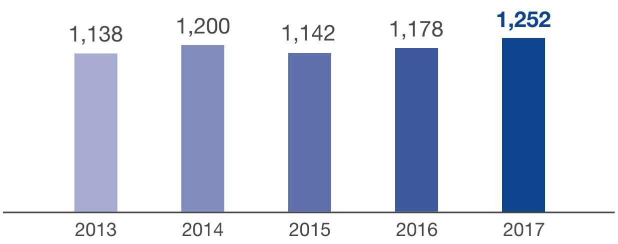
Earnings Position

HHLA's **performance data** developed positively in 2017. There was strong year-on-year growth in container throughput of 8.1 % to 7,196 thousand TEU (previous year: 6,658 thousand TEU). This rise resulted primarily from considerably higher volumes on the Asian trades and in feeder traffic with the Baltic ports. A further increase in transport volumes of 5.2 % to 1,480 thousand TEU was achieved (previous year: 1,408 thousand TEU). This trend was driven by growth in both rail and road transportation.

Against this background, **revenue** of the HHLA Group rose by 6.3 % to € 1,251.8 million (previous year: € 1,177.7 million) in the reporting period. This was primarily due to volume-related growth in the Container and Intermodal segments. 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 6.5 %

Revenue

in € million



to € 1,220.3 million (previous year: € 1,146.0 million). The non-listed Real Estate subgroup succeeded in raising revenue slightly by 0.6 % to € 37.9 million (previous year: € 37.7 million). The Real Estate subgroup thus accounted for 2.5 % of Group revenue.

At € -0.3 million, **changes in inventories** once again had no material impact in the reporting period (previous year: € 0.3 million). **Own work capitalised** decreased to € 5.4 million (previous year: € 6.5 million).

The reduction in **other operating income** to € 39.4 million (previous year: € 57.5 million) was mainly attributable to the termination of the lease for the Übersee-Zentrum in the previous year.

The 4.2 % increase in **operating expenses** to € 1,123.2 million (previous year: € 1,077.9 million), meaning that all expenditure types than growth in revenue.

The year-on-year rise in **cost of materials** of 5.9 % to € 370.5 million (previous year: € 350.0 million). The cost of materials ratio remained virtually unchanged at 29.6 % (previous year: 29.7 %).

Personnel expenses rose by 4.7 % to € 463.8 million (previous year: € 443.0 million). In addition to higher union wage rates, the reasons for this rise included increased headcount in the Intermodal segment due to the expansion of business and greater use of external staff at the container terminals in Hamburg as a result of volume trends. Following restructuring-related expenses in the previous year – particularly in connection with the discontinuation of project and contract logistics – this year's figure includes expenses for the organisational restructuring of the Container segment. The personnel expense ratio decreased to 37.1 % (previous year: 37.6 %).

Other operating expenses increased by 2.4 % in the reporting period to € 166.3 million (previous year: € 162.5 million). While the previous year's figure included expenses for provisions in connection with an onerous lease in the Intermodal segment and the insolvency of the container shipping company Hanjin, the current year also comprises expenses associated with the harmonisation of existing pension schemes. The ratio of expenses to revenue decreased to 13.3 % (previous year: 13.8 %).

Depreciation and amortisation rose slightly by 0.1 % year-on-year to € 122.6 million (previous year: € 122.4 million).

Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** rose by 3.3 % to € 295.8 million (previous year: € 286.4 million) and thus more slowly than revenue. There was a corresponding moderate decrease in the EBITDA margin to 23.6 % (previous year: 24.3 %).

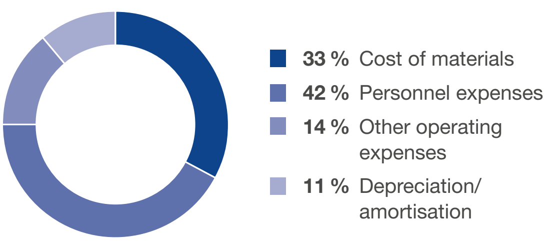
The **operating result (EBIT)** increased by 5.6 % to € 173.2 million in the reporting period (previous year: € 164.0 million). As this rise was broadly in line with revenue, the EBIT margin remained virtually unchanged at 13.8 % (previous year: 13.9 %). In the Port Logistics subgroup, EBIT rose by 6.1 % to € 156.6 million (previous year: € 147.6 million). As a result, the subgroup accounted for 90.4 % (previous year: 90.0 %) of the Group's operating result in the reporting period. In the Real Estate subgroup, EBIT grew by 1.5 % to € 16.3 million (previous year: € 16.0 million). 9.6 % of the Group's operating result was generated by this subgroup (previous year: 10.0 %).

Net expenses from the **financial result** increased by € 7.9 million or 44.0 % to € 25.9 million (previous year: € 18.0 million). This was mainly due to the revaluation of an equalisation liability payable to a minority shareholder in conjunction with a profit and loss transfer agreement. Positive exchange rate effects from the appreciation of the Czech currency and a reduction in expenses due to trends in the Ukrainian currency had an opposing effect.

At 28.1 %, the Group's **effective tax rate** was on a par with the previous year.

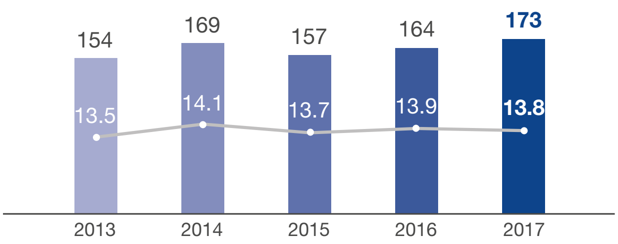
Operating Expenses

Expense structure 2017



Operating Result (EBIT)

in € million/EBIT margin in %



Profit after tax and minority interests increased by 11.0 % year-on-year to € 81.1 million (previous year: € 73.0 million). Non-controlling interests accounted for € 24.8 million in the 2017 financial year (previous year: € 32.0 million). From a financial point of view, this item includes the expenses mentioned in relation to the financial result associated with revaluing the settlement obligation to a minority shareholder. **Earnings per share** rose by 11.0 % to € 1.11 (previous year: € 1.00). The listed Port Logistics subgroup achieved an 11.7 % increase in earnings per share to € 1.02 (previous year: € 0.91). Earnings per share of the non-listed Real Estate subgroup were up on the prior-year figure at € 3.65 (previous year: € 3.44). As in the previous year, there was no difference between basic and diluted earnings per share in 2017. The return on capital employed (ROCE) was up 0.7 percentage points year-on-year at 13.1 % (previous year: 12.4 %). ▶ see also Corporate and Value Management, page 21

As in the previous year, HHLA's **appropriation of profits** is oriented towards the development of the HHLA Group's earnings 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 12 June 2018 a dividend distribution of € 0.67 per Class A share and € 2.00 per Class S share. Based on the number of shares with dividend entitlement as of 31 December 2017, the sum distributed for listed Class A shares would increase by 13.6 % to € 46.9 million (previous year: € 41.3 million). At € 5.4 million, the amount paid out for non-listed Class S shares would be unchanged from the previous year. In relation to the consolidated profit and earnings per share, the dividend payout ratio would reach a high figure of approximately 66 % for the Port Logistics subgroup (previous year: 65 %) and around 55 % for the Real Estate subgroup (previous year: 58 %).

Financial Position

Balance Sheet Analysis

Compared with the previous year, the HHLA Group's **balance sheet total** increased by a total of € 22.4 million to € 1,835.3 million as of 31 December 2017.

Balance Sheet Structure

in € million	31.12.2017	31.12.2016
Assets		
Non-current assets	1,348.0	1,329.0
Current assets	487.3	483.9
	1,835.3	1,812.9
Equity and liabilities		
Equity	602.4	570.8
Non-current liabilities	993.8	1,028.1
Current liabilities	239.1	214.0
	1,835.3	1,812.9

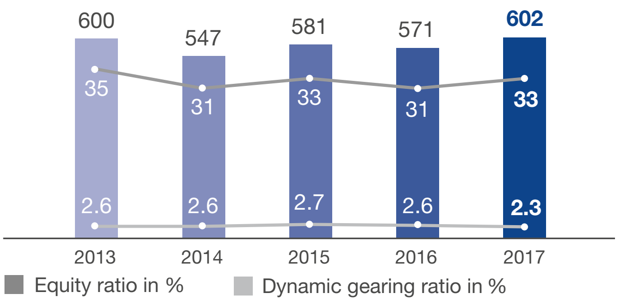
On the assets side of the balance sheet, **non-current assets** rose by € 19.0 million. This increase stemmed largely from growth in property, plant and equipment due to capital expenditure, which rose by € 23.7 million to € 974.6 million (previous year: € 950.9 million). There was an opposing trend for both intangible assets, which fell by € 6.0 million year-on-year to € 69.7 million (previous year: € 75.7 million) due to scheduled depreciation, and investment property, which decreased by € 4.1 million to € 179.9 million (previous year: € 184.0 million).

Current assets grew by € 3.4 million to € 487.3 million (previous year: € 483.9 million). The increase resulted mainly from a rise in cash and cash equivalents and short-term deposits of € 24.3 million to € 201.5 million (previous year: € 177.2 million). By contrast, trade receivables fell by € 11.3 million to € 149.1 million (previous year: € 160.4 million), while other assets were down by € 13.1 million to € 26.8 million (previous year: € 39.9 million).

On the liabilities side, **equity** rose by € 31.6 million compared to year-end 2016, taking it to € 602.4 million (previous year: € 570.8 million). This growth was mainly attributable to positive comprehensive income of € 104.2 million. This was offset by the dividends distributed and the reclassification of a future financial settlement totalling € 72.7 million as a non-current financial liability. The equity ratio increased to 32.8 % (previous year: 31.5 %).

Developments in Group Equity

in € million



Non-current liabilities fell by € 34.3 million to € 993.8 million (previous year: € 1,028.1 million). This reduction was mainly due to a decrease in non-current financial liabilities of € 34.5 million to € 304.7 million (previous year: € 339.2 million), as well as a reduction in pension provisions of € 11.6 million to € 448.9 million (previous year: € 460.5 million). By contrast, other non-current provisions rose by € 10.3 million to € 112.9 million (previous year: € 102.6 million).

Current liabilities grew by € 25.1 million to € 239.1 million (previous year: € 214.0 million). This was primarily attributable to other current provisions, which rose by € 16.9 million to € 34.6 million (previous year: € 17.7 million) and an increase in trade liabilities of € 9.1 million to € 77.2 million (previous year: € 68.1 million).

Investment Analysis

Capital expenditure in the past financial year totalled € 142.6 million (previous year: € 138.3 million). This figure includes additions of € 4.2 million from finance leases not recognised as a direct cash expense (previous year: € 4.1 million). In 2017, 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 € 131.6 million (previous year: € 123.2 million) of capital expenditure, while intangible assets accounted for € 5.5 million (previous year: € 12.3 million) and investment property for € 5.5 million (previous year: € 2.8 million).

Investments amounting to € 81.2 million were made in the **Container segment** (previous year: € 81.3 million). Capital expenditure was dominated by the procurement of handling equipment and storage capacities at the Hamburg container terminals. The **Intermodal segment** invested € 45.7 million (previous year: € 44.1 million). The METRANS Group accounted for most of this investment volume, mainly for locomotives. Capital expenditure in the **Logistics segment** came to € 1.4 million (previous year: € 2.4 million). The **pro forma Holding/Other segment** invested a total of € 8.4 million (previous year: € 10.3 million). A large proportion of capital expenditure was for the migration to a new terminal management system and for equipment to operate a power barge.

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

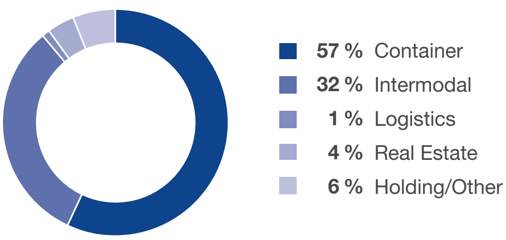
As of year-end, there were other financial liabilities for outstanding purchase commitments totalling € 110.6 million (previous year: € 56.8 million).This figure includes € 77.3 million (previous year: € 34.2 million) for the capitalisation of property, plant and equipment.

Liquidity Analysis

Cash flow from operating activities rose year-on-year from € 234.6 million to € 275.5 million. This increase of € 40.9 million is mainly due to a reduction in trade receivables and other assets of € 58.1 million. Increased EBIT also raised cash flow from operating activities by € 9.2 million. By contrast, a € 24.1 million rise in income tax payments had a negative effect on cash flow from operations.

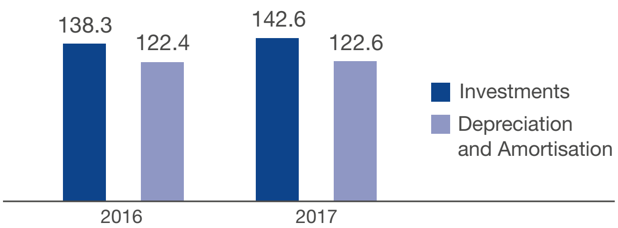
Investments

by segment in 2017



Investments, Depreciation and Amortisation

in € million



Cash flow from investing activities (outflow) of € 131.2 million was above the prior-year figure of € 48.9 million. This € 82.3 million rise in cash outflows was mainly due to payments made (previous year: payments received) for short-term deposits (resulting increase in cash outflow: € 55.5 million). At the same time, payments received from the disposal of property, plant and equipment of € 2.0 million were considerably lower in the reporting period (previous year: € 27.0 million).

Free cash flow – the total cash flow from operating and investing activities – decreased to € 144.3 million (previous year: € 185.7 million).

Cash flow from financing activities (outflow) amounted to € 119.0 million in the reporting period (previous year: € 122.4 million) and was therefore € 3.4 million below the prior-year figure.

The HHLA Group had sufficient liquidity as of year-end 2017. There were no liquidity bottlenecks in the course of the financial year. **Financial funds** totalled € 255.6 million as of 31 December 2017 (31 December 2016: € 232.4 million). Including all short-term deposits, the Group's **available liquidity** as of year-end 2017 came to a total of € 275.6 million (previous year: € 251.2 million).

Liquidity Analysis

in € million	2017	2016
Financial funds as of 01.01.	232.4	165.4
Cash flow from operating activities	275.5	234.6
Cash flow from investing activities	- 131.2	- 48.9
Free cash flow	144.3	185.7
Cash flow from financing activities	- 119.0	- 122.4
Change in financial funds	25.3	63.2
Change in financial funds due to exchange rates	- 2.1	- 1.0
Change in financial funds due to consolidation	0.0	4.8
Financial funds as of 31.12.	255.6	232.4
Short-term deposits	20.0	18.8
Available liquidity	275.6	251.2

Financing Analysis

Financial management at the HHLA Group is handled 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 € 256.9 million as of the balance sheet date, amounts due to banks were below the prior-year figure (€ 298.4 million). The Group did not draw on any additional external financing in the 2017 financial year (previous year: € 10.0 million). Loan repayments of € 41.9 million (previous year: € 42.8 million) were made in the year under review. Due to the maturities agreed and its stable liquidity position, the company had no significant funding requirements.

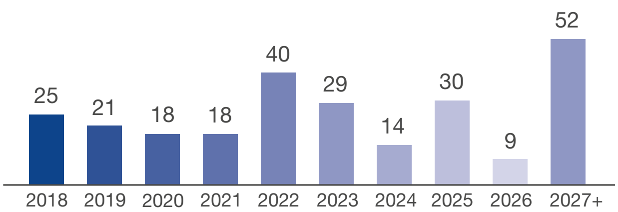
The majority of the liabilities from loans are denominated in euros, with a small proportion in US dollars. In terms of conditions, approximately 62 % have fixed interest rates and some 38 % have floating interest rates. As a result of borrowing, certain affiliated companies had covenants linked to key balance sheet figures, which mostly require a minimum equity ratio to be met. Covenants are currently in place for approximately 20 % 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 € 105.5 million (previous year: € 105.9 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 HPA for leasing land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

Maturities of Bank Loans

by year and in € million



Cash, cash equivalents and short-term deposits, the bulk of which is held centrally by the holding company, totalled € 201.5 million (previous year: € 177.2 million). These funds are mainly invested at German financial institutions with verified high credit ratings as demand deposits, call money and short-term deposits. Current credit lines play a subordinate role due to HHLA having sufficient liquid funds. As of the balance sheet date, the Group had unused credit facilities amounting to approximately € 3.2 million (previous year: € 0.2 million). The credit line utilisation rate was 67.9 % in the period under review (previous year: 96.8 %). In HHLA's view, the Group's solid balance sheet structure would enable more substantial credit facilities to be arranged at any time if its medium-term liquidity planning were to reveal a need. Of the total cash and cash equivalents, € 10.4 million (previous year: € 16.2 million) was subject to restrictions in Ukraine relating to the transfer of currency abroad as of the reporting date. A further € 11.2 million served as collateral for working lifetime accounts.

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. Furthermore, Deutsche Bundesbank once again confirmed the Group's eligibility for central bank finance.

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

In the reporting year, there were no substantial acquisitions or disposals of shares in subsidiaries.

Changes in the Group of Consolidated Companies

In the third quarter of 2017, the companies HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg, and HHLA Logistics GmbH, Hamburg, were merged into Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, with effect from 1 January 2017. The companies HPTI Hamburg Port Training Institute GmbH, Hamburg, and Unicon-sult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg, were also merged into HPC Hamburg Port Consulting GmbH, Hamburg, with effect from 1 January 2017.

The mergers had no effect on HHLA's Consolidated Financial Statements.

There were no other significant 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 81

Segment Performance

Container Segment

Key Figures

in € million	2017	2016	Change
Revenue	746.6	694.6	7.5 %
EBITDA	194.7	201.5	- 3.3 %
EBITDA margin in %	26.1	29.0	- 2.9 pp
EBIT	109.4	117.8	- 7.2 %
EBIT margin in %	14.7	17.0	- 2.3 pp
Container throughput in thousand TEU	7,196	6,658	8.1 %

HHLA's container terminals handled 7,196 thousand TEU in the 2017 financial year, 8.1 % more than in the previous year (6,658 thousand TEU). The **volume development** in the reporting period was largely dominated by the realignment of shipping consortia and the resulting change in liner service structures. This positive development was facilitated by intensive sales activities and the provision of handling services in line with customer needs, especially with regard to ship sizes.

Container throughput at the three container terminals in Hamburg increased strongly by 8.3 % to 6,904 thousand TEU (previous year: 6,375 thousand TEU). This was mainly due to a 14.9 % year-on-year rise in Asia traffic (Far East–Northern Europe) and significant growth in feeder traffic in the Baltic region, especially to Sweden and Poland. By contrast, traffic to and from Russia was still affected by the EU's ongoing economic sanctions and only reached the prior-year level over the full twelve months, despite initial gains in the first half of 2017. The proportion of seaborne handling accounted for by feeders edged up to 24.5 % in 2017 (previous year: 24.0 %).

At the HHLA Container Terminal Odessa (CTO), container throughput rose slightly by 3.4 % to 292 thousand TEU (previous year: 283 thousand TEU). Due to overcapacities on the market, competition intensified further in 2017. Despite the slower volume trend, however, CTO continues to hold a dominant regional market position among the Ukrainian ports.

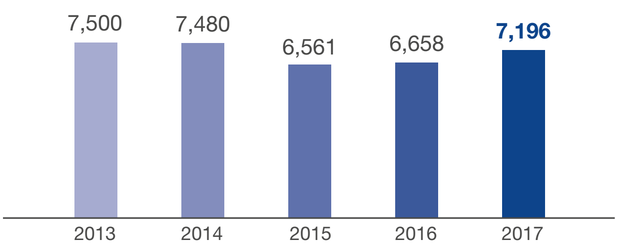
Revenue increased by 7.5 % year-on-year to € 746.6 million (previous year: € 694.6 million) and thus lagged somewhat behind the rise in seaborne volumes. Average revenue was affected by the slightly higher proportion of lower-margin feeder traffic, adjustments to individual handling rates due to the realignment of shipping consortia, and the temporary rise in storage charges. The average revenue per container handled at the quayside dipped by 0.6 % year-on-year in the 2017 financial year.

Changes in the segment's EBIT costs in the 2017 financial year stemmed largely from the increase in handling services and additional expenses. Total one-off expenses of approximately € 25 million related to measures for the organisational restructuring and harmonisation of existing pension schemes, which put further pressure on the cost structure in the 2017 financial year. The year-on-year increase in material costs was largely due to volume and price trends. IT costs increased due to the implementation of a new terminal operating system. All in all, EBIT costs were up by 10.5 %. Adjusted for the additional expenses, however, the increase was just 6.1 %. It should be noted that the anticipated utilisation-related economies of scale have not yet achieved their full impact on costs. The operating result (EBIT) amounted to € 109.4 million (previous year: € 117.8 million). The EBIT margin reached 14.7 % (previous year: 17.0 %). Adjusted by additional expenses, the operating result increased by 14.1 % year-on-year.

As shipping companies are still taking delivery of container mega-ships for the Far East–Europe trades, there is likely to be a further rise in the number of vessels of this size calling directly in Hamburg. With this in mind, the company continued to expand its facilities to cater for larger ships. Four additional automated storage blocks have been put into operation at the Container Terminal Burchardkai (CTB) and a further three container gantry cranes have been installed at the berth of the Container Terminal Tollerort (CTT).

Development in Container Throughput

in thousand TEU



Intermodal Segment

Key Figures

in € million	2017	2016	Change
Revenue	414.0	390.1	6.1 %
EBITDA	95.0	79.6	19.3 %
EBITDA margin in %	22.9	20.4	2.5 pp
EBIT	69.9	55.9	25.1 %
EBIT margin in %	16.9	14.3	2.6 pp
Container transport in thousand TEU	1,480	1,408	5.2 %

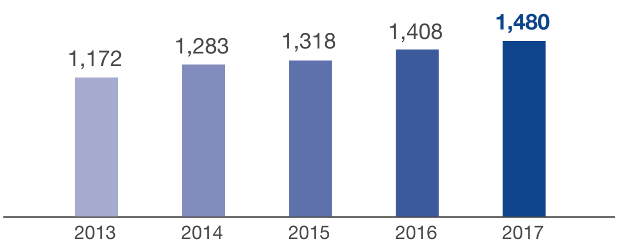
HHLA's transport companies achieved significant growth in the highly competitive market for container traffic in the hinterland of major seaports. **Transport volumes** rose by 5.2 % to 1,480 thousand standard containers (TEU), compared with 1,408 thousand TEU in the same period last year. This trend was driven by growth in both rail and road transportation. Compared with the previous year, rail transportation rose by a further 4.7 % to 1,140 thousand TEU (previous year: 1,089 thousand TEU). In particular, there was above-average growth in connections between the Adriatic ports and the Central and Eastern Europe hinterland. Continental cargo volumes rose strongly, too. Despite the challenging market environment, road transport also made very good progress with year-on-year growth of 6.8 % to 340 thousand TEU (previous year: 319 thousand TEU) due to strong freight volumes in the greater Hamburg area.

With growth of 6.1 % to € 414.0 million (previous year: € 390.1 million), **revenue** performed slightly better than transport volumes. The marginal decline in rail's share of HHLA's total intermodal transportation from 77.4 % to 77.0 % was more than offset by longer transport distances in rail transport.

The **operating result (EBIT)** increased year-on-year to € 69.9 million (previous year: € 55.9 million) and thus clearly outperformed the volume and revenue trend. The improvement in earnings was mainly due to increased transport volumes and further gains in train capacity utilisation. Earnings in the previous year were also depressed by additional expenses of € 7.2 million pertaining to a lease for a terminal site in Poland.

Development in Container Transport

in thousand TEU



HHLA continues to invest as needed in the expansion of its intermodal network. HHLA's rail subsidiary METRANS put six new multi-system locomotives into operation in the first half of 2017. It now has more than 70 shunters and locomotives and a fleet of over 2,500 waggons. In June 2017, the fourth METRANS hub terminal was also officially opened in Budapest. With this facility, HHLA is expanding its hinterland network to include another strategic hub. Its location in the heart of Europe makes it the perfect interface between the North European seaports, the Adriatic, and Central, East and South-East Europe. The network of the HHLA rail subsidiaries METRANS and POLZUG therefore consists of 13 terminals in the hinterland, five of which function as large hub terminals.

Work to integrate POLZUG's activities into the METRANS organisation commenced in the past financial year. By pooling activities, the company aims to streamline structures and processes, thereby enabling synergies to be realised.

Logistics Segment

Key Figures

in € million	2017	2016	Change
Revenue	50.8	55.0	- 7.6 %
EBITDA	6.9	2.4	pos.
EBITDA margin in %	13.7	4.3	9.4 pp
EBIT	2.6	- 1.7	pos.
EBIT margin in %	5.0	- 3.1	pos.
At-equity earnings	3.9	3.7	4.8 %

The key financial figures for the Logistics segment include the vehicle logistics and consultancy divisions. The results from dry bulk and fruit logistics are included in earnings from associates.

The companies of the Logistics segment once again made varying progress in 2017. The fully consolidated companies reported **revenue** of € 50.8 million, down 7.6 % on the prior-year figure (previous year: € 55.0 million). This was largely due to the discontinuation of project and contract logistics activities in the 2016 financial year. By contrast, revenue in the vehicle logistics division rose strongly.

The **operating result (EBIT)** increased to € 2.6 million in the reporting period, compared to an operating loss of € -1.7 million in the previous year due to project and contract logistics losses.

The performance of the companies included in **at-equity earnings** also varied during the reporting period. There was an upturn in dry bulk handling, while earnings from fruit logistics remained below the prior-year figure. Total earnings from associates rose by 4.8 % to € 3.9 million (previous year: € 3.7 million).

Real Estate Segment

Key Figures

in € million	2017	2016	Change
Revenue	37.9	37.7	0.6 %
EBITDA	21.3	21.1	0.9 %
EBITDA margin in %	56.2	56.0	0.2 pp
EBIT	16.3	16.0	1.5 %
EBIT margin in %	43.0	42.6	0.4 pp

Hamburg's office rental market made good progress in 2017. According to Grossmann & Berger's latest market report, 640,000 m^2 of office space was let in the reporting period, corresponding to year-on-year growth of 16 %. Due to high demand, Hamburg's vacancy rate fell by 0.8 percentage points to a new record low of 4.3 %.

Against this market background, HHLA's properties in the Speicherstadt historical warehouse district and the fish market area continued their positive revenue and earnings trend. As a result of virtually full occupancy in both areas, **revenue** rose by 0.6 % year-on-year to € 37.9 million (previous year: € 37.7 million) in 2017.

The **operating result (EBIT)** increased by 1.5 % year-on-year to € 16.3 million (previous year: € 16.0 million). This was largely due to increase in revenue from existing and newly developed properties while maintenance costs remained constant. The EBIT margin of 43.0 % achieved in the 2017 financial year (previous year: 42.6 %) once again testifies to the economic success of HHLA's long-term, value-oriented portfolio development strategy.

Events after the Balance Sheet Date

No significance events occurred after the balance sheet date of 31 December 2017. ▶ See also Note 52 of the Notes to the Consolidated Financial Statements, page 148

Business Forecast

Macroeconomic Environment

Global economic momentum strengthened in 2017. Rising political uncertainty and existing structural problems have not adversely affected the stronger economic recovery as yet. The International Monetary Fund (IMF) expects this upward trend to continue in the regions relevant to HHLA during the forecast period. The IMF's experts believe that the German economy will maintain its robust upward trajectory with growth of 2.3 %. In the emerging economies of Central and Eastern Europe, the pace of expansion picked up markedly in 2017. The IMF anticipates economic growth of 4.0 % in 2018. Due in part to the sanctions still imposed on the Russian Federation, its economic output is likely to be largely unchanged from the previous year with GDP growth of 1.7 %. The IMF has upgraded its outlook for the Chinese economy slightly and now expects growth of 6.6 %. Meanwhile, the IMF's experts forecast a rise in global GDP of 3.9 % in 2018. Global trade volumes are expected to grow by 4.6 %.

Growth Expectations for GDP

in %	2018	Trend vs. 2017
World	3.9	↗
Advanced economies	2.3	→
USA	2.7	↗
Emerging economies	4.9	↗
China	6.6	↘
Russia	1.7	→
Eurozone	2.2	↘
Central and Eastern Europe (emerging european economies)	4.0	↘
Germany	2.3	↘
World trade	4.6	→

Source: International Monetary Fund (IMF), January 2018

Sector Development

Following a significant increase in container throughput in 2017, the market research institute Drewry expects the momentum to slow in 2018 with growth of 4.3 %. Growth will be driven in particular by the shipping regions of Asia (+ 4.5 %), Latin America (+ 4.6 %) and especially Africa (+ 6.1 %). Throughput growth in China – the Port of Hamburg's most important shipping region – is expected to be slower than in the previous year but to remain robust at 5.5 %.

Container throughput growth in the European shipping regions is likely to remain moderate, but below the prior-year level. Scandinavia, the Baltic, the Eastern Mediterranean and the

Black Sea are regarded as the main drivers. Growth rates on the North-West Europe and Western Mediterranean trades are expected to be somewhat slower.

Growth Expectations for Container Throughput

in %	2018	Trend vs. 2017
World	4.3	↘
Europe as a whole	3.6	↘
North-West Europe	3.1	↘
Scandinavia and the Baltic region	4.9	↘
Western Mediterranean	2.9	↘
Eastern Mediterranean and the Black Sea	5.1	↘

Source: Drewry Maritime Research, December 2017

Considering the capacities available at container terminals in the North Range and the Baltic Sea, competition between ports is likely to remain fierce in 2018. The container shipping market will continue to see a structural surplus of cargo space. According to estimates of the market research institute AXS Alphaliner, growth in total capacity of the container ship fleet will slow somewhat in 2018 as a result of declining orders from shipping companies and delayed deliveries. However, at 5.3 %, growth in total capacity of the container ship 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. This concentration process will continue in 2018. Following approval from the competition authorities in late November 2017, Maersk completed its takeover of Hamburg Süd and will continue to operate the shipping company as a separate brand. Exact details of the integration are not yet known. The merger of three Japanese shipping companies – NYK Line, MOL and K Line – to create Ocean Network Express (ONE) was also approved by the relevant anti-trust authorities. The joint venture is expected to start operations in April 2018. The ongoing consolidation process will lead to the pooling of container services and timetable changes.

In light of the unrelenting growth 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 in Germany issued by the Federal Ministry of Transport and Digital Infrastructure (BMVI) in summer 2017, the trend in 2018 will remain positive though somewhat less dynamic. The experts believe that transport volumes will increase by 0.8 % and traffic performance (transport volume multiplied by the distance travelled) by 1.3 %.

Expected Group Performance

Comparison with the Forecast of the Previous Year

The guidance last adjusted in autumn 2017 was fulfilled. Container throughput considerably exceeded guidance for the 2017 financial year contained in the previous year's Annual Report. The figures for revenue and operating result (EBIT) at Group level were therefore also better than anticipated. Delays in delivery and order execution meant that capital expenditure budgeted for the reporting period was not utilised in full. ▶ see Course of Business and Economic Situation, page 27

Expected Earnings Position

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

Despite the restructuring of significant service and key clients on the Asia–Europe trades during the previous year, there may be further changes in 2018, as well as temporary or structural shifts in services between the North Range ports, especially for price-sensitive transshipment loads. Against this background, HHLA expects **container throughput** in 2018 to be at par with the previous year. **Container transport** volumes are also expected to be largely unchanged from the previous year as Polish intermodal traffic is being realigned in the course of its integration into METRANS. 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 rise markedly year on year in 2018. Earnings will be shaped largely by the Container and Intermodal segments. The **operating result (EBIT) of the Real Estate subgroup** is expected to be around € 15 million due to planned, large-scale maintenance work that does not qualify for capitalisation. A substantial increase in the **operating result (EBIT)** is anticipated **at Group level**.

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.

Nautical accessibility continues to be vital 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 38

Expected Financial Position

In principle, HHLA's major investment activities can be scaled in line with demand. Due to the ongoing trend in ship sizes, the Group reserves the right to decide on investment activities that are not prompted purely by volume developments. Capital expenditure at Group level in 2018 is expected to be in the region of € 200 million. Most of this amount is attributable to the Port Logistics subgroup. In the Container segment, investment will primarily focus on the purchase of container gantry cranes, storage cranes and ground-handling vehicles for the container terminals in Hamburg. In the Intermodal segment, funds will be used to renew and expand the company's own transportation and handling capacities.

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.

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 could be supplemented by debt 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 boards 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

Key elements of the risk management system are: identifying, assessing, managing, monitoring and reporting risks; clear responsibilities for process participants (managers of affiliates, Internal Audit, Group Controlling); incorporating all majority shareholdings and companies consolidated using the equity method into the risk consolidation group. The Executive Board bears overall responsibility. Its members deal with and assess the risk management reports on a quarterly basis.

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.

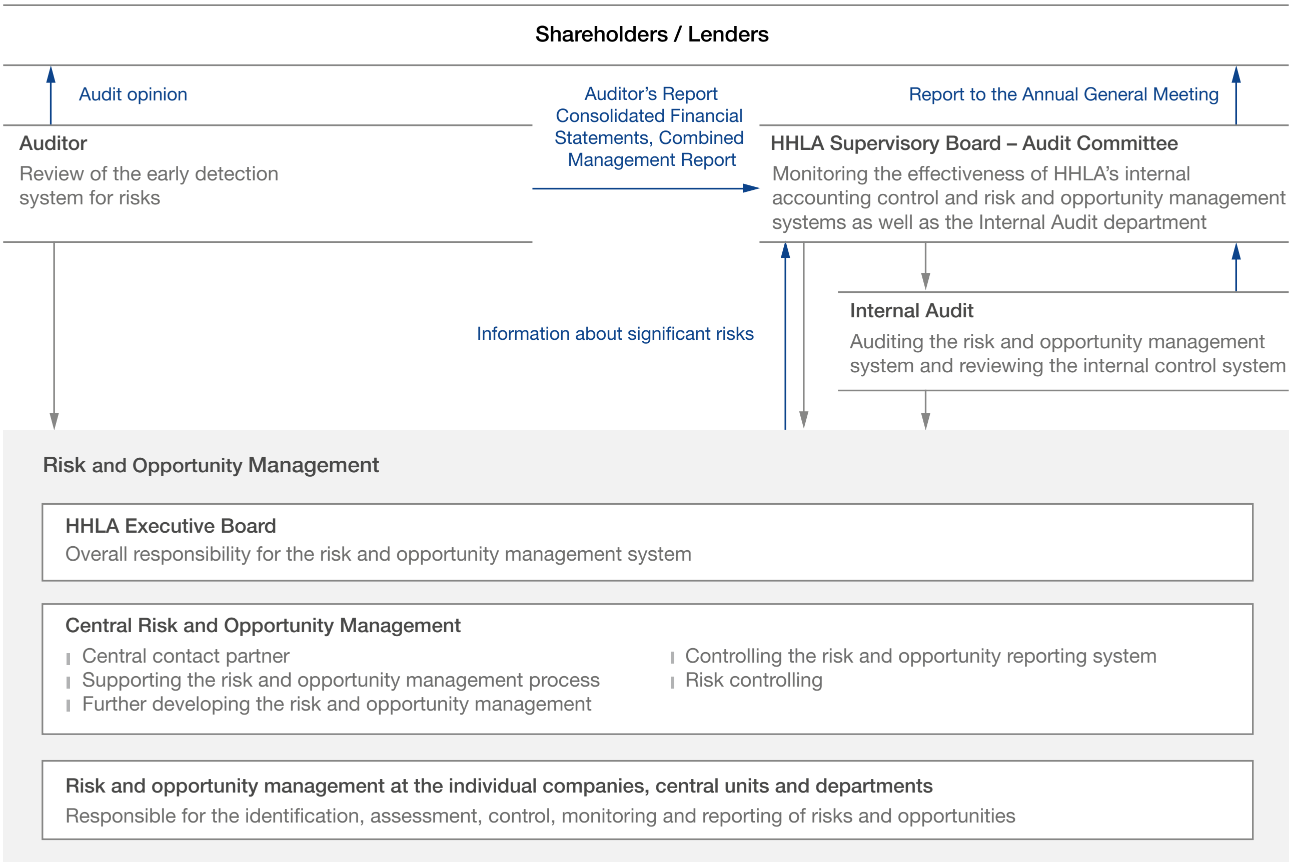
Categorisation of the probability of occurrence

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

Categorisation of the damage amount

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

Risk and Opportunity Management and the Internal Control System for Accounting



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.

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 assessment 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. When planning, managing and controlling strategic projects for a specific segment or all segments, HHLA's Executive Board primarily uses the proprietary resources of the holding company.

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 the departments responsible for mapping transactions are given writing access. Departments responsible for processing information use read access. The principles of function-related authorisations are defined in a set of SAP authorisation guidelines. These form part of a comprehensive IT security guideline, which regulates general access to the IT systems.

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 overview below summarises the main individual risks faced by the HHLA Group, classifies them according to risk areas and lists them in order of decreasing significance.

Ranking of HHLA Group's material risks

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

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 significant – in the Interim Statements for the first and third quarters.

There are no discernible risks at present that could jeopardise HHLA's continued existence. HHLA's Executive Board is confident that it will be able to exploit any future opportunities while avoiding exposure to unacceptably high risks. The following section describes the key risks and opportunities identified at Group level, taking into account any measures which have been put in place. No other significant risks have currently been identified, while those that do exist are largely insured against.

Risks and Opportunities

1. 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 prerequisite 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 fully compensate for divergences in earnings caused by underutilised capacity in the short 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 examines the intrinsic value of its assets and makes adjustments where necessary. As volumes in the Container segment are forecast to remain stable in the following year, the allowance for risks was reduced compared to the previous year.

Research institutes forecast moderate global economic growth for 2017 and the subsequent years. Although the advanced economies are expected to continue their stable growth, there are still uncertainties surrounding the consequences of Brexit in Europe and the further development of the US economy in the light of protectionist tendencies. Economic growth in China is expected to remain largely stable. 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.

In view of the unexpectedly strong and consistent growth trend in 2017, the market research institute Drewry has also upgraded its forecasts for container traffic in 2018. Drewry now expects a further – albeit slightly smaller – increase in global container throughput and the Northern Europe-Asia trade route, which is particularly important for HHLA. Although the associated volume and capacity risks remain relevant for HHLA, they are less significant than they were in the previous year.

Throughput and transport volumes in the markets of relevance for HHLA are monitored closely to ensure trends are recognised at an early stage. Where 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 location, 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, such as the fourth METRANS hub terminal officially opened in Budapest in June 2017, further strengthen the performance of HHLA's hinterland network.

The integration of POLZUG's activities into the METRANS organisation in 2018 is aimed at simplifying structures and processes, thereby enabling synergies to be realised.

Moreover, regulatory measures may increase the competitiveness of rail transportation in the intermodal marketplace.

Customer Structure
HHLA's shipping company customers have operated in a tough competitive environment for container liner shipping for several years now. This is mainly due to structurally related idle capacities and low freight rates. The cost pressure on shipping companies will remain high in future. However, the earnings position for shipping customers improved in 2017 with the upturn in global container traffic. The risk of a shipping customer filing for insolvency is therefore lower than it was in the previous year.

2017 saw the emergence of a new customer and service structure in the Asia–Europe trade route. Clients acknowledged the seaport terminals' capabilities, prompting a rise in capacity utilisation. In view of these developments, the temporary or structural re-routing of services between the North Range ports continues to present both risks and opportunities for HHLA. As volumes per service and ship call increase with the use of ever-larger vessels, the impact on capacity utilisation at the seaport terminals grows. However, no major changes in the service structure are anticipated at present. Furthermore, shipping 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"). This enables HHLA to respond flexibly to changes in the container liner shipping sector. In addition, HHLA aims to further 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.

Depending on the customer structure, smaller affiliates may become reliant on individual clients. Various steps are taken to counteract this reliance, such as optimising service quality. At the same time, efforts are made to attract new clients.

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 was aided by the introduction of an IT-based supplier management system in 2017.

2. 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 on 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. The Federal Administrative Court dismissed further appeals against the planning approval in November and December 2017. As a result, there are currently no appeals pending against the dredging proposals. However, as it is still impossible to reliably estimate when the potential construction work may begin, 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 infrastructure projects cannot be excluded. The reassessment in 2017 concluded that this was no longer a material risk for the Group, unlike in the previous year.

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.

3. 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 Intermodal and Logistics 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. As a result, it is impossible to rule out risks such as a further significant devaluation of the Ukrainian currency, the hryvnia, which may exceed the budget estimate. It still remains to be seen whether the political situation in Ukraine will stabilise in the short term.

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

Bad Debt Losses

The upturn in global container traffic helped improve the liquidity and earnings position of shipping companies in 2017. As a consequence, HHLA will not take out loan loss insurance from 2018 onwards, which leads to a one-off increase in the level of risk after mitigation measures. Due to the ongoing disequilibrium between trading volumes and ship space, the risk of customers filing for insolvency – with the corresponding loss of throughput and receivables – remains relevant, especially in the Container segment. However, it is currently regarded as unlikely (previous year: possible).

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.

Pension Obligations

The reference interest rate for measuring the necessary provisions for company pensions is expected to return to normal levels, but only in the medium to long term. Any further reduction in historically low interest rates would prompt another increase in pension provisions and a resulting decline in the equity ratio. In view of the anticipated interest rate trend, the risk assessment was reduced compared to the previous year. HHLA monitors interest trends so that it can adjust its provisions as necessary.

Further rises in pension provisions may prove necessary if additional vested rights in excess of the current regulations are recognised by the courts. This risk is currently regarded as low.

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 133

4. 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 recent 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 systematically examines and evaluates acquisition opportunities. Potential equity investments focus on port projects in attractive growth markets. Besides 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.

Digitisation

HHLA has digital expertise, as exemplified by the introduction of the slot-booking process for trucks in 2017. Based on HHLA's ambition to drive the port's digital transformation process, further innovations in the field of digitisation are to be initiated and implemented with the aim of enhancing the company's value. This may result in opportunities to generate additional value added.

5. 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 the code of conduct, as well as on other issues such as preventing corruption and conduct in the competitive environment. All of these activities are supported by additional communication measures, for example via the HHLA intranet and the HHLA team app. There are also opportunities for both employees and third parties to report violations (whistle-blower hotline). Should compliance violations occur, specific process adjustments may be undertaken to prevent them in future. For instance, in cases of theft, corresponding security measures are reviewed and possibly introduced to prevent as far as possible any further disappearance of such items.

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.

6. 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. During the 2017 general election campaign, a cross-party promise was made that Germany's future government would reduce track fees. It remains to be seen whether this will be introduced.

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 throughout 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.

7. IT Risks
Due to the heightened threat posed by cybercrime, the associated IT risks have been reassessed and are now classed among the HHLA Group's key risks. It is impossible to rule out the possibility of IT applications being temporarily restricted or unavailable in the case of an attack. However, extensive measures are in place to protect against attacks and/or significantly reduce any negative consequences. These include prevention measures using tools such as specific filter mechanisms, maintaining backup systems (above all for data and information sharing) and communicating closely with business partners.

Corporate Governance

Combined Corporate Management Declaration and Corporate Governance Report

The following section contains the **combined Corporate Management Declaration** for HHLA and the Group in accordance with Section 289f HGB and Section 315d in conjunction with Section 289f HGB, as well as the **Corporate Governance Report** by the Executive Board and Supervisory Board in accordance with Section 3.10 of the German Corporate Governance Code (hereafter "the Code" or "GCGC").

Implementation of the Code

Responsible and transparent corporate management geared towards creating sustainable value has always been a main foundation of HHLA's commercial success. HHLA therefore expressly supports the Code and the objectives and purposes that it pursues. The Executive Board and Supervisory Board once again took great care to ensure the recommendations and suggestions of the Code were met in the 2017 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG in December 2017. This confirms that the management and corporate culture of HHLA and the Group comply with the recommendations and most of the suggestions contained in the Code, with only a few exceptions. 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 Boards of HHLA submitted the following joint declaration of compliance in accordance with Section 161 AktG on 18 December 2017:

"The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that in the period starting 9 December 2016 (the date on which the previous declaration of compliance was issued), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 5 May 2015 and – subsequent to its taking effect – the version dated 7 February 2017 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions.

a) In February 2017, sentence 2 was added to Section 4.2.3 (2) GCGC, which recommends that the long-term assessment basis used for variable executive remuneration should fundamentally be forward-looking. However, the variable remuneration policy which applies to HHLA's Executive Board is fundamentally based on the achievement of certain key figures and/or targets for a three-year average comprising the current financial year and the two previous financial years. It did not appear practicable to amend the Executive Board contracts to reflect the new recommendation as they were concluded for a fixed term and cannot be changed unilaterally. Irrespective of this, the variable remuneration of the HHLA Executive Board is already geared towards sustainable development in its current form.

b) Section 5.4.1 (2) sentence 1 GCGC was also amended and now recommends that the Supervisory Board draw up a skills matrix for the board as a whole, as well as identifying concrete targets for its overall composition. Proposals made to the Annual General Meeting regarding the Supervisory Board should take into account the targets agreed for its overall composition but should also strive to fulfil the board's skills matrix (Section 5.4.1 [4] sentence 1 GCGC). Furthermore, as per section 5.4.1 (5) sentence 2 clause 2 GCGC, curricula vitae for all Supervisory Board members should be published on the company's website and updated every year. These should be supplemented by an overview of each member's main activities in addition to their Supervisory Board mandate. Once these recommendations had taken effect, the re-elections had been held and the Supervisory Board had been reconstituted, the Supervisory Board drafted a comprehensive skills matrix or requirement profile which it approved at its meeting on 18 December 2017. The Supervisory Board members' curricula vitae were also updated and published on the company's website, ▶ www.hhla.de. This means that the company now complies with these recommendations.

c) According to Section 7.1.2 of the Code, interim financial information is to be discussed by the Executive Board with the Supervisory Board or its Audit Committee prior to publication. HHLA has not complied with this recommendation to date because compiling the half-yearly 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 just one type of share. Furthermore, the additional financial information contained in these reports is reviewed by the auditors in order to increase the level of detail and frequency with which the company's reports are examined. However, the company intends to amend its processes in the near future to enable this information to be discussed with the Audit Committee before publication. The recommendation will therefore be met in the future.

Hamburg, 18 December 2017
Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board
The Supervisory Board"

Information about Corporate Governance 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 executive 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. ▶ see also www.hhla.de/compliance 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 and the introduction of corresponding measures – such as staff training and process adjustments to minimise the respective risks. The overall coordination of the CMS is performed by the HHLA Group's Compliance Officer, who reports directly to the Executive Board and synchronises their activities with those of Internal Audit and Risk Management departments, among others. There are also compliance managers or officers at the various corporate units in Germany and abroad. The responsibilities of compliance officers include advising employees on all compliance-related issues and investigating any indications of breaches. 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 optimised 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 158 and ▶ www.hhla.de/en/sustainability

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 38

Function and Composition of the Executive Board and the Supervisory Board

In accordance with the stipulations of German stock corporation law, HHLA has a dual system of management with an Executive Board and a Supervisory Board as management bodies, both of which have their own defined areas of competence. This system is characterised by having separate personnel to carry out the management and supervision functions: the Executive Board manages the company on its own responsibility, while the Supervisory Board monitors the Executive Board and discusses relevant matters with it. HHLA's Executive Board and Supervisory Board work closely together for the company's benefit in an atmosphere of mutual trust.

Function of the Executive Board

The Executive Board manages the company's business. 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.

The Executive Board assumes management responsibility as a **collegial body**. Regardless of the overall responsibility to manage the company, the individual members of the Executive Board also bear responsibility for the departments assigned to them by Executive Board resolutions. The **schedule of responsibilities** states which Executive Board members are responsible for which departments. ▶ see also 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, for example, operational malfunctions and illegal actions that disadvantage the company or a Group affiliate.

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 Executive Board's **rules of procedure**. The rules state, inter alia, that decisions on fundamental organisational questions, business policy and corporate planning are to be made by the Executive Board as a whole. The rules also state that decisions and transactions of considerable importance for the company must be discussed and decided upon together and that certain 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 of the Executive Board and Diversity

In accordance with Article 8 of the articles of association, HHLA's Executive Board must consist of at least two members. At present, there are four member of the Executive Board. ▶ see also Notes to the Consolidated Financial Statements, Note 49, Board Members and Mandates, page 143 The Executive Board's members are appointed by the Supervisory Board which, together with the Executive Board, ensures there is a long-term succession plan in place and that diversity considerations are taken into account in the Executive Board's composition. In the interests of outlining diversity aspects more precisely, the Supervisory Board approved a **Diversity Concept for the Executive Board** in December 2017.

Objective of the Diversity Concept

Along with the professional skills and experience of the Executive Board members, the Supervisory Board believes that diversity aspects play an important role in the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the work of the Executive Board. The objectives below serve as guidelines for long-term succession planning and the selection of suitable candidates.

Diversity Aspects

The Supervisory Board strives to ensure that the Executive Board is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Executive Board as a whole can draw on the widest possible range of experience, knowledge and skills.

Proportion of Women on the Executive Board

When appointing Executive Board members, the Supervisory Board is guided by the model of equal participation by women and men and actively pursues this objective, e.g. by specifically looking for female candidates to join the Executive Board. However, given that the Executive Board is small and there is usually a limited number of suitable candidates, it is not always possible to ensure that women and men are represented equally. With this in mind, the Supervisory Board has set a target quota of 25 % for women on the HHLA Executive Board. It has specified 30 June 2022 as the deadline for achieving this target.

Qualifications and Professional Background

Diversity in the Executive Board is also reflected by members with different qualifications and career paths who can draw on a wide range of different experiences (such as industry background). Members with different qualifications, professional backgrounds and experiences are therefore actively welcomed. However, each Executive Board member must have the personal and professional skills and experience necessary to fulfil the responsibilities of an Executive Board member at an international, listed company and protect the HHLA Group's public image. The members of the Executive Board should also have an in-depth understanding of HHLA's business activities and are usually required to have several years of managerial experience.

Furthermore, with a view to HHLA's business model, at least one member should have specialist expertise in each of the following areas:

- strategy and strategic management;
- the logistics business, including the relevant markets and client needs;
- sales;
- operations and technology, including IT and digitisation;
- the real estate business;
- legal affairs, corporate governance and compliance;
- human resources, especially HR management and staff development, as well as experience of co-determined structures;
- finance, including financing, accounting, controlling, risk management and internal control processes.

International Orientation
As the Group's activities are international by their very nature, at least some of the members should have considerable international experience.

Age
The age limit for Executive Board members is 67. There is no minimum age. However, Executive Board members are generally expected to have several years of managerial experience when they are appointed, which presupposes a certain amount of professional experience. Within this framework, a varied age structure within the Executive Board is targeted – in the interests of diversity and long-term succession planning – although age is deemed less important than the other criteria.

Progress to Date and Future Applicability
The Executive Board's current composition fulfils the targets set out above. The Executive Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 25 % for female executives has also been met. The age limit is not exceeded by any member. The Supervisory Board and its Personnel Committee will continue to take the above objectives into account during their long-term succession planning and when searching for suitable candidates for HHLA's Executive Board.

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 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. The Code also contains recommendations on the Supervisory Board's work.

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 shareholders' representatives when performing this role. In line with the statutory requirements, the recommendations of the Code, the skills matrix agreed by the Supervisory Board for the Executive Board, and the targets adopted regarding its composition, the Personnel Committee proposes suitable candidates to the Supervisory Board to stand for election at the Annual General Meeting as shareholder representatives on the Supervisory Board. In each case, it also ensures that the candidate is able to devote the necessary amount of time to the role.
- The **Arbitration Committee** performs the duties defined in Section 31 (3) of the German Co-Determination Act (MitbestG). This entails making 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.

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

Composition of the Supervisory Board and Diversity

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).

In view of the various requirements and recommendations relating to the composition of the Supervisory Board, the Supervisory Board approved a **requirement profile for HHLA's Supervisory Board** in December 2017. In addition to key legal requirements and the recommendations of the Code concerning the Supervisory Board's composition, this includes the Supervisory Board's own objectives for its composition, the skills matrix for the board as a whole as per Section 5.4.1 (2) GCGC, and the diversity concept for the Supervisory Board, including the disclosures pursuant to Section 289 et seq. (1) (6) of the German Commercial Code (HGB).

Objective of the Requirement Profile

The Supervisory Board strives for a composition which ensures it is capable of monitoring and advising the Executive Board professionally at all times. As well as ensuring its members fulfil professional and personal requirements, the Supervisory Board believes that diversity aspects play an important role for the effective work of the Supervisory Board and thus for the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the Supervisory Board's work. The objectives below therefore serve as guidelines for long-term succession planning and the selection of suitable candidates. They also provide transparency with regard to the key appointment criteria.

Requirements for Individual Members

General Requirements

Each Supervisory Board member should have the personal and professional skills and experience necessary to fulfil the responsibilities of a Supervisory Board member at an international, listed company and protect the HHLA Group's public image. In view of this, each Supervisory Board member should fulfil the following requirements:

- sufficient professional knowledge, i.e. the ability to perform the duties which are normally handled by the Supervisory Board;
- commitment, integrity and personality;
- a general understanding of HHLA's business activities, including the market environment and clients' needs;

- corporate or operational experience – for shareholder representatives, this should ideally take the form of experience from working in company management teams, occupying a managerial position or sitting on supervisory bodies;
- compliance with the limits on mandates set out in Section 100 of the German Stock Corporation Act (AktG) and Section 5.4.5 sentence 2 GCGC.

Available Time
Each Supervisory Board member ensures that they have the time needed to properly fulfil a Supervisory Board mandate. In particular, it must be taken into account that there are usually four to six Supervisory Board meetings per annum, which each need adequate preparation – especially in the case of reviewing the documents relating to the Annual and Consolidated Financial Statements. Membership of one or more of the committees requires additional time for preparation and attendance of committee meetings. Lastly, additional extraordinary meetings of the Supervisory Board or the committees may become necessary to deal with special topics.

Duration of Membership and Age Limit
Candidates proposed for election to the Supervisory Board should be under the age of 70 at the time of the election. As a rule, members should not serve more than three full terms on the Supervisory Board.

Requirements and Objectives for the Supervisory Board as a Whole
With regard to the composition of the Supervisory Board as a whole, the Supervisory Board strives to ensure that it is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Supervisory Board as a whole can draw on the widest possible range of experience and specialist knowledge. This also serves to promote diversity.

General Requirements
The Supervisory Board of HHLA must always be composed in such a way that its members have the necessary knowledge, skills and industry expertise to fulfil the Supervisory Board's responsibilities properly. Furthermore, the members of the Supervisory Board as a whole must be familiar with the logistics industry – especially the port logistics and intermodal sectors – and the real estate industry, and at least one member of the Supervisory Board must have expertise in the fields of accounting or the auditing of financial statements.

Specific Knowledge and Experience
The Supervisory Board of HHLA as a whole should cover all the areas of expertise necessary to perform its duties effectively. In line with the company's business model, this specifically includes in-depth knowledge and experience in:

- managing a large or medium-sized listed company which operates internationally;
- the logistics business, ideally in the port logistics and intermodal sectors, including the relevant markets and clients' needs;
- operations and technology, including IT systems and digitisation;
- the real estate business, specifically letting office space in the Hamburg area;
- legal affairs, corporate governance and compliance;
- controlling and risk management;
- applying accounting principles and internal control processes.

The Supervisory Board strives for a composition whereby at least one member is qualified to provide advice on each of the aspects listed above.

Independence and Conflicts of Interest
Given HHLA's specific commercial situation and ownership structure, the Supervisory Board should have at least two independent members from amongst the shareholders, as defined in Section 5.4.2 GCGC. Furthermore, the Supervisory Board assumes that the fact employee representatives speak for the staff and are employed by the company does not as such jeopardise their independence and that employee representatives should not therefore be viewed as dependent per se. Instead, they are expected to consider the material circumstances in each case.

To prevent potential conflicts of interest, no more than two former Executive Board members should sit on the Supervisory Board. In addition, the Supervisory Board should not include anyone who holds a seat on an executive body or performs an advisory role at any organisation in direct competition with the company.

Should any conflicts of interest arise – especially as a result of an advisory role or seat on an executive body involving customers, suppliers, creditors or other third parties – the Supervisory Board member in question is obliged to disclose these to the Supervisory Board. The Supervisory Board provides information on conflicts of interest and their treatment in its yearly report to the Annual General Meeting. If a member of the Supervisory Board has significant conflicts of interest that are not merely temporary, this should result in the termination of their period of office.

Diversity

HHLA's Supervisory Board consists of at least 30 % women and 30 % men. Furthermore, the Supervisory Board has set itself the medium-term goal of ensuring at least 40 % of its shareholder representatives are women.

In addition to this, diversity in the Supervisory Board is reflected by shareholder representatives with different career paths and fields of activity who can draw on a wide range of different experiences (such as industry background). In the interests of diversity, the Supervisory Board strives for a composition whereby its members complement one another with their backgrounds, experience and expertise. It also strives to ensure that some members have international experience.

Progress to Date and Future Applicability

The Supervisory Board's current composition fulfils the targets set out above. The Supervisory Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 30 % for female Supervisory Board members has been met. 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. The Supervisory Board has three independent members from amongst the shareholders: the Supervisory Board Chairman Prof. Dr. Grube, Mr. Westhagemann and Dr. 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 (3) GCGC.

The Nomination Committee and the Supervisory Board will take the above requirements and objectives into account during their succession planning and when searching for suitable candidates and proposing them to the Annual General Meeting for election to the Supervisory Board. At the same time, they will strive to fulfil the skills matrix for the Supervisory Board as a whole. However, the Annual General Meeting is under no obligation to observe this requirement profile or the Supervisory Board's election proposals when electing shareholder representatives. Furthermore, in the case of employee representatives, the Supervisory Board has no right to nominate candidates for election and the employees entitled to vote are also not obliged to observe this requirement profile.

Further Information

Further information on the Supervisory Board and Supervisory Board committees, as well as the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the Report of the Supervisory Board. ▶ see also Report of the Supervisory Board, page 4 Further information on the composition of the Supervisory Board and its committees can be found in the Notes to the Consolidated Financial Statements. ▶ see also Notes to the Consolidated Financial Statements, Note 49, Board Members and Mandates, page 143 Lastly, curricula vitae for the current members of the Supervisory Board are published on the company's website, ▶ www.hhla.de. These are updated each year.

Gender Representation on the Supervisory Board, Proportion of Women on the Executive Board and in the Two Management Levels Below the Executive Board

In accordance with Section 96 (2) of the German Stock Corporation Act (AktG), the **Supervisory Board** of HHLA consists of at least 30 % women and 30 % men. The gender quota applies to all members appointed since 1 January 2016. Until the Supervisory Board re-elections in June 2017, the Supervisory Board had two female shareholder representatives. Women therefore accounted for 33.3 % of the shareholder representatives and 16.7 % of the Supervisory Board as a whole. It was not possible to increase the proportion of women prior to the Supervisory Board re-elections as no positions were vacated. Before the Supervisory Board re-elections, Section 96 (2) sentence 3 AktG was not complied with in full, meaning that the respective minimum quotas for the shareholder and employee representatives on the Supervisory Board were to be met separately. In other words, at least two of the shareholder seats and two of the employee seats had to be filled by each gender. Since the Supervisory Board re-elections, there have been four female members of the Supervisory Board, two of whom are shareholder representatives and two of whom are employee representatives. Since then, women have therefore accounted for 33.3 % of both the shareholder representatives and the employee representatives on the Supervisory Board. The gender quota has therefore been fulfilled since the Supervisory Board re-elections.

In September 2015, the Supervisory Board set a target quota of 25 % for women on the **Executive Board**, which was to be met by 30 June 2017. This target has been met since 1 January 2017. Following the expiry of the initial deadline for target achievement, the Supervisory Board reaffirmed the 25 % target for a further five years, i.e. until 30 June 2022.

Regarding the two **management levels below the Executive Board**, the Executive Board originally set a target quota of 25 % for women in the first management level below the Executive Board and 30 % for the second management level. The deadline for fulfilling each of these targets was 30 June 2017. Following the expiry of the initial deadline for target achievement, the Executive Board set a target of 30 % for both management levels, to be met in both cases by 30 June 2022. As of 30 June 2017 and 31 December 2017, women accounted for 11 % of the first management level and 21 % of the second management level. In both cases, the main reason for the targets not being achieved by 30 June 2017 was that only a few positions were vacated during the comparatively short period prior to the deadline. Furthermore, in the first management level below the Executive Board, there are a number of vacancies which will not be occupied until after the beginning of 2018. Taking these new appointments into account would put the proportion of women in the first management level at 27 %.

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 proxies 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 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.

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 should 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 the Interim Reports comply with the International Financial Reporting Standards (IFRS) that apply in the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. 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 80
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 2017 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 that are of significance for the Supervisory Board's remit which come to its attention during the audit of the financial statements. 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 2017 financial year, the company did not receive any notifications regarding directors' dealings with HHLA shares or related financial instruments as defined in the Market Abuse Regulation (Regulation [EU] No. 596/2014 of the European Parliament and of the Council).

Remuneration Report

Executive Board Remuneration

The remuneration system used for HHLA's Executive Board is designed to foster successful and sustainable corporate development. The Supervisory Board is responsible for defining the Executive Board's remuneration system, regularly reviewing and adjusting the remuneration system if necessary and setting the individual remuneration of executives, following preparatory work by the Personnel Committee. When making such decisions, 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, 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 and modified slightly during a review in the 2015 financial year. The modified provisions have applied to all members since 1 January 2017. 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.

Fixed remuneration amounts to € 350,000 p.a. for ordinary members of the Executive Board. This is paid 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. The total variable remuneration is capped at 100 % of the fixed salary.

Level of Remuneration for Executive Board Members in 2017 Based on Different Scenarios

As of: 31 December 2017

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

1 Per container handled and transported

Pension entitlements exist for Executive Board members who have served on the Executive Board for more than three years. These entitlements grant Executive Board members a pension if they leave the Executive Board after a minimum of five or eight years' service for reasons unrelated to their person or for which they are not responsible, or as a result of incapacity or reaching retirement age. Pensions consist of a percentage of the entitlement salary, which in turn is based on the annual basic salary. Depending on the Executive Board member's length of service, this percentage is between 35 and 50 %, whereby adjustments are made not on a linear basis over the contract term, but rather in the course 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. During their first term (usually three years), Executive Board members do not generally accrue pension entitlements. Instead, individual arrangements are made, such as the payment of premiums for a direct insurance policy or the payment of a certain amount which is earmarked for a private pension.

The service contracts of the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause (including termination due to a change of control). In line with the recommendations of the German Corporate Governance Code, the compensation is limited to a maximum of two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

The members of the Executive Board were not granted any loans or similar payments. Total remuneration disbursed to the members of the Executive Board for their services in the 2017 financial year amounted to approximately € 2.93 million (previous year: € 3.14 million). Former members of the Executive Board and their surviving dependants received benefits totalling € 931.633 (previous year: € 692,224). Total provisions of € 24,241,804 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 12,385,982).

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

	Angela Titzrath, Chairwoman of the Executive Board					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2017**	2017 Minimum	2017 Maximum	2016[1]	**2017**	2016[1]
Fixed remuneration	450,000	450,000	450,000	87,500	450,000	87,500
Other benefits	12,248	12,248	12,248	6,936	12,248	6,936
Total	**462,248**	**462,248**	**462,248**	**94,436**	**462,248**	**94,436**
One-year variable remuneration[2, 3]	350,940	0	450,000	85,683	392,230	87,500
Other	0	0	0	0	0	0
Total remuneration	**813,188**	**462,248**	**912,248**	**180,118**	**854,478**	**181,936**
Service cost[4]	354,032	354,032	354,032	68,649	354,032	68,649
Total expenses	**1,167,220**	**816,280**	**1,266,280**	**248,767**	**1,208,510**	**250,584**

	Dr. Stefan Behn, Executive Board member (until 31 March 2017)					
	Benefits granted (target)				Allocation (amount disbursed)	
in €	**2017**	2017 Minimum	2017 Maximum	2016	**2017**	2016
Fixed remuneration	87,500	87,500	87,500	341,661	87,500	341,667
Other benefits	6,940	6,940	6,940	13,518	6,940	13,518
Total	**94,440**	**94,440**	**94,440**	**355,185**	**94,440**	**355,185**
One-year variable remuneration[2, 3]	70,704	0	87,500	312,730	81,203	324,397
Other	0	0	0	0	0	0
Total remuneration	**165,143**	**94,440**	**181,940**	**667,915**	**175,643**	**679,582**
Service cost[4, 5]	0	0	0	688,121	0	688,121
Total expenses	**165,143**	**94,440**	**181,940**	**1,356,036**	**175,643**	**1,367,703**

Heinz Brandt, Executive Board member						
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016	2017	2016
Fixed remuneration	350,000	350,000	350,000	325,000	350,000	325,000
Other benefits	13,215	13,215	13,215	12,812	13,215	12,812
Total	**363,215**	**363,215**	**363,215**	**337,812**	**363,215**	**337,812**
One-year variable remuneration[2, 3]	282,815	0	350,000	312,730	324,813	324,397
Other	0	0	0	0	0	0
Total remuneration	**646,030**	**363,215**	**713,215**	**650,542**	**688,028**	**662,209**
Service cost[4]	265,932	265,932	265,932	245,705	265,932	245,705
Total expenses	**911,962**	**629,146**	**979,146**	**896,247**	**953,960**	**907,914**

Jens Hansen, Executive Board member (since 1 April 2017)						
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016	2017	2016
Fixed remuneration	262,500	262,500	262,500	0	262,500	0
Other benefits	10,081	10,081	10,081	0	10,081	0
Total	**272,581**	**272,581**	**272,581**	**0**	**272,581**	**0**
One-year variable remuneration[2, 3]	230,393	0	262,500	0	257,047	0
Other	0	0	0	0	0	0
Total remuneration	**502,974**	**272,581**	**535,081**	**0**	**529,629**	**0**
Service cost[4]	26,250	26,250	26,250	0	26,250	0
Total expenses	**529,224**	**298,831**	**561,331**	**0**	**555,879**	**0**

Dr. Roland Lappin, Executive Board member						
	Benefits granted (target)				Allocation (amount disbursed)	
in €	2017	2017 Minimum	2017 Maximum	2016	2017	2016
Fixed remuneration	350,000	350,000	350,000	341,667	350,000	341,667
Other benefits	9,593	9,593	9,593	10,989	9,593	10,989
Total	**359,593**	**359,593**	**359,593**	**352,656**	**359,593**	**352,656**
One-year variable remuneration[2, 3]	282,815	0	350,000	312,730	324,813	324,397
Other	0	0	0	0	0	0
Total remuneration	**642,408**	**359,593**	**709,593**	**665,386**	**684,406**	**677,052**
Service cost[4]	205,008	205,008	205,008	178,719	205,008	178,719
Total expenses	**847,415**	**564,600**	**914,600**	**844,104**	**889,414**	**855,771**

1 *In the period from 1 October 2016 until 31 December 2016, Ms. Titzrath was a full member of the Executive Board.*

2 *Elements of the performance-related bonus (EBIT and sustainability components), calculated on the basis of a three-year assessment period.*

3 *A level of goal achievement of 100 % was assumed for each sustainability component and an average probability scenario was used for the EBIT figure (based on the forecasts announced on the capital market at the start of each year).*

4 *Service costs in accordance with IAS 19 “Service Cost Components for Entitlements, Payments for Direct Insurance Policies or Earmarked Contributions for Pensions” (according to the comments on model table 1 in the appendix to the GCGC)*

5 *In light of Dr. Behn’s decision to leave the Executive Board as of 31 March 2017, increased service costs were accrued to him for the 2016 financial year, while no additional service costs arose in the 2017 financial year.*

Supervisory Board Remuneration

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

No loans or similar payments were granted to members of the Supervisory Board. Other than the customary 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 € 303,938 (previous year: € 327,292).

Individual Remuneration of Supervisory Board Members

	Fixed remuneration		Remuneration for committee work		Meeting fee		Total	
in €[1]	2017	2016	2017	2016	2017	2016	2017	2016
Prof. Dr. Rüdiger Grube[2]	23,625	0	0	0	750	0	24,375	0
Prof. Dr. Peer Witten[3]	20,250	40,500	5,000	10,000	3,000	5,000	28,250	55,500
Berthold Bose[2]	11,813	0	0	0	750	0	12,563	0
Wolfgang Abel[3]	10,125	20,250	1,250	2,500	2,500	4,250	13,875	27,000
Torsten Ballhause[3]	6,750	13,500	3,750	6,250	3,000	5,250	13,500	25,000
Petra Bödeker-Schoemann	13,500	13,500	6,250	7,500	2,750	2,750	22,500	23,750
Dr. Rolf Bösinger[4]	13,500	12,375	2,500	4,167	3,500	4,250	19,500	20,792
Dr. Bernd Egert[3]	6,750	13,500	3,750	7,500	1,500	3,750	12,000	24,750
Holger Heinzel[3]	6,750	13,500	1,250	2,500	1,000	2,000	9,000	18,000
Dr. Norbert Kloppenburg	13,500	13,500	6,250	7,500	3,250	2,750	23,000	23,750
Andreas Kummer[5]	6,750	6,750	3,750	3,750	3,250	3,500	13,750	14,000
Frank Ladwig[6]	0	7,875	0	2,917	0	2,500	0	13,292
Thomas Lütje[2]	7,875	0	833	0	1,000	0	9,708	0
Thomas Mendrzik[2]	7,875	0	2,500	0	1,750	0	12,125	0
Stephan Möller-Horns[7]	0	2,250	0	0	0	0	0	2,250
Arno Münster[8]	0	7,875	0	5,833	0	3,250	0	16,958
Thomas Nahr[9]	6,750	6,750	2,500	2,500	1,500	1,500	10,750	10,750
Norbert Paulsen	13,500	13,500	5,000	5,000	3,500	2,750	22,000	21,250
Sonja Petersen[2]	7,875	0	1,667	0	250	0	9,792	0
Dr. Sibylle Roggencamp	13,500	13,500	8,750	10,000	4,500	6,750	26,750	30,250
Maya Schwiegershausen-Güth[2]	7,875	0	0	0	250	0	8,125	0
Michael Westhagemann[2]	7,875	0	2,500	0	2,000	0	12,375	0
Total	206,438	199,125	57,500	77,917	40,000	50,250	303,938	327,292

1 *All figures exclude VAT*
2 *Since 21 June 2017 (day of the Annual General Meeting)*
3 *Until 21 June 2017 (day of the Annual General Meeting)*
4 *Since 18 February 2016*
5 *15 July 2016 until 21 June 2017*
6 *Until 25 July 2016*
7 *Until 9 February 2016*
8 *Until 14 July 2016*
9 *26 July 2016 until 21 June 2017*

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. Of this amount, 70,048,834 are Class A shares and 2,704,500 are Class S shares (class of shares). The Class S shares constitute only shareholdings in the net profit/loss and net assets of the S division, and the Class A shares constitute only shareholdings in the net profit/loss and net assets of the remainder of the company (A division). The S division consists of the part of the company 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 114 and ▶ Note 48, page 138.

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 sentence 1 of the company's articles of association, the Executive Board consists of two or more people. Members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Co-Determination Act (MitbestG) and Article 8 of the articles of association.

6.2 Amendments to the articles of association can be made by means of a resolution of the Annual General Meeting. In line with Sections 179 and 133 of the German Stock Corporation Act (AktG) and Article 22 of the articles of association, a simple majority of the votes cast at the Annual General Meeting is sufficient for amendments to the articles of association. If a capital majority is required in addition to a majority of the votes, a simple majority of the share capital represented when the resolution is passed is adequate. 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 the event of a capital increase or steps taken in accordance with the German Reorganisation of Companies Act (UmwG) is designed to change the relationship between Class A and Class S shares, special resolutions by the Class A and Class S shareholders affected are required as per Section 138 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 21 June 2017 to increase the company's share capital until 20 June 2022 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 or issue in return for cash at a price which is not substantially lower than the stock exchange price of those Class A shares which are already listed at the time of the issue, and provided the new Class A shares do not account for more than 10 % of share capital. Furthermore, the issue of new Class A shares 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 could be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit.

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 20 June 2022 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, see Section 3 [5] of the articles of association). The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is 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 respective terms of the debenture bonds 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. Subject to the approval of the Supervisory Board, Class A shareholders’ subscription rights to the debentures can also be excluded 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 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 could still 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, conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This allows up of 10,000,000 new registered Class A shares to be issued.

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 redeeming shares, even in a simplified process in accordance with Section 237 (3–5) AktG. In the above cases – excluding redemption – 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 redemption 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 redeem Class A or S shares against payment of appropriate compensation if the shareholders whose shares are to be redeemed 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 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 the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause – including termination due to a change of control which may happen, for instance, following a voluntary or mandatory takeover offer. In line with the recommendations of the German Corporate Governance Code, the compensation is limited to a maximum of two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

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 28 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 2017 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 1,073 employees as of 31 December 2017 (previous year: 1,190). Of this number, 303 received wages (previous year: 349), 725 received a salary (previous year: 774) and 45 were apprentices (previous year: 67). Of the 1,073 staff members, 502 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	2017	2016	Change
Revenue	127.6	157.9	- 19.2 %
Other income and expenses	- 164.9	- 179.2	7.9 %
Operating result	- 37.3	- 21.3	- 75.0 %
Financial result	- 22.4	- 6.9	neg.
Result from equity investments	93.1	94.2	- 1.1 %
Income taxes	- 9.3	- 18.4	49.6 %
Net profit	24.1	47.6	- 49.4 %

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 € 127.6 million in the reporting year (previous year: € 157.9 million). The € 30.3 million decrease was largely due to the restructuring of the Logistics segment and the resulting income from the termination of the lease for the Übersee-Zentrum in the previous year.

Other income and expenses improved earnings by an additional € 14.3 million compared with the previous year. Following restructuring-related expenses in connection with the discontinuation of project and contract logistics in the previous year, the figure for the reporting year includes expenses for the reorganisation of the Container segment.

The year-on-year decrease in the **financial result** was mainly attributable to interest rate-related changes in provisions.

Income from equity investments remained virtually unchanged from the previous year. The net profits of HHLA AG's affiliates and equity investments recognised in profit or loss declined by € 1.1 million to € 93.1 million (previous year: € 94.2 million).

The € 9.1 million decrease in **income taxes** stemmed mainly from a significant reduction in the operating and financial result.

The company's **annual net profit** amounted to € 24.1 million in the reporting period (previous year: € 47.6 million). The A division accounted for € 14.7 million of this amount (previous year: € 38.8 million) and the S division for € 9.4 million (previous year: € 8.7 million).

Forecast and Actual Figures

in € million	Actual 2016	Forecast 2017	Actual 2017
Net profit	47.6	At previous year's level	24.1

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, an impairment on the amount reported for an investment and a merger loss led to a reduction in the annual net profit. ▶ see Course of Business and Economic Situation, page 27.

Assets

Balance Sheet Structure

in € million	31.12.2017	31.12.2016
Assets		
Intangible assets and property, plant and equipment	23.2	17.7
Financial assets	376.5	386.7
Other assets	625.9	654.8
Balance sheet total	1,025.6	1,059.2
Equity and liabilities		
Equity	474.3	496.9
Pension provisions	309.6	303.3
Other liabilities	241.7	259.0
Balance sheet total	1,025.6	1,059.2
Equity ratio in %	46.2	46.9
Intensity of investments in %	2.3	1.7

The carrying values of **intangible assets** and **property, plant and equipment** amounted to € 23.2 million at the end of the reporting period (previous year: € 17.7 million). Capital expenditure totalled € 8.3 million in the reporting period (previous year: € 10.3 million). Capital expenditure focused mainly on expanding the IT landscape.

The decline in **financial assets** of € 10.2 million to a total of € 376.5 million was largely due to the merger of HHLA Container Terminals Gesellschaft mit beschränkter Haftung and HHLA AG, as well as the impairment on the amount reported for an investment.

Development in Pension Provisions

in € thousand	2017	2016
Carrying amount on 1 January	303,327	313,095
Merger effect*	5,555	0
Expense recognised in profit and loss	19,891	8,754
Pension payments	- 19,198	- 18,522
Carrying amount on 31 December	309,575	303,327

* *In the year under review, HHLA Container Terminals Gesellschaft mit beschränkter Haftung merged with HHLA AG.*

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. An average market interest rate for the past ten years of 3.68 % set by Deutsche Bundesbank was applied for the reporting year (previous year: 4.01 %).

In accordance with Section 253 (2) sentence 2 HGB, a remaining term of 15 years is used as a basis. Pension provisions amounted to € 309.6 million at the end of the reporting period (previous year: € 303.3 million).

Financial Position

Liquidity Analysis

in € million	2017	2016
Financial funds as of 01.01.	405.3	399.3
Merger effect*	4.6	0.0
Cash flow from operating activities	32.3	67.6
Cash flow from investing activities	- 7.1	- 9.6
Cash flow from financing activities	- 46.7	- 52.0
Financial funds as of 31.12.	388.4	405.3
of which receivables from subsidiaries	166.4	201.7
of which cash and cash equivalents	222.0	203.6

* *In the year under review, HHLA Container Terminals Gesellschaft mit beschränkter Haftung merged with HHLA AG.*

Cash flow from operating activities totalled € 32.3 million in the reporting year (previous year: € 67.6 million). It was dominated by the operating result. 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 € 166.4 million (previous year: € 201.7 million), cash and cash equivalents in the form of bank balances totalling € 147.9 million (previous year: € 129.6 million) – of which € 20.0 million (previous year: € 10.0 million) was short-term bank deposits – and clearing receivables of € 74.0 million (previous year: € 74.0 million) from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV). The S division of Hamburger Hafen und Logistik AG (HHLA) participates in the cash clearing system operated by HGV. The A division also utilises the option of investing surplus liquidity with HGV whenever this is advantageous for HHLA AG.

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

Risk and Opportunity Report

Business developments at Hamburger Hafen und Logistik AG (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 38

Business Forecast

Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for Hamburger Hafen und Logistik AG (HHLA AGA) 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 36

Expected Earnings Position in 2018

Based on the expected developments, HHLA AG expects a significant year-on-year improvement in its net profit for the year.

Expected Financial Position in 2018

Hamburger Hafen und Logistik AG (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, 1 March 2018

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Angela Titzrath | Heinz Brandt

Jens Hansen | 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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Consolidated Financial Statements

Income Statement HHLA Group

in € thousand	Note	2017	2016
Revenue	8.	1,251,806	1,177,668
Changes in inventories	9.	- 254	266
Own work capitalised	10.	5,404	6,473
Other operating income	11.	39,433	57,469
Cost of materials	12.	- 370,491	- 349,967
Personnel expenses	13.	- 463,817	- 443,002
Other operating expenses	14.	- 166,298	- 162,466
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**295,783**	**286,441**
Depreciation and amortisation	15.	- 122,595	- 122,431
Earnings before interest and taxes (EBIT)		**173,188**	**164,010**
Earnings from associates accounted for using the equity method	16.	4,778	4,677
Interest income	16.	4,649	9,163
Interest expenses	16.	- 35,324	- 31,827
Other financial result	16.	0	0
Financial result	16.	**- 25,897**	**- 17,987**
Earnings before tax (EBT)		**147,291**	**146,023**
Income tax	18.	- 41,437	- 40,961
Profit after tax		**105,853**	**105,062**
of which attributable to non-controlling interests	19.	24,788	32,032
of which attributable to shareholders of the parent company		81,065	73,030
Earnings per share, basic and diluted, in €	20.		
HHLA Group		1.11	1.00
Port Logistics Subgroup		1.02	0.91
Real Estate Subgroup		3.65	3.44

Statement of Comprehensive Income HHLA Group

in € thousand	Note	2017	2016
Profit after tax		**105,853**	**105,062**
Components which cannot be transferred to the Income Statement			
Actuarial gains/losses	36.	5,482	- 45,441
Deferred taxes	18.	- 1,768	14,661
Total		**3,714**	**- 30,780**
Components which can be transferred to the Income Statement			
Cash flow hedges	47.	- 8	231
Foreign currency translation differences		- 5,430	- 2,928
Deferred taxes	18.	- 72	- 25
Other		145	- 163
Total		**- 5,365**	**- 2,885**
Income and expense recognised directly in equity		**- 1,651**	**- 33,665**
Total comprehensive income		**104,202**	**71,397**
of which attributable to non-controlling interests		24,637	31,727
of which attributable to shareholders of the parent company		79,565	39,670

Income Statement HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2017 Group	2017 Port Logistics	2017 Real Estate	2017 Consolidation
Revenue	1,251,806	1,220,262	37,896	- 6,352
Changes in inventories	- 254	- 254	0	0
Own work capitalised	5,404	4,815	0	589
Other operating income	39,433	34,958	5,556	- 1,081
Cost of materials	- 370,491	- 363,543	- 7,574	626
Personnel expenses	- 463,817	- 461,554	- 2,263	0
Other operating expenses	- 166,298	- 160,198	- 12,318	6,218
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**295,783**	**274,486**	**21,297**	**0**
Depreciation and amortisation	- 122,595	- 117,906	- 5,012	323
Earnings before interest and taxes (EBIT)	**173,188**	**156,580**	**16,285**	**323**
Earnings from associates accounted for using the equity method	4,778	4,778	0	0
Interest income	4,649	4,437	393	- 181
Interest expenses	- 35,324	- 32,642	- 2,863	181
Other financial result	0	0	0	0
Financial result	**- 25,897**	**- 23,427**	**- 2,470**	**0**
Earnings before tax (EBT)	**147,291**	**133,153**	**13,815**	**323**
Income tax	- 41,437	- 37,158	- 4,201	- 78
Profit after tax	**105,853**	**95,995**	**9,613**	**245**
of which attributable to non-controlling interests	24,788	24,788	0	
of which attributable to shareholders of the parent company	81,065	71,207	9,858	
Earnings per share, basic and diluted, in €	**1.11**	**1.02**	**3.65**	

Statement of Comprehensive Income HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2017 Group	2017 Port Logistics	2017 Real Estate	2017 Consolidation
Profit after tax	**105,853**	**95,995**	**9,613**	**245**
Components which cannot be transferred to the Income Statement				
Actuarial gains/losses	5,482	5,512	- 30	
Deferred taxes	- 1,768	- 1,778	10	
Total	**3,714**	**3,734**	**- 20**	
Components which can be transferred to the Income Statement				
Cash flow hedges	-8	-8	0	
Foreign currency translation differences	- 5,430	- 5,430	0	
Deferred taxes	- 72	- 72	0	
Other	145	145	0	
Total	**- 5,365**	**- 5,365**	**0**	
Income and expense recognised directly in equity	**- 1,651**	**- 1,631**	**- 20**	**0**
Total comprehensive income	**104,202**	**94,364**	**9,593**	**245**
of which attributable to non-controlling interests	24,637	24,637	0	
of which attributable to shareholders of the parent company	79,565	69,727	9,838	

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	

Balance Sheet HHLA Group

in € thousand	Note	31.12.2017	31.12.2016
ASSETS			
Intangible assets	22.	69,679	75,713
Property, plant and equipment	23.	974,551	950,936
Investment property	24.	179,884	183,994
Associates accounted for using the equity method	25.	15,215	14,317
Financial assets	26.	21,579	21,270
Deferred taxes	18.	87,093	82,720
Non-current assets		**1,348,001**	**1,328,950**
Inventories	27.	21,340	22,012
Trade receivables	28.	149,115	160,440
Receivables from related parties	29.	81,527	81,736
Other financial receivables	30.	2,651	2,172
Other assets	31.	26,828	39,877
Income tax receivables	32.	4,302	488
Cash, cash equivalents and short-term deposits	33.	201,514	177,192
Non-current assets held for sale	34.	0	0
Current assets		**487,277**	**483,917**
Balance sheet total		**1,835,278**	**1,812,867**
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		469,672	435,345
Port Logistics Subgroup		426,068	396,191
Real Estate Subgroup		43,604	39,154
Other comprehensive income		- 112,439	- 110,938
Port Logistics Subgroup		- 112,180	- 110,701
Real Estate Subgroup		- 259	- 237
Non-controlling interests		30,790	32,094
Port Logistics Subgroup		30,790	32,094
Real Estate Subgroup		0	0
Equity	35.	**602,359**	**570,838**
Pension provisions	36.	448,925	460,530
Other non-current provisions	37.	112,893	102,644
Non-current liabilities to related parties	40.	105,470	105,914
Non-current financial liabilities	38.	304,721	339,150
Deferred taxes	18.	21,779	19,801
Non-current liabilities		**993,788**	**1,028,039**
Other current provisions	37.	34,585	17,712
Trade liabilities	39.	77,246	68,106
Current liabilities to related parties	40.	8,058	9,340
Current financial liabilities	38.	80,836	76,614
Other liabilities	41.	32,505	29,946
Income tax liabilities	42.	5,901	12,272
Current liabilities		**239,131**	**213,990**
Balance sheet total		**1,835,278**	**1,812,867**

Balance Sheet – HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	31.12.2017 Group	31.12.2017 Port Logistics	31.12.2017 Real Estate	31.12.2017 Consolidation
ASSETS				
Intangible assets	69,679	69,666	13	0
Property, plant and equipment	974,551	955,575	4,660	14,316
Investment property	179,884	29,798	176,282	- 26,196
Associates accounted for using the equity method	15,215	15,215	0	0
Financial assets	21,579	17,549	4,030	0
Deferred taxes	87,093	96,762	0	- 9,669
Non-current assets	**1,348,001**	**1,184,565**	**184,985**	**- 21,549**
Inventories	21,340	21,266	74	0
Trade receivables	149,115	147,913	1,202	0
Receivables from related parties	81,527	75,945	9,575	- 3,993
Other financial receivables	2,651	2,613	38	0
Other assets	26,828	25,519	1,309	0
Income tax receivables	4,302	3,988	1,043	- 729
Cash, cash equivalents and short-term deposits	201,514	197,132	4,382	0
Non-current assets held for sale	0	0	0	0
Current assets	**487,277**	**474,376**	**17,623**	**- 4,722**
Balance sheet total	**1,835,278**	**1,658,941**	**202,608**	**- 26,271**
EQUITY AND LIABILITIES				
Subscribed capital	72,753	70,048	2,705	0
Capital reserve	141,584	141,078	506	0
Retained earnings	469,672	426,068	52,530	- 8,926
Other comprehensive income	- 112,439	- 112,180	- 259	0
Non-controlling interests	30,790	30,790	0	0
Equity	**602,359**	**555,803**	**55,482**	**- 8,926**
Pension provisions	448,925	442,058	6,867	0
Other non-current provisions	112,893	110,511	2,382	0
Non-current liabilities to related parties	105,470	105,470	0	0
Non-current financial liabilities	304,721	198,872	105,849	0
Deferred taxes	21,779	15,902	18,500	- 12,623
Non-current liabilities	**993,788**	**872,813**	**133,598**	**- 12,623**
Other current provisions	34,585	34,519	66	0
Trade liabilities	77,246	73,240	4,006	0
Current liabilities to related parties	8,058	10,036	2,015	- 3,993
Current financial liabilities	80,836	75,612	5,224	0
Other liabilities	32,505	31,180	1,325	0
Income tax liabilities	5,901	5,738	892	- 729
Current liabilities	**239,131**	**230,325**	**13,528**	**- 4,722**
Balance sheet total	**1,835,278**	**1,658,941**	**202,608**	**- 26,271**

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**

Cash Flow Statement HHLA Group

in € thousand	Note	2017	2016
1. Cash flow from operating activities			
Earnings before interest and taxes (EBIT)		173,188	164,010
Depreciation, amortisation, impairment and reversals on non-financial non-current assets		122,595	122,431
Increase (+), decrease (-) in provisions		13,000	17,883
Gains (-), losses (+) from the disposal of non-current assets		814	621
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities		22,820	- 35,261
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities		8,085	11,288
Interest received		2,248	2,674
Interest paid		- 12,836	- 16,964
Income tax paid		- 55,800	- 31,672
Exchange rate and other effects		1,351	- 451
Cash flow from operating activities		275,465	234,559
2. Cash flow from investing activities			
Proceeds from disposal of intangible assets, property, plant and equipment and investment property		1,983	27,032
Payments for investments in property, plant and equipment and investment property		- 126,490	- 117,884
Payments for investments in intangible assets	22.	- 5,472	- 12,323
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)		- 5	0
Proceeds (+), payments (-) for short-term deposits		- 1,205	54,255
Cash flow from investing activities		- 131,189	- 48,920
3. Cash flow from financing activities			
Payments for increasing interests in fully consolidated companies		0	-13,556
Dividends paid to shareholders of the parent company	21.	- 46,738	- 46,062
Dividends/settlement obligation paid to non-controlling interests		- 25,923	- 24,907
Redemption of lease liabilities		- 5,869	- 5,132
Proceeds from the issuance of bonds and (financial) loans		0	10,000
Payments for the redemption of (financial) loans		- 40,494	- 42,754
Cash flow from financing activities		- 119,024	- 122,411
4. Financial funds at the end of the period			
Change in financial funds (subtotals 1.–3.)		25,252	63,228
Change in financial funds due to exchange rates		- 2,135	- 1,006
Change in financial funds due to consolidation		0	4,760
Financial funds at the beginning of the period		232,397	165,415
Financial funds at the end of the period	43.	255,514	232,397

Cash Flow Statement – HHLA Subgroups

in € thousand; Port Logistics Subgroup and Real Estate Subgroup; annex to the notes	2017 Group	2017 Port Logistics	2017 Real Estate	2017 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	173,188	156,580	16,285	323
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	122,595	117,906	5,012	- 323
Increase (+), decrease (-) in provisions	13,000	13,249	- 249	
Gains (-), losses (+) from the disposal of non-current assets	814	873	- 59	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	22,820	23,607	- 2,876	2,089
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	8,085	8,024	2,150	- 2,089
Interest received	2,248	2,036	393	- 181
Interest paid	- 12,836	- 10,322	- 2,695	181
Income tax paid	- 55,800	- 54,406	- 1,394	
Exchange rate and other effects	1,351	1,351	0	
Cash flow from operating activities	**275,465**	**258,898**	**16,567**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	1,983	1,865	118	
Payments for investments in property, plant and equipment and investment property	- 126,490	- 120,343	- 6,147	
Payments for investments in intangible assets	- 5,472	- 5,472	0	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	- 5	- 5	0	
Proceeds (+), payments (-) for short-term deposits	- 1,205	- 1,205	0	
Cash flow from investing activities	**- 131,189**	**- 125,160**	**- 6,029**	**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	- 46,738	- 41,329	- 5,409	
Dividends/settlement obligation paid to non-controlling interests	- 25,923	- 25,923	0	
Redemption of lease liabilities	- 5,869	- 5,869	0	
Proceeds from the issuance of bonds and (financial) loans	0	0	0	
Payments for the redemption of (financial) loans	- 40,494	- 36,388	- 4,106	
Cash flow from financing activities	**- 119,024**	**- 109,509**	**- 9,515**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	25,252	24,229	1,023	0
Change in financial funds due to exchange rates	- 2,135	- 2,135	0	
Change in financial funds due to consolidation	0	0	0	
Financial funds at the beginning of the period	232,397	222,537	9,860	
Financial funds at the end of the period	**255,514**	**244,631**	**10,883**	**0**

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	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	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**

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 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
Balance as of 31 December 2016	70,048	2,705	141,078	506	435,345	- 64,595
Dividends					- 46,738	
Settlement obligation to shareholders with non-controlling interests						
Total comprehensive income					81,065	- 5,446
Balance as of 31 December 2017	70,048	2,705	141,078	506	469,672	- 70,041

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
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
412	- 85,995	27,733	11,507	538,744	32,094	570,838
				- 46,738	- 3,321	- 50,059
				0	- 22,620	- 22,620
-7	5,747	-1,920	126	79,565	24,637	104,202
405	- 80,248	25,813	11,633	571,570	30,790	602,359

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 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
Balance as of 31 December 2016	70,048	141,078	396,191	- 64,595
Dividends			- 41,329	
Settlement obligation to shareholders with non-controlling interests				
Total comprehensive income subgroup			71,206	- 5,446
Balance as of 31 December 2017	70,048	141,078	426,068	- 70,041

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

in € thousand; annex to the notes

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
Balance as of 31 December 2016
Dividends
Total comprehensive income subgroup
Balance as of 31 December 2017
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2017

Other comprehensive income				Parent company interests	Non-controlling interests	Total subgroup consolidated equity
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Other			
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**
412	**- 85,645**	**27,620**	**11,507**	**496,616**	**32,094**	**528,710**
				- 41,329	- 3,321	- 44,650
				0	- 22,620	- 22,620
- 7	5,778	- 1,930	126	69,727	24,637	94,364
405	**- 79,867**	**25,690**	**11,633**	**525,014**	**30,790**	**555,803**

			Other comprehensive income		Total subgroup consolidated equity
Subscribed capital	Capital reserve	Retained consolidated earnings	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	
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**
2,705	**506**	**48,325**	**- 350**	**113**	**51,299**
		- 5,409			- 5,409
		9,613	- 30	10	9,593
2,705	**506**	**52,530**	**- 381**	**123**	**55,482**
		245			245
		- 9,170			- 9,170
		- 8,926			**- 8,926**
2,705	**506**	**43,604**	**- 381**	**123**	**46,557**

Segment Report HHLA Group

in € thousand; business segments; annex to the notes	Port Logistics Subgroup					
	Container		Intermodal		Logistics	
	2017	2016	2017	2016	2017	2016
Segment revenue						
Segment revenue from non-affiliated third parties	740,560	688,257	412,399	388,369	46,067	48,812
Inter-segment revenue	6,003	6,312	1,579	1,752	4,773	6,188
Total segment revenue	746,563	694,569	413,978	390,121	50,840	55,000
Earnings						
EBITDA	194,725	201,462	94,983	79,646	6,950	2,369
EBITDA margin	26.1 %	29.0 %	22.9 %	20.4 %	13.7 %	4.3 %
EBIT	109,398	117,834	69,910	55,874	2,552	- 1,711
EBIT margin	14.7 %	17.0 %	16.9 %	14.3 %	5.0 %	- 3.1 %
Assets						
Segment assets	810,785	824,460	408,062	404,960	40,852	62,036
Other segment information						
Investments in property, plant and equipment and investment property	79,590	76,188	45,497	43,662	1,285	2,346
Investments in intangible assets	1,605	5,114	174	429	72	35
Total investments	81,195	81,302	45,671	44,091	1,357	2,381
Depreciation of property, plant and equipment and investment property	75,179	74,021	24,812	23,300	4,345	4,023
of which impairment	0	1,125	0	0	0	0
Amortisation of intangible assets	10,148	9,607	260	472	53	57
Total amortisation and depreciation	85,327	83,628	25,072	23,772	4,398	4,080
Earnings from associates accounted for using the equity method	874	951	0	0	3,904	3,726
Non-cash items	30,901	24,097	1,652	9,809	1,088	2,201
Container throughput in thousand TEU	7,196	6,658	–	–		
Container transport in thousand TEU	–	–	1,480	1,408		

Real Estate Subgroup				Total		Consolidation and reconciliation with Group		Group	
Holding/Other		Real Estate							
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
17,279	16,942	35,501	35,288	1,251,806	1,177,668	0	0	1,251,806	1,177,668
129,951	131,045	2,395	2,395	144,700	147,692	- 144,700	- 147,692	0	0
147,230	**147,987**	**37,896**	**37,683**	**1,396,506**	**1,325,360**				
- 21,917	- 17,233	21,297	21,113	296,037	287,357	- 255	- 916	295,783	286,441
- 14.9 %	- 11.6 %	56.2 %	56.0 %						
- 26,839	- 25,319	16,285	16,049	171,306	162,726	1,882	1,284	173,188	164,010
- 18.2 %	- 17.1 %	43.0 %	42.6 %						
180,814	162,498	190,632	186,680	1,631,145	1,640,634	204,133	172,233	1,835,278	1,812,867
4,573	2,906	6,146	1,391	137,091	126,493	0	- 500	137,091	125,993
3,797	7,387	0	28	5,648	12,993	- 176	- 670	5,472	12,323
8,370	**10,293**	**6,146**	**1,419**	**142,739**	**139,486**	**- 176**	**- 1,170**	**142,563**	**138,316**
3,790	7,045	4,999	5,053	113,125	113,442	- 1,590	- 1,806	111,536	111,637
0	0	0	0	0	1,125	0	0	0	1,125
1,132	1,042	13	11	11,606	11,189	- 547	- 394	11,059	10,794
4,922	**8,087**	**5,012**	**5,064**	**124,731**	**124,631**	**- 2,137**	**- 2,200**	**122,595**	**122,431**
0	0	0	0	4,778	4,677	0	0	4,778	4,677
12,487	28,598	447	268	46,575	64,973	59	2	46,634	64,975

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 (in the following, HHLA or the Group), registered in the Hamburg Commercial Register under HRB 1902. The holding company above the Group is HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV).

Since 1 January 2007, the 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 128.

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 cash flow statement and the statement of changes in equity for each subgroup.

HHLA's Consolidated Financial Statements for the 2017 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 315e (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 2017 financial year are based on the same accounting and valuation principles used for the 2016 Consolidated Financial Statements. Exceptions are the effects of new IFRS accounting standards stated in ▶ Note 5, page 85. Use of the latter became mandatory for the Group on 1 January 2017. The accounting and valuation principles applied are explained in ▶ Note 6, page 88.

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 2017 were approved by the Executive Board on 1 March 2018 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 88 and ▶ Note 7, page 96.

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 81 and ▶ Note 35, page 114.

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 28 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 138. 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 2017	24	14	38
Mergers	4	0	4
31 December 2017	**20**	**14**	**34**
Companies reported using the equity method			
1 January 2017	8	0	8
31 December 2017	**8**	**0**	**8**
Total 31 December 2017	**28**	**14**	**42**

Subsidiaries

The Consolidated Financial Statements comprise the financial statements for HHLA 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, HHLA AG 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 control begins until the time 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	
			2017	2016
HHLA Container Terminal Altenwerder GmbH	Hamburg, Germany	Container	74.9 %	74.9 %
METRANS a.s.	Prague, Czech Republic	Intermodal	90.0 %	90.0 %

Financial Information about the Subsidiaries with Substantial Non-controlling Interests

	HHLA Container Terminal Altenwerder GmbH		METRANS a.s.	
in € thousand	**2017**	2016	**2017**	2016
Percentage of non-controlling interests	25.1 %	25.1 %	10.0 %	10.0 %
Non-current assets	81,535	82,100	228,087	208,832
Current assets	180,120	141,930	58,453	75,828
Non-current liabilities	53,938	52,757	62,935	108,538
Current liabilities	131,106	94,984	59,739	25,567
Net assets	**76,611**	**76,289**	**163,866**	**150,555**
Book value of non-controlling interests	**- 4,466**	**28**	**24,426**	**22,278**
Revenue	275,022	232,483	238,629	230,497
Annual net profit	828	- 734	43,355	41,182
Other comprehensive income	- 506	- 922	0	0
Total comprehensive income	**322**	**- 1,656**	**43,355**	**41,182**
of which attributable to non-controlling interests	81	- 416	4,326	4,109
of which attributable to shareholders of the parent company	241	- 1,240	39,029	37,073
Cash flow from operating activities	108,708	89,328	78,860	51,288
Settlement obligation/intended dividend to holders of non-controlling interests	- 30,900	- 22,603	- 3,038	- 2,536

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	2017	2016
Group share of profit or loss	3,917	3,746
Group share of other comprehensive income	5	- 248
Group share of comprehensive income	**3,922**	**3,498**

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	31.12.2017	31.12.2016
Aggregate book value	11,243	10,481

Interests in Associated Companies

Companies designated as associated companies are those over which 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. 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 venture 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

The companies HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg, and HHLA Logistics GmbH, Hamburg, were merged to form Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, upon entry into the commercial register on 18 August 2017 and with effect from 1 January 2017.

The companies HPTI Hamburg Port Training Institute GmbH, Hamburg, and Uniconsult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg, were merged to form HPC Hamburg Port Consulting GmbH, Hamburg, upon entry into the commercial register on 28 July 2017 and with effect from 1 January 2017.

The mergers had no effect on HHLA's Consolidated Financial Statements.

There were no other significant acquisitions, purchases or disposals of shares in subsidiaries, or changes to the group of consolidated companies.

4. Foreign Currency Translation

Monetary assets and liabilities in the 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 profit of € 2,604 thousand in the financial year, largely due to the appreciation of the Czech koruna (previous year: loss of € 2,188 thousand largely due to the depreciation of the Ukrainian currency).

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.

The proportion of equity attributable to shareholders of the parent company fell, with the change recognised directly in equity, by € 5,446 thousand (previous year: € 2,902 thousand) largely due to the depreciation of the Ukrainian currency in the amount of € 5,831 thousand (previous year: € 3,019 thousand).

Foreign Currency Translation

		Spot rate = 1€		Average annual rate = 1€	
Currency	ISO code	**31.12.2017**	31.12.2016	**2017**	2016
Czech crown	CZK	25.535	27.021	26.345	27.041
Georgian lari	GEL	3.104	2.794	2.855	2.627
Hungarian forint	HUF	310.330	309.830	309.321	312.177
Polish zloty	PLN	4.177	4.410	4.256	4.368
Ukrainian hryvnia	UAH	33.495	28.423	30.087	28.094

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 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. Adoption into EU law was announced in Commission Regulation (EU) 2017/1990 on 6 November 2017. These amendments should be taken into account for financial years which begin on or after 1 January 2017. This has no substantial impact on HHLA's Consolidated Financial Statements.
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. The amendments were enacted in EU law with Commission Regulation (EU) 2017/1989 on 6 November 2017. These amendments should be taken into account for financial years which begin on or after 1 January 2017. They had no impact on HHLA's Consolidated Financial Statements.
Improvements to IFRS 2014–2016 Cycle	The 2014–2016 annual round of improvements to IFRS was published by the IASB in December 2016. Three standards are affected in total. The amendments to IFRS 12 Investment Entities clarify that the regulations contained in the standard also apply to interests covered by IFRS 5. The amendments were enacted in EU law with Commission Regulation (EU) 2018/182 on 7 February 2018. The effective date is 1 January 2017. The amendments had no effect on the present 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
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. The amendments relate to the inclusion of vesting conditions in the measurement of cash-settled share-based payment transactions and amendments relating to the classification of share-based payments that provide for net settlement for taxes to be withheld. The standard also deals with the accounting treatment of the amendments. The amendments were adopted into EU law with Commission Regulation (EU) 2018/289 on 26 February 2018. These amendments apply to financial years beginning on or after 1 January 2018. Early adoption is permitted. Adoption is not expected to have any impact on the Consolidated Financial Statements.
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. In the future, financial assets will be classified based on criteria relating to the business model and the associated cash flows. Due to the new provisions on impairment, losses expected in the future will be recognised earlier in profit and loss in some cases. The amendments were enacted in EU law with Commission Regulation (EU) 2016/2067 on 22 November 2016. Adoption is expected to be mandatory for financial years which begin on or after 1 January 2018. Early adoption is permitted. In accordance with the transition guidance, the Group will not adjust the prior-year figures and will report the transition effects on a cumulative basis in revenue reserves. The main financial assets reported by the Group include cash, cash equivalents, trade receivables and receivables from related parties (public-sector companies). Cash and cash equivalents are generally only invested with counterparties with very good credit ratings. The actual default risk associated with these investments is very low, ▶ see Note 47, page 133. The new impairment model does not have any material impact on the financial assets. As far as the trade receivables are concerned, the Group was not exposed to any material default risk extending beyond the impairment allowances set up in the 2017 financial year, ▶ see Note 47, page 133. As things stand at present, the Group expects to see stable development in the future, too. It does not expect to see any significant increase in risk provisions based on the amended impairment model.
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. The Group will apply the standard for the first time by recognising the cumulative adjustment amounts from the initial application of the standard at the time of initial application. This involves recognising the cumulative effect of the adjustment to the value in the opening balance sheet in equity. The Group does not expect any material changes in revenue from contracts with customers compared to the previous application of IAS 18.
Amendments to IFRS 15 Clarifications	The final amendments to IFRS 15 were published by the IASB in April 2016. For the most part, the amendments to this standard are clarifications and additional simplifications for the transition to IFRS 15. The amendments were enacted in EU law with Commission Regulation (EU) 2017/1987 on 31 October 2017. 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. In general, all leases are now to be recognised as rights of use for accounting purposes. 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 EU enacted this standard in its legislation with Commission Regulation (EU) 2017/1986 dated 31 October 2017. The effective date is 1 January 2019. Earlier adoption is permitted if IFRS 15 Revenue from Contracts with Customers is already applied. The Group will apply the standard for the financial year starting on 1 January 2019. The Group has not yet made a decision on the application of the transition guidance. Based on its obligations from operating leases where it is a lessee – ▶ see Note 45, page 131 – all other things being equal, the Group expects the balance sheet total to increase significantly compared with the existing accounting due to the new regulations set out in IFRS 16. 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 to IFRS 2014–2016 Cycle	The 2014–2016 annual round of improvements to IFRS was published by the IASB in December 2016. Three standards are affected in total. 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. The amendments were enacted in EU law with Commission Regulation (EU) 2018/182 on 7 February 2018. IFRS 1 and IAS 28 become applicable on 1 January 2018. HHLA does not anticipate any effects for the Consolidated Financial Statements.

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 19 Plan Amendment, Curtailment or Settlement	In accordance with IAS 19, pension obligations are to be measured based on updated assumptions in the event of plan amendment, curtailment or settlement. This amendment clarifies that, after such an event, the past service cost and net interest for the remainder of the period must be taken into account based on updated assumptions. The amendments are to be applied with effect from 1 January 2019. Early adoption is permitted.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The aim of the amendments, which were published in October 2017, is to clarify that an entity must apply IFRS 9 Financial Instruments to all long-term interests in an associate or joint venture, irrespective of the accounting method. The amendments take effect for reporting periods that begin on or after 1 January 2019. Early adoption is permitted.
Amendments to IAS 40 Transfers of Investment Property	The IASB published amendments to IAS 40 Investment Property in 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 will examine their effect on the Consolidated Financial Statements.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	The IASB published these amendments to IFRS 9 in October 2017. They are designed to facilitate measurement at amortised cost/at fair value through other comprehensive income even for financial assets that do not meet the SPPI criterion. These relate to financial assets with prepayment features that involves one party receiving or paying appropriate compensation in the event of termination (appropriate negative fee). The amendments are to apply to financial years which begin on or after 1 January 2019.
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.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	In 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.
IFRIC 23 Accounting for Uncertainties in Income Taxes	The interpretation published in June 2017 clarifies the accounting treatment of uncertainties relating to income tax treatment under IAS 12. The interpretation is to be applied to taxable profit (tax loss), unused tax losses, unused tax credits and tax rates. The provisions will come into force for financial years starting on 1 January 2019. Early adoption is permitted.
Improvements to IFRS 2015–2017 Cycle	These clarifications were published in December 2017 and apply to four standards. Based on the amendments to IFRS 3 Business Combinations, the principles governing successive business combinations are to be applied when an entity obtains control over a business operation in which it previously held an interest as part of a joint operation. Based on the amendments to IFRS 11 Joint Arrangements, a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments to IAS 12 Income Taxes deal with the income tax consequences of dividend payments. The amendments to IAS 23 Borrowing Costs clarify that, in connection with the calculation of the capitalisation rate, the cost associated with debt taken out specifically in connection with the acquisition of the qualifying assets is not to be included until the asset is completed if a company has generally borrowed funds to purchase qualifying assets. The amendments are to be applied with effect from 1 January 2019. Early adoption is permitted.

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

Standard	Content and Significance
Amendments to IFRS 4	Insurance Contracts
IFRS 17	Insurance Contracts

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	2017	2016
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	2017	2016
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 110.

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 recoverable amount is generally calculated based on the fair value less selling costs of the cash-generating unit or asset 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 4.7 and 5.4 % p. a. (previous year: 4.6 to 5.5 % 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. As of the balance sheet date, the Group had no held-to-maturity financial investments during the 2017 and 2016 financial years.

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. On the same date, CTA Besitzgesellschaft mbH was renamed HHLA Container Terminal Altenwerder GmbH. As a result of the merger of HHTC with Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG), a profit and loss transfer agreement with effect as of 1 January 2017 was transferred to HHLA AG in August 2017.

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 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 123, it was recognised directly in equity and reduced non-controlling interests within equity as a result ▶ Note 35, page 114.

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 2017. This means the company has a further obligation to pay a financial settlement for the 2018 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 5.44 % is used for recognising the expected financial settlement for the 2018 financial year (previous year: 5.46 % for 2017). Expenses of € 12,855 thousand (previous year: € 2,932 thousand) reported through profit and loss in the reporting year is recorded in financial income ▶ Note 16, page 101 and only impacts non-controlling interests in the CTA Group. This figure includes income of € 11,870 thousand (previous year: € 4,387 thousand) from an adjustment to reflect the actual share of earnings and expenses of € 985 thousand arising from the discounting payment obligation recognised in the previous year (previous year: € 1,455 thousand).

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 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
Actual share in the CTA Group's earnings for 2017	30,900
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 12,855
Other adjustments	9
Comprehensive income reported in equity	18,054
Reclassification of the settlement obligation for 2018 to other financial obligations	- 22,620
as of 31 December 2017, taking actual share of earnings and adjustments to settlement obligation into account	- 4,394

Development in Other Financial Liabilities Arising from Settlement Obligations

in € thousand

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
Payment of actual share of earnings for 2016	- 22,603
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	12,855
Reclassification of settlement obligation for 2018 from non-controlling interests	22,620
as of 31 December 2017 with continuation of settlement obligation	53,519

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 grants 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. 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.

There is sufficient certainty that all the conditions have been or will be fulfilled for the grants totalling € 43,625 thousand which were paid to HHLA in the period between 2001 and 2017. These grants have been deducted from the cost of purchasing the subsidised investments. The HHLA Group received € 3,332 thousand in government grants in the reporting year.

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 88. 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 generally used at HHLA less selling costs of the cash-generating units to which the goodwill has been allocated. To estimate the fair value, 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 105.

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 110.

Pension Provisions

Actuarial opinions are commissioned annually to determine the expenses for pensions and similar obligations. 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 116.

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 121.

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 121.

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 88. 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 123.

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 110 and ▶ Note 47, page 133.

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 128.

9. Changes in Inventories

Changes in Inventories

in € thousand	2017	2016
	- 254	266

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	2017	2016
	5,404	6,473

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	2017	2016
Income from reimbursements	8,745	27,691
Income from other accounting periods	6,255	8,720
Income from reversal of other provisions	4,745	3,384
Income from compensation	1,992	1,998
Income from exchange rate differences	1,923	1,355
Proceeds on disposal of property, plant and equipment	357	1,179
Other	15,416	13,142
	39,433	57,469

Income from reimbursements in the previous year relates primarily to the termination of 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.

Other operating income includes income from the outsourcing of personnel of € 4,158 thousand (previous year: € 4,445 thousand) and, in the 2017 financial year, income from the harmonisation of the existing pension schemes in the amount of € 1,617 thousand.

12. Cost of Materials

Cost of Materials

in € thousand	2017	2016
Raw materials, consumables and supplies	90,125	83,123
Purchased service	280,366	266,844
	370,491	349,967

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

13. Personnel Expenses

Personnel Expenses

in € thousand	2017	2016
Wages and salaries	314,181	306,591
Social security contributions and benefits	77,216	79,246
Staff deployment	66,233	50,287
Service expense	5,674	6,834
Other retirement benefit expenses	513	44
	463,817	443,002

The direct remuneration paid to members of the Executive Board totalled € 2,936 thousand for the 2017 financial year (previous year: € 3,143 thousand). More details on the remuneration paid to the Executive Board and the Supervisory Board can be found in ▶ Note 48, page 138.

Social security contributions include payments towards the public pension scheme amounting to € 27,636 thousand (previous year: € 26,794 thousand) and payments to the German pension insurance scheme. The increase in personnel expenses in the year under review is due to increases in union wage rates, the higher number of employees and increased demand for external staff. Following restructuring-related expenses in connection with the discontinuation of project and contract logistics in the previous year, the figure for the reporting year includes expenses for the restructuring of the Container segment.

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

Average Number of Employees

	2017	2016
Fully consolidated companies		
Employees receiving wages	2,879	2,777
Salaried staff	2,595	2,575
Trainees	79	95
	5,553	5,447

In addition, the Group used an annual average of 710 employees (previous year: 558) of Gesamthafenbetriebs-Gesellschaft m.b.H., Hamburg (GHB).

14. Other Operating Expenses

Other Operating Expenses

in € thousand	2017	2016
Leasing costs	53,829	62,872
External maintenance services	37,294	34,686
Consultancy, services, insurance and auditing expenses	37,027	34,778
Expenditure for the harmonisation of existing pension schemes	10,762	0
Travel expenses, advertising and promotional costs	3,663	3,440
Other taxes	2,703	2,646
Other personnel expenses	2,380	1,755
External and internal cleaning costs	1,977	2,270
Postage and telecommunications costs	1,449	1,585
Expenses from exchange rate differences	1,271	1,319
Losses on the disposal of property, plant and equipment	1,171	1,800
Venture expenses	1,142	4,566
Expenses from other accounting periods	645	546
Other	10,985	10,203
	166,298	162,466

The increase in other operating expenses was due mainly to the expenses associated with the harmonisation of the existing pension schemes. Taking into account the corresponding income referred to in ▶ Note 11, page 98, the total impact comes to € 9,145 thousand, see ▶ Note 37, page 121.

The drop in leasing expenses had the opposite effect. Detailed information is available in ▶ Note 45, page 131.

15. Depreciation and Amortisation

Depreciation and Amortisation

in € thousand	2017	2016
Intangible assets	11,059	10,794
Property, plant and equipment (without finance lease)	94,873	95,698
Assets classified as finance lease	7,082	6,496
Investment property	9,581	9,443
	122,595	122,431

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule. No write-downs were made in the year under review (previous year: € 1,125 thousand), see ▶ Note 23, page 107.

16. Financial Result

Financial Result

in € thousand	2017	2016
Earnings from associates accounted for using the equity method	4,778	4,677
Income from exchange rate differences	3,256	4,205
Interest income from non-affiliated companies and non-consolidated affiliated companies	1,330	1,812
Interest income from bank balances	63	169
Income from adjustment of settlement obligations to shareholders with non-controlling interests	0	2,932
Income from interest rate hedges	0	45
Interest income	4,649	9,163
Expenses from the adjustment of settlement obligations to shareholders with non-controlling interests	12,855	0
Interest portion of pension provisions	6,340	9,167
Interest expenses on bank liabilities	6,064	7,314
Interest included in lease payments	5,383	5,446
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,747	1,655
Interest portion of other provisions	1,631	1,651
Expenses from exchange rate differences	1,304	6,429
Expenses from interest rate hedges	0	164
Other	0	1
Interest expenses	35,324	31,827
Net interest income	- 30,675	- 22,664
Income from other equity investments	0	0
Other financial result	0	0
	- 25,897	- 17,987

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 111.

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

Please refer to ▶ Note 6, page 88 for details of expenses from the adjustment of settlement obligations to non-controlling interests, which totalled € 12,855 thousand (previous year: income of € 2,932 thousand).

See ▶ Note 38, page 123 for information about the interest expenses associated with amounts due to banks.

17. Research Costs

Research costs of € 277 thousand (previous year: € 149 thousand) were incurred in the 2017 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	2017	2016
Deferred taxes on temporary differences	- 4,262	- 6,017
of which Domestic	- 4,177	- 6,045
of which Foreign	- 85	28
Deferred taxes on losses carried forward	- 18	- 26
of which Domestic	0	0
of which Foreign	- 18	- 26
Total deferred taxes	- 4,280	- 6,043
Current income tax expense	45,717	47,004
of which Domestic	28,176	31,268
of which Foreign	17,541	15,736
Income tax expense recognised in the income statement	41,437	40,961

Current income tax expenses include tax income from other accounting periods amounting to € 1,131 thousand (previous year: tax expenses of € 1,164 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	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Intangible assets	0	0	2,421	1,953
Property, plant and equipment and finance leases	0	0	16,746	13,220
Investment property	0	0	10,304	11,098
Financial assets	0	0	2,272	1,673
Inventories	750	554	0	0
Receivables and other assets	965	268	358	206
Pension and other provisions	91,051	90,677	2,090	1,973
Liabilities	9,707	6,820	2,986	5,277
Tax losses carried forward	18	0	0	0
	102,491	98,319	37,177	35,400
Netted amounts	- 15,398	- 15,599	- 15,398	- 15,599
	87,093	82,720	21,779	19,801

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

in € thousand	2017	2016
Earnings before tax	147,291	146,023
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	47,546	47,136
Tax income (-), tax expenses (+) for prior years	3,256	831
Effect of tax rate change	0	232
Tax-free income	- 301	- 213
Non-deductible expenses	1,923	1,606
Trade tax additions and reductions	- 1,423	- 803
Permanent differences	4,129	- 948
Differences in tax rates	- 13,592	- 10,071
Impairment losses in deferred tax assets	304	2,033
Other tax effects	- 405	1,158
Actual income tax expenses	41,437	40,961

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 2017 and 2016. 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 and no domestic trade tax loss carry-forwards. Deferred taxes of € 18 thousand (previous year: € 0 thousand) are recognised on foreign tax loss carry-forwards of € 96 thousand (previous year: € 0 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 1,374 thousand (previous year: € 4,057 thousand), domestic trade tax loss carry-forwards of € 5,383 thousand (previous year: € 4,271 thousand) and foreign tax loss carry-forwards of € 22,238 thousand (previous year: € 19,546 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 25,249 thousand (previous year: € 27,041 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	2017	2016	2017	2016	2017	2016
Actuarial gains/losses	5,482	- 45,441	- 1,768	14,661	3,714	- 30,780
Cash flow hedges	- 8	231	2	- 74	- 6	157
Unrealised gains/losses on available-for-sale financial assets	145	- 164	- 74	49	71	- 115
	5,619	- 45,374	- 1,840	14,636	3,779	- 30,738

19. Share of Results Attributable to Non-Controlling Interests

Profits due to non-controlling interests in the amount of € 24,788 thousand (previous year: € 32,032 thousand) primarily relate to non-controlling interests in the CTA Group. This share of earnings decreased year on year, mainly because of the interest expenses arising from the measurement of the settlement obligation that were attributable to the non-controlling shareholder (previous year: interest income). A higher actual share of earnings attributable to the CTA Group had the opposite effect.

20. Earnings per Share

Basic earnings per share in €

	Group		Port Logistics Subgroup		Real Estate Subgroup	
	2017	2016	2017	2016	2017	2016
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	81,065	73,030	71,207	63,720	9,858	9,310
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	1.11	1.00	1.02	0.91	3.65	3.44

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 21 June 2017 to distribute a dividend of € 46,738 thousand to holders of common shares in the reporting year for the 2016 financial year (previous year: € 46,062 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 € 2.00 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2018, dividends per share of € 0.67 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 2017, this is equivalent to a distribution of € 46,933 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 2016	38,933	12,491	16,622	0	5,805	73,851
Acquisition or production cost						
1 January 2016	38,933	63,936	48,987	1,403	5,805	159,065
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		- 168		6		- 162
31 December 2016	38,930	64,334	62,938	2,263	1,510	169,975
Accumulated depreciation, amortisation and impairment						
1 January 2016	0	51,445	32,365	1,403	0	85,213
Additions		4,588	6,206			10,794
Disposals		- 1,316	- 324			- 1,640
Reclassifications						0
Changes in scope of consolidation/ consolidation method		6				6
Effects of changes in exchange rates		- 111				- 111
31 December 2016	0	54,612	38,247	1,403	0	94,262
Carrying amount as of 31 December 2016	38,930	9,722	24,691	860	1,510	75,713
Carrying amount as of 1 January 2017	38,930	9,722	24,691	860	1,510	75,713
Acquisition or production cost						
1 January 2017	38,930	64,334	62,938	2,263	1,510	169,975
Additions		643	4,461		368	5,472
Disposals		- 29	- 760		- 109	- 898
Reclassifications		212	- 115		- 312	- 215
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates		- 290		- 2		- 292
31 December 2017	38,930	64,870	66,524	2,261	1,457	174,042
Accumulated depreciation, amortisation and impairment						
1 January 2017	0	54,612	38,247	1,403	0	94,262
Additions		4,713	6,346			11,059
Disposals		- 702	- 82			- 784
Reclassifications						0
Changes in scope of consolidations/ consolidation method						0
Effects of changes in exchange rates		- 174				- 174
31 December 2017	0	58,449	44,511	1,403	0	104,363
Carrying amount as of 31 December 2017	38,930	6,421	22,013	858	1,457	69,679

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	31.12.2017	31.12.2016
Container	37,418	37,418
Intermodal	1,512	1,512
	38,930	38,930

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 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
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**
Carrying amount as of 1 January 2017	**423,046**	**219,342**	**191,413**	**117,135**	**950,936**
Acquisition or production cost					
1 January 2017	767,638	758,286	498,701	117,135	2,141,760
Additions	9,600	71,694	23,376	26,912	131,582
Disposals	- 11,546	- 8,409	- 10,895	- 1,102	- 31,952
Reclassifications	31,788	57,506	1,838	- 90,917	215
Changes in scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 2,597	- 2,020	- 284	5	- 4,896
31 December 2017	**794,883**	**877,057**	**512,736**	**52,033**	**2,236,709**
Accumulated depreciation, amortisation and impairment					
1 January 2017	344,592	538,944	307,288	0	1,190,824
Additions	30,892	39,866	31,197		101,955
Disposals	- 11,223	- 7,953	- 10,132		- 29,308
Reclassifications	- 50	50			0
Changes to scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 280	- 888	- 145		- 1,313
31 December 2017	**363,931**	**570,019**	**328,208**	**0**	**1,262,158**
Carrying amount as of 31 December 2017	**430,952**	**307,038**	**184,528**	**52,033**	**974,551**

The additions are largely the result of the expansion of container terminals in Hamburg and the acquisition of locomotives by METRANS a.s.

Disposals in the financial year under review mainly relate to the return of an Übersee-Zentrum office building to the Hamburg Port Authority (HPA) and to the sale/scrapping of technical equipment and machinery.

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

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

No write-downs were made on property, plant and equipment in the year under review. In the previous year, write-downs in the amount of € 1,125 thousand were made for a building at a container terminal in Hamburg which was no longer used.

Buildings, surfacing and movable non-current assets with a carrying amount of € 1,997 thousand (previous year: € 3,112 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 131.

As of the balance sheet date, the Group had obligations of € 77,299 thousand (previous year: € 34,199 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 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
Carrying amount as of 1 January 2017	95,686	193	38,639	134,518
Acquisition or production cost				
1 January 2017	108,244	6,338	45,319	159,901
Additions		1,603	2,646	4,249
Disposals			- 2,026	- 2,026
Reclassifications		- 156		- 156
Changes in scope of consolidation				0
Effects of changes in exchange rates	- 68	225	30	187
31 December 2017	108,176	8,010	45,969	162,155
Accumulated depreciation, amortisation and impairment				
1 January 2017	12,558	6,145	6,680	25,383
Additions	2,182	692	4,208	7,082
Disposals			- 1,349	- 1,349
Reclassifications		- 6,391		- 6,391
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 14	221	14	221
31 December 2017	14,726	667	9,553	24,946
Carrying amount as of 31 December 2017	93,450	7,343	36,416	137,209

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 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
Carrying amount as of 1 January 2017	182,317	1,677	183,994
Acquisition or production cost			
1 January 2017	324,773	1,677	326,450
Additions	141	5,369	5,510
Disposals	- 96		-96
Reclassifications			0
31 December 2017	324,818	7,046	331,864
Accumulated depreciation, amortisation and impairment			
1 January 2017	142,456	0	142,456
Additions	9,581		9,581
Disposals	- 57		- 57
Reclassifications			0
31 December 2017	151,980	0	151,980
Carrying amount as of 31 December 2017	172,838	7,046	179,884

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 relate mainly to conversion costs in connection with changes of use.

Rental income from investment property at the end of the financial year was € 50,986 thousand (previous year: € 51,391 thousand). The direct operating expenses for investment property, which are fully attributable to rental income, amounted to € 17,033 thousand (previous year: € 16,117 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 96.

Fair Value Reconciliation

in € thousand	2017	2016
as of 1 January	662,172	584,212
Change in fair value (not realised)	- 10,880	77,960
as of 31 December	651,292	662,172

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 (3.88 to 7.16 % 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 131.

25. Associates Accounted for Using the Equity Method

Interests in Associates Accounted for Using the Equity Method

in € thousand	31.12.2017	31.12.2016
Interests in joint ventures	11,243	10,481
Interest in associates companies	3,972	3,836
	15,215	14,317

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 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 101.

For more information, please refer to ▶ Note 3, page 81.

26. Financial Assets

Financial Assets

in € thousand	31.12.2017	31.12.2016
Securities	6,227	3,940
Shares in affiliated companies	2,660	2,655
Other equity investments	241	241
Other financial assets	12,451	14,434
	21,579	21,270

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 € 392 thousand (previous year: € 3,116 thousand), see ▶ Note 37, page 121. Before offsetting, this results in a securities portfolio of € 6,619 thousand (previous year: € 7,056 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 € 3,910 thousand (previous year: € 4,174 thousand), receivables from relief funds totalling € 2,530 thousand (previous year: € 2,609 thousand), receivables from bank guarantees amounting to € 2,352 thousand (previous year: € 3,498 thousand), and receivables from HPA amounting to € 317 thousand (previous year: € 333 thousand).

27. Inventories

Inventories

in € thousand	31.12.2017	31.12.2016
Raw materials, consumables and supplies	18,816	19,237
Work in progress	2,072	2,159
Finished products and merchandise	452	616
	21,340	22,012

Impairment losses on inventories recognised as an expense amount to € 1,860 thousand (previous year: € 1,269 thousand). This expense is reported under cost of materials, see ▶ Note 12, page 99.

28. Trade Receivables

Trade Receivables

in € thousand	31.12.2017	31.12.2016
	149,115	160,440

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 133.

29. Receivables from Related Parties

Receivables from Related Parties

in € thousand	31.12.2017	31.12.2016
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV)	74,000	74,000
Receivables from HHLA Frucht- und Kühl-Zentrum GmbH	4,580	5,175
Receivables from Kombi-Transeuropa Terminal Hamburg GmbH (KTH)	1,317	1,262
Receivables from Free and Hanseatic City of Hamburg (FHH)	1,262	793
Receivables from Hamburg Port Authority (HPA)	0	121
Other receivables from related parties	368	385
	81,527	81,736

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

30. Other Financial Receivables

Other Financial Receivables

in € thousand	31.12.2017	31.12.2016
Current receivables from employees	1,354	1,345
Current reimbursement claims against insurers	82	591
Other	1,215	236
	2,651	2,172

31. Other Assets

Other Assets

in € thousand	31.12.2017	31.12.2016
Current tax credit	15,699	12,513
Payments on account	3,130	4,434
Other	7,999	22,930
	26,828	39,877

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

In the previous year, other assets included 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	31.12.2017	31.12.2016
	4,302	488

Income tax receivables consist of tax receivables resulting from external audits and advance tax payments.

33. Cash, Cash Equivalents and Short-Term Deposits

Cash, Cash Equivalents and Short-Term Deposits

in € thousand	31.12.2017	31.12.2016
Cash and cash equivalents with a maturity of up to 3 months	49,953	12,869
Short-term deposits with a maturity of 4–12 months	20,000	18,795
Bank balances and cash in hand	131,561	145,528
	201,514	177,192

Cash, cash equivalents and short-term deposits are made up of cash in hand and various bank balances in different currencies. This includes funds that are not freely available of € 11,215 thousand used to secure working lifetime accounts.

Cash and short-term deposits of € 10,438 thousand (previous year: € 16,193 thousand) is subject to foreign exchange outflow restrictions.

As of the balance sheet date, the Group had unused lines of credit amounting to € 3,207 thousand (previous year: € 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 2017 and 2016 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

As of the balance sheet date, the company has Authorised Capital I for the issue of Class A shares and Authorised Capital II for the issue of Class S shares.

Using Authorised Capital I (cf. Section 3 (4) of the articles of association), the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the company's share capital until 20 June 2022 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 in kind in one or more stages. 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. Furthermore, the issue of new Class A shares 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 could be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit.

Using Authorised Capital II (cf. Section 3 (5) of the articles of association), the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the company's share capital until 20 June 2022 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares for subscription in cash and/or in kind in one or more stages. The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is 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.

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 and/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.

As of 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).

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 € 30,790 thousand at the end of the financial year (previous year: € 32,094 thousand).

Non-controlling interests increased due to the inclusion of current earnings. In addition, 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 88 and ▶ Note 38, page 123.

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 %	31.12.2017	31.12.2016
Equity in € thousand	602,359	570,838
Total assets in € thousand	1,835,278	1,812,867
	33 %	31 %

The increase in equity is primarily attributable to the development in comprehensive income less dividend distributions. As the relative increase in the balance sheet total is less pronounced than the increase in equity, the equity ratio was up slightly in a year-on-year comparison.

External minimum capital requirements were fulfilled at all agreed audit points throughout the reporting year. See ▶ Note 38, page 123 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 "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. Given the plans to harmonise the existing pension schemes in 2018, the pension obligations attributable to the company's active employees are to be transferred to the new pension scheme, see ▶ Note 37, page 121.

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	31.12.2017	31.12.2016
Present value of pension commitments	426,943	442,608
Obligations from working lifetime accounts	21,982	17,922
	448,925	460,530

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	2017	2016
Present value of pension obligations as of 1 January	442,608	403,613
Current service expense	5,526	4,990
Past service expense	0	1,439
Interest expense	6,056	8,859
Pension payments	- 19,790	- 19,364
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 7,457	- 3,707
Actuarial gains (-), losses (+) due to amendments in financial assumptions	0	46,778
Present value of pension obligations as of 31 December	426,943	442,608

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

in %	2017	2016
Current employees	33.9	37.1
Former employees	1.8	1.9
Pensioners	64.3	61.0
	100.0	100.0

As of 31 December 2017, the weighted average term of the defined benefit obligation was 13.4 years (previous year: 13.6 years).

In addition, there are reimbursement rights of € 2,530 thousand (previous year: € 2,609 thousand) which were concluded to cover the corresponding pension obligations. The expected income from these reimbursement rights amounts to € 35 thousand in the year under review, whereas the actual income amounts to € 48 thousand.

Pension Commitments Recognised in the Income Statement

in € thousand	2017	2016
Current service expense	5,526	4,990
Past service expense	0	1,439
Interest expenses	6,056	8,859
	11,582	15,288

Development of Actuarial Gains/Losses from Pensions Commitments

in € thousand	2017	2016
Actuarial gains (+), losses (-) as of 1 January	- 82,881	- 39,810
Changes in the financial year due to amendments in experience-based assumptions	7,457	3,707
Changes in the financial year due to amendments in financial assumptions	0	- 46,778
Actuarial gains (+), losses (-) as of 31 December	- 75,424	- 82,881

Actuarial Assumptions to Determine Pension Provisions

in %	31.12.2017	31.12.2016
Discount rate	1.40	1.40
Projected salary increase	3.00	3.00
Adjustment of Social Security Pension according to Pension Insurance Report	2017	2016

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		
		31.12.2017	31.12.2016	in € thousand	31.12.2017	31.12.2016
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	27,145	28,579
	Decrease of	0.5 %	0.5 %	Increase of	30,319	31,957
Payment trend	Increase of	0.5 %	0.5 %	Increase of	3,724	4,490
	Decrease of	0.5 %	0.5 %	Decrease of	3,653	4,394
Adjustment to state pension	Decrease of	20.0 %	20.0 %	Increase of	1,628	1,983
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	17,553	18,063

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 2017 financial year, HHLA made pension payments for plans totalling € 19,790 thousand (previous year: € 19,364 thousand). HHLA anticipates the following payments for pension plans over the next five years.

Expected Pension Payments

in years in € thousand	
2018	20,558
2019	20,798
2020	20,859
2021	20,837
2022	20,788
	103,840

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.

Given the plans to harmonise the existing pension schemes in 2018, the existing funds from the working lifetime accounts are to be transferred to the new pension scheme, replacing the obligations from working lifetime accounts, see ▶ Note 37, page 121.

Allocation of Benefit Commitments

in € thousand	31.12.2017	31.12.2016
Present value of obligations	35,272	30,832
Present value of plan assets (fund shares)	- 13,290	- 12,910
Uncovered allocations	21,982	17,922

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

in € thousand	2017	2016
Present value of the obligations from working lifetime accounts as of 1 January	30,832	24,767
Contributions of plan participants	1,846	3,205
Current service expense	148	405
Interest expenses	536	598
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	2,318	926
Actuarial gains (-), losses (+) due to amendments in financial assumptions	0	1,413
Capital payments	- 408	- 482
Present value of the obligations from working lifetime accounts as of 31 December	35,272	30,832

As of 31 December 2017, the weighted average term of the defined benefit obligation was 18.8 years (previous year: 19.2 years).

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

in € thousand	2017	2016
Fair value of plan assets from working lifetime accounts as of 1 January	12,910	12,772
Expected income from plan assets	217	290
Actuarial gains (+), losses (-) due to amendments in financial assumptions	402	203
Capital payments	- 239	- 355
Fair value of plan assets from working lifetime accounts as of 31 December	13,290	12,910

The plan assets consist solely of shares in money market and investment funds. Gains of € 384 thousand were recorded on the plan assets in the financial year (previous year: € 163 thousand).

Working Lifetime Accounts recognised in the Income Statement

in € thousand	2017	2016
Current service expense including salary conversion	148	405
Interest expenses	536	598
Expected income from the plan assets	- 217	- 290
	467	713

Development of Actuarial Gains/Losses from Working Lifetime Accounts

in € thousand	2017	2016
Actuarial gains (+), losses (-) as of 1 January	- 2,963	- 827
Changes in the financial year due to amendments in experience-based assumptions	- 1,916	- 723
Changes in the financial year due to amendments in financial assumptions	0	- 1,413
Actuarial gains (+), losses (-) as of 31 December	- 4,879	- 2,963

Actuarial Assumptions to determine Provisions from Working Lifetime Accounts

in %	31.12.2017	31.12.2016
Discount rate	1.70	1.70
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.

Sensitivity Analysis: Working Lifetime Accounts

	Change in parameter			Effect on present value			
		31.12.2017	31.12.2016	in € thousand	31.12.2017		31.12.2016
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	1,663	Decrease of	1,345
	Decrease of	0.5 %	0.5 %	Increase of	1,890	Increase of	1,534
Payment trend	Increase of	0.5 %	0.5 %	Increase of	86	Increase of	76
	Decrease of	0.5 %	0.5 %	Decrease of	95	Decrease of	84
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	35	Increase of	31

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. Capital has been invested within the company since 1 January 2014.

Portfolio for Obligations from Working Lifetime Accounts

in %	2017	2016
Money market funds	100	51
Mixed funds	0	33
Funds of funds	0	15
Annuity funds	0	1
	100	100

The portfolio structure was adjusted in light of the plans to harmonise the existing pension schemes in 2018.

Payments for Obligations from Working Lifetime Accounts
In the financial year under review, HHLA made payments for plans totalling € 408 thousand (previous year: € 482 thousand). In return, the company acquired corresponding securities holdings worth € 239 thousand (previous year: € 355 thousand). The outflow of funds therefore amounted to € 169 thousand in the year under review (previous year: € 127 thousand).

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

in years in € thousand	
2018	548
2019	394
2020	503
2021	477
2022	589
	2,511

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 € 4,488 thousand in the reporting year (previous year: € 5,087 thousand).

HHLA paid € 27,636 thousand (previous year: € 26,794 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	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Demolition obligations	72,515	70,606	0	0	72,515	70,606
Restructuring reserve	17,529	10,703	7,098	2,637	24,627	13,340
Harmonisation of existing pension schemes	0	0	9,145	0	9,145	0
Bonuses and single payments	0	0	7,631	7,623	7,631	7,623
Provisions for contingent losses	6,609	7,244	397	2	7,006	7,246
Insurance excesses	0	0	3,570	2,831	3,570	2,831
Anniversaries	2,885	2,885	290	365	3,175	3,250
Expected increases in rents	0	0	2,328	583	2,328	583
Phased early retirement	490	495	719	715	1,209	1,210
Legal fees and litigation expenses	631	641	0	0	631	641
Other	12,234	10,070	3,407	2,956	15,641	13,026
	112,893	102,644	34,585	17,712	147,478	120,356

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: 2.0 % 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 provisions relate to reorganising the Logistics segment and organisational restructuring in the Container segment. The outflow of funds will take place between 2018 and 2025.

Harmonisation of Existing Pension Schemes

The provisions include obligations resulting from the harmonisation of existing pension schemes. The provisions were set up for the planned replacement of part of the existing pension obligations and the transfer of the existing funds from the working lifetime accounts to the new pension scheme. The funds will become payable in the 2018 financial year.

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 2018 financial year.

Provisions for Impending Losses

The provisions for impending losses relate to expenses arising from an onerous lease for a terminal site. The outflow of these resources is expected to take place in the period 2018–2039.

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 2018 financial year.

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: 1.40 % p. a.) was used for the calculation. The outflow of these resources is expected to take place in the period 2018–2057.

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 2018 financial year.

Phased Early Retirement
Provisions for phased early retirement 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 € 392 thousand (previous year: € 3,116 thousand) therefore reduces the provisions reported, see ▶ Note 26, page 112. 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 2018–2025.

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 2019 and 2020.

Other
Other provisions relate largely to obligations arising from individual contractual agreements with members of staff. The main outflow of funds will take place between 2018 and 2028.

Development of Other Non-Current and Current Provisions

in € thousand	01.01.2017	Additions	Accured interest	Used	Reversed	Currency translation effects	31.12.2017
Demolition obligations	70,606	1,771	1,308	0	1,170	0	72,515
Restructuring reserve	13,340	15,902	49	3,770	894	0	24,627
Harmonisation of existing pension schemes	0	9,145	0	0	0	0	9,145
Bonuses and single payments	7,623	7,631	0	7,228	395	0	7,631
Provisions for contingent losses	7,246	0	206	399	440	393	7,006
Insurance excesses	2,831	2,227	0	1,406	82	0	3,570
Anniversaries	3,250	250	45	370	0	0	3,175
Expected increases in rents	583	1,937	0	77	115	0	2,328
Phased early retirement	1,210	1,454	0	1,455	0	0	1,209
Legal fees and litigation expenses	641	11	0	19	2	0	631
Other	13,026	6,886	23	2,662	1,647	15	15,641
	120,356	47,214	1,631	17,386	4,745	408	147,478

38. Non-Current and Current Financial Liabilities

Non-Current and Current Financial Liabilities as of 31 December 2017

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	25,910	96,806	134,163	256,879
Finance lease liabilities	3,800	9,141	24,481	37,422
Other loans	0	471	14,250	14,721
Liabilities towards employees	10,172	0	0	10,172
Other financial liabilities	40,954	25,350	59	66,363
	80,836	131,768	172,953	385,557

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
Other financial liabilities	30,908	21,652	36	52,596
	76,614	123,635	215,515	415,764

Amounts due to banks include interest of € 808 thousand accrued up to the balance sheet date (previous year: € 1,130 thousand). Transaction costs of € 72 thousand (previous year: € 320 thousand), incurred by taking out loans, only increase the amounts due to banks for the duration of the loan.

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

Other loans comprise a € 9.3 million loan granted by a minority shareholder (previous year: € 10.5 million) as well as promissory note loans of € 5 million (previous year: € 5 million) issued to other creditors.

Buildings, surfacing and movable non-current assets with a carrying amount of € 1,997 thousand (previous year: € 3,112 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 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 € 53,519 thousand for the financial years 2017 and 2018 (previous year: € 40,647 thousand for the financial years 2016 and 2017), see also ▶ Note 6, page 88 and ▶ Note 35, page 114.

Terms of Liabilities from Bank Loans

Interest condition	Interest rate	Currency	Remaining fixed interest period	Nominal value in TCU[1]	Carrying amount as of 31.12.2017 in € thousand
fixed	0.78 – 4.22 %	EUR	2022 and later	167,595	115,566
fixed	2.83 %	EUR	2021	34,257	17,813
fixed	2.76 %	EUR	2020	16,873	8,774
fixed	3.55 – 3.80 %	EUR	2019	20,890	15,192
fixed	3.79 – 4.80 %	EUR	2018	17,641	1,007
floating	floating + margin	EUR	2018	155,980	92,032
floating	floating + margin	USD	2018	36,000	5,759
					256,143

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	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Fixed interest bearing loans	158,779	171,663	162,769	178,093

Interest rates of 1.2 to 2.4 % p. a. (previous year: 1.2 to 2.2 % 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 1.9 % in the reporting year (previous year: 2.2 %).

The variable interest rates were partly hedged by interest rate hedges until October 2016, see also ▶ Note 47, page 133. 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 € 52,477 thousand (previous year: € 64,133 thousand).

Maturity of Bank Liabilities

in € thousand	
Up to 1 year	25,103
1 year to 2 years	20,579
2 years to 3 years	18,288
3 years to 4 years	18,245
4 years to 5 years	39,766
Over 5 years	134,162
	256,143

39. Trade Liabilities

Trade Liabilities

in € thousand	31.12.2017	31.12.2016
	77,246	68,106

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 2017

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities to HPA (finance leases)	444	2,500	102,970	105,914
Other liabilities to related parties	7,614	0	0	7,614
	8,058	2,500	102,970	113,528

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

The finance lease 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 131 and ▶ Note 47, page 133.

Financial Liabilities to Related Parties for which the Fair Values do not correspond to the Book Values

	Carrying amount		Fair value	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Liabilities to HPA (finance leases)	105,914	106,304	141,722	149,820

41. Other Liabilities

Other Liabilities

in € thousand	31.12.2017	31.12.2016
Tax liabilities	9,192	8,005
Liabilities to employees	9,020	8,946
Employers’ liability insurance premiums	4,376	4,342
Advance payments received for orders	2,119	2,156
Social security payables	1,431	1,232
Port workers’ welfare fund (Hafenfonds)	1,344	1,325
Other	5,023	3,940
	32,505	29,946

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

The liabilities towards employees include liabilities arising from holiday entitlements.

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

42. Income Tax Liabilities

Income Tax Liabilities

in € thousand	31.12.2017	31.12.2016
	5,901	12,272

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 fell as against the previous year from € 185,639 thousand to € 144,276 thousand. The drop is mainly due to the increased cash outflow for investing activities. In addition to the year-on-year reduction in payments arising from the disposal of non-current assets, the increase in the cash outflow for investments is due primarily to the development in short-term deposits. Cash flow from operating activities showed positive development. The increase is due to a higher operating result (EBIT) and also to a drop in trade receivables and other assets. Higher tax payments in the year under review had the opposite effect and put pressure on the cash flow from operating activities in a year-on-year comparison.

Change in Liabilities from Financing Activities

The balance of the proceeds from the issuance of bonds and (financial) loans and payments for the redemption of (financial) loans produces the change in liabilities from financing activities pursuant to IAS 7. In the reporting year, the Group made payments for the redemption of (financial) loans in the amount of € 40,494 thousand. There were no proceeds from the issuance of bonds and (financial) loans. This change in the liabilities from financing activities is reflected in the reduction in liabilities to banks in the amount of € 41,471, see also ▶ Note 38, page 123. The change is also due to exchange rate effects amounting to € - 2,255 thousand and to other effects in the amount of € 1,278 thousand.

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	31.12.2017	31.12.2016
Cash and cash equivalents with a maturity up to 3 months	49,953	12,869
Short-term deposits with a maturity of 4–12 months	20,000	18,795
Bank balances and cash in hand	131,561	145,528
Cash, cash equivalents and short-term deposits	**201,514**	**177,192**
Receivables from HGV	74,000	74,000
Short-term deposits with a maturity of 4–12 months	- 20,000	- 18,795
Financial funds at the end of the period	255,514	232,397

Notes to the Segment Report

44. Notes to the Segment Report

The 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 Group described in ▶ Note 6, page 88 “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. As of 2018, the activities of POLZUG have been fully integrated into the METRANS organisation.

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 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	2017	2016
Total segment earnings (EBIT)	171,306	162,726
Elimination of business relations between segments and subgroups	1,882	1,284
Group earnings (EBIT)	173,188	164,010
Earnings from associates accounted for using the equity method	4,778	4,677
Net interest	- 30,675	- 22,664
Earnings before tax (EBT)	147,291	146,023

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	31.12.2017	31.12.2016
Segment assets	1,631,145	1,640,634
Elimination of business relations between segments and subgroups	- 661,019	- 652,840
Current assets before consolidation	554,127	547,461
Financial assets	18,116	17,212
Deferred tax	87,093	82,720
Income tax receivables	4,302	488
Cash, cash equivalents and short-term deposits	201,514	177,192
Group assets	1,835,278	1,812,867

Other Segment Information

The reconciliation to Group investments totalling € - 176 thousand contains the elimination of internal invoices for inter-segmental services relating to the generation of intangible assets (previous year: € - 1,170 thousand for the elimination of internal invoices for services relating to the sale of property, plant and equipment and the generation of intangible assets).

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,137 thousand (previous year: € - 2,200 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 € 59 thousand (previous year: € 2 thousand) includes the elimination of intercompany profits and transactions between the segments and the subgroups for which consolidation is mandatory.

Information about Geographical Regions

For 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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Segment income	849,845	794,038	354,585	326,858	47,376	56,772	1,251,806	1,177,668	0	0	1,251,806	1,177,668
Non-current segment assets	906,677	906,315	308,340	288,096	27,776	34,606	1,242,793	1,229,017	592,485	583,850	1,835,278	1,812,867
Investments in non-current segment assets	96,503	97,098	44,575	40,701	1,485	517	142,563	138,316	0	0	142,563	138,316

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 € 164,671 thousand (previous year: € 128,220 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 be 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 138. 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 € 232,394 thousand (previous year: € 237,531 thousand).

Reconciliation between Future Minimum Lease Payments and their Liabilities

in € thousand	31.12.2017	31.12.2016
Within one year	9,313	9,325
Between one and five years	31,646	31,826
Over five years	234,030	241,582
Total minimum lease payments	274,989	282,733
Within one year	4,244	4,152
Between one and five years	11,641	11,422
Over five years	127,451	129,773
Liabilities from finance leases	143,336	145,347
Interest expenses from minimum lease payments	131,653	137,386

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 133.

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 two and 31 years.

The Group also has leases 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	31.12.2017	31.12.2016
Within one year	45,387	46,360
Between one and five years	164,068	151,619
Over five years	587,246	607,609
	796,701	805,588

Expenses of € 53,829 thousand (previous year: € 62,872 thousand) were incurred for leases in the financial year. Of this figure, € 2,085 thousand (previous year: € 2,017 thousand) related to conditional rental payments.

Operating Leases Where the Group is Lessor

The Group has signed leases 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 17 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	31.12.2017	31.12.2016
Within one year	33,549	35,502
Between one and five years	65,022	66,406
Over five years	35,476	46,084
	134,047	147,992

In the financial year, income of € 58,676 thousand (previous year: € 57,036 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	31.12.2017	31.12.2016
Guarantees	10,374	10,579
Comfort letters	0	1,333
	10,374	11,912

The following other financial obligations existed on the reporting date:

Other Financial Obligations

in € thousand	31.12.2017	31.12.2016
Obligations from operating leases	796,701	805,588
Outstanding purchase commitments	110,618	56,787
Other	20,599	9,498
	927,918	871,873

Of the obligations from outstanding purchase commitments, € 77,299 thousand (previous year: € 34,199 thousand) is attributable to investments in property, plant and equipment and € 3,302 thousand (previous year: € 0 thousand) is attributable to investments in intangible assets.

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, 61.8 % (previous year: 57.7 %) of the Group's borrowing was at fixed interest rates.

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 € 489 thousand p.a. higher (previous year: € 629 thousand p.a.) and interest income from overnight deposits and time deposit investments would have been € 1,377 thousand p.a. higher (previous year: € 1,211 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 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.

On the balance sheet date, there were currency hedging instruments with a volume of € 37.5 million (previous year: € 0 million) and maturities of up to 25 months. The market value came to € 1,294 thousand on 31 December 2017.

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 € 250 thousand 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 € 250 thousand.

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 2016.

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	31.12.2017	31.12.2016
Receivables not due for payment and not written down	109,200	106,095
Overdue receivables not written down	39,915	54,345
thereof up to 30 days	32,882	44,139
thereof up to 31 to 90 days	5,640	8,056
thereof up to 91 days to one year	1,321	2,025
thereof over one year	72	125
	149,115	160,440

Development of the Valuation Allowances on Trade Receivables

in € thousand	2017	2016
Valuation allowances as of 1 January	4,744	2,705
Additions (valuation allowances recognised as expenses)	532	3,550
Used	- 1,712	- 1,231
Reversals	- 741	- 280
Valuation allowances as of 31 December	2,823	4,744

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 132 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 123.

Expected Liquidity Outflows due to Future Interest Payments

	Up to 1 year		1 to 5 years		Over 5 years		Total	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Outflow of liquidity for future interest payments on fixed-interest loans	3,761	4,201	12,055	13,769	8,018	11,580	23,834	29,550
Outflow of liquidity for future interest payments on floating-rate loans	844	2,020	1,354	3,810	222	437	2,420	6,267
	4,605	6,221	13,409	17,579	8,240	12,017	26,254	35,817

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

Financial Instruments

Carrying Amounts and Fair Values

The tables below show 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 88 and ▶ Note 7, page 96.

They do not include any information on financial assets held at fair value or 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 2017

	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)		6,227	6,227	6,227			6,227
	0	6,227	6,227				
Financial assets not measured at fair value							
Financial assets	12,451	2,901	15,352				
Trade receivables	149,115		149,115				
Receivables from related parties	81,527		81,527				
Other financial receivables	2,651		2,651				
Cash, cash equivalents and short-term deposits	201,514		201,514				
	447,258	2,901	450,159				

Financial Liabilities as of 31 December 2017

in € thousand	Carrying amount: Held for trading	Carrying amount: Fair value – hedging instruments	Carrying amount: Other financial liabilities	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)				0				0
	0	0	0	0				
Financial liabilities not measured at fair value								
Financial liabilities (liabilities from bank loans)			256,879	256,879		260,869		260,869
Financial liabilities (finance lease liabilities)			37,422	37,422		37,422		37,422
Financial liabilities (settlement obligation, long-term)			22,620	22,620		22,620		22,620
Financial liabilities (settlement obligation, short-term)			30,900	30,900				
Financial liabilities (other)			37,736	37,736		37,736		37,736
Trade liabilities			77,246	77,246				
Liabilties to related parties (finance lease liabilties)			105,914	105,914		141,722		141,722
Liabilities to related parties (other)			7,614	7,614				
	0	0	576,331	576,331				

Financial Assets as of 31 December 2016

in € thousand	Carrying amount: Loans and receivables	Carrying amount: Available for sale	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)		3,940	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				
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				

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 table below shows the valuation methods used for Level 2 and Level 3 fair value measurement and the key unobservable input factors utilised.

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

There was no reclassification between the individual valuation levels in the financial year under review.

48. Related Party Disclosures

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

Transactions with not Fully Consolidated Related Parties

	Income		Expenses		Receivables		Liabilities	
in € thousand	2017	2016	2017	2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Companies with control over the Group	219	166	1,215	1,302	75,262	74,793	0	0
Non-consolidated subsidiaries	2	2	469	319	1	9	405	504
Joint ventures	18,587	17,835	14,517	14,202	6,135	6,753	2,517	4,170
Associated companies	925	978	0	0	75	0	77	77
Other transactions with related parties	6,723	23,214	36,812	39,512	54	181	110,529	110,503
	26,456	42,195	53,013	55,335	81,527	81,736	113,528	115,254

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

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

In the previous year, other transactions with related parties include income from the termination of the Übersee-Zentrum lease.

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.

Obligations from finance leases amounting to € 105,914 thousand (previous year: € 106,304 thousand) for the lease of four mega-ship berths from HPA are included in other transactions with related parties.

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 Group. The nominal amount of the associated liabilities from bank loans is € 123,000 thousand (previous year: € 153,000 thousand), of which approximately € 72,831 thousand plus interest was still outstanding on the balance sheet date (previous year: € 82,874 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 2017

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	2017	0
Service Center Burchardkai GmbH, Hamburg[1, 2, 3c]		100.0	26	2017	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1, 2, 3b]	100.0		1,942	2017	0
HHLA Container Terminal Tollerort GmbH, Hamburg[1, 2, 3b]	100.0		34,741	2017	0
HHLA Rosshafen Terminal GmbH, Hamburg[1]		100.0	21,718	2017	2,225
HHLA Container Terminal Altenwerder GmbH, Hamburg[1, 2, 3b]	74.9		80,433	2017	0
SCA Service Center Altenwerder GmbH, Hamburg[1, 2, 3c]		74.9	601	2017	0
HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[4]	66,0		100	2017	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg[4]		37.5	137	2017	27
CuxPort GmbH, Cuxhaven[4]	25.1		12,909	2017	2,044
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven[5]	50.0		31	2017	5
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven[5]	50.0		15	2017	0
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg[4]	40.4		1,533	2017	860
HHLA International GmbH, Hamburg[1, 2, 3b]	100.0		369	2017	0
SC Container Terminal Odessa, Odessa/Ukraine (formerly: SC HPC UKRAINA, Odessa/Ukraine)[1]		100.0	34,113	2017	14,975
Intermodal Segment					
CTD Container-Transport-Dienst GmbH, Hamburg[1, 2, 3c]	100.0		1,256	2017	0
POLZUG Intermodal GmbH, Hamburg[1, 2, 3b]	100.0		7,990	2017	0
POLZUG Intermodal Polska sp. z o.o., Warsaw/Poland[1]		100.0	1,221	2017	- 1,650
HHLA Terminals Polska Sp. z o.o., Warsaw/Poland[1, 5]		100.0	- 10	2017	- 5
POLZUG INTERMODAL LLC, Poti/Georgia[1]		75.0	1,473	2017	445
METRANS a.s., Prague/Czech Republic[1]	90.0		238,807	2017	44,612
JPFE-07 INVESTMENTS s.r.o., Ostrava/Czech Republic[1, 5]		90.0	897	2017	93
METRANS Adria D.O.O., Koper/Slovenia[1]		90.0	1,375	2017	266
METRANS (Danubia) a.s., Dunajská Streda/Slovakia[1]		90.0	80,068	2017	11,958
METRANS (Danubia) Kft., Győr/Hungary[1]		90.0	1,160	2017	247
METRANS Danubia Krems GmbH, Krems an der Donau/Austria[1]		90.0	341	2017	99
METRANS D.O.O., Rijeka/Croatia[1, 5]		90.0	4	2017	4
METRANS DYKO Rail Repair Shop s.r.o., Prague/Czech Republic[1]		90.0	5,149	2017	708
METRANS İSTANBUL STI, Istanbul/Turkey[1]		90.0	26	2017	- 98
METRANS Konténer Kft., Budapest/Hungary[1]		90.0	8,161	2017	- 860
METRANS Rail s.r.o., Prague/Czech Republic[1]		90.0	3,674	2017	3,111
METRANS Rail (Deutschland) GmbH, Leipzig[1]		90.0	7,126	2017	2,566
TIP Žilina, s.r.o., Dunajská Streda/Slovakia[1, 5]		90.0	5	2017	0
Univer Trans Kft., Budapest/Hungary[1]		90.0	1,047	2017	296
METRANS Railprofi Austria GmbH, Krems an der Donau/Austria[1]		72.0	1,057	2017	987
IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg[5]	50.0		37	2017	2

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 GmbH & Co. KG, Hamburg[5]	50.0		68	2017	- 3
Logistics Segment					
HPC Hamburg Port Consulting GmbH, Hamburg[1, 2, 3a]	100.0		1,023	2017	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg[1]	51.0		7,788	2017	1,453
ARS-UNIKAI GmbH, Hamburg[4]		25.5	64	2017	14
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg[4]	51.0		19,891	2017	1,378
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg[4]	51.0		809	2017	206
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg[3b, 4]	49.0		n/a	2017	n/a
HCC Hanseatic Cruise Centers GmbH i.L., Hamburg[1, 6]	51.0		701	2017	-75
Holding/Other					
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg[1, 2, 3c]	100.0		3,609	2017	0
HHLA-Personal-Service GmbH, Hamburg[1, 2, 3b]	100.0		45	2017	0
Real Estate Subgroup					
Real Estate Segment					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3a]	100.0		4,518	2017	0
HHLA Immobilien Speicherstadt GmbH, Hamburg[1, 5]	100.0		79	2017	8
HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		14,305	2017	1,339
HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		69,185	2017	8,268

1 *Controlled companies.*

2 *Profit and loss transfer agreements were held in these companies in 2017.*

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 2017*

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 2017 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, page 54.

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	2017	2016	2017	2016
Short-term remuneration	2,936	3,143	304	327
of which is non-perfomance-related	1,556	1,619	–	–
of which is perfomance-related	1,380	1,524	–	–
Benefits due after termination of the contract	851	1,181	–	–
	3,787	4,325	304	327

The performance-related portion of the Executive Board's remuneration had not been paid as of the balance sheet date.

In the 2017 financial year, the short-term benefits payable to the Supervisory Board totalled € 304 thousand (previous year: € 327 thousand). Basic salaries accounted for € 206 thousand (previous year: € 199 thousand) of this, remuneration for committee work made up € 58 thousand (previous year: € 78 thousand) and € 40 thousand (previous year: € 50 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 € 7,505 thousand (previous year: € 20,117 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	2017	2016
Angela Titzrath	235	33
Heinz Brandt	1,749	1,484
Dr. Roland Lappin	2,749	2,449
Klaus-Dieter Peters	0	4,758
Dr. Stefan Behn	0	4,133
	4,733	12,857

Former Members of the Executive Board

Benefits totalling € 932 thousand (previous year: € 692 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 € 24,242 thousand (previous year: € 12,386 thousand).

49. Board Members and Mandates

Seats on statutory supervisory boards or comparable supervisory bodies at domestic and foreign companies.

The Supervisory Board Members and their Mandates

Prof. Dr. Rüdiger Grube (Chairman) (since 21 June 2017)

Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg

Other mandates
- None

Berthold Bose (Vice Chairman) (since 21 June 2017)

Automotive electrician, Hamburg
Head of ver.di Hamburg

Other mandates
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (Vice Chairman)
- Asklepios Kliniken Hamburg GmbH, Hamburg (Vice Chairman)

Prof. Dr. Peer Witten (Chairman) (until 21 June 2017)

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) (until 21 June 2017)

Postal worker, Bad Oldesloe
Trade union secretary, ver.di Hamburg

Other mandates
- None

Torsten Ballhause (until 21 June 2017)

Fully qualified business and employment lawyer (HWP), Hamburg
Local manager of the Transport division, ver.di Hamburg (until 31 October 2017), Divisional Head of Finance, Controlling and Organisational Policy, ver.di Hamburg (since 1 November 2017)

Other mandates
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (until 26 January 2018)
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg (Vice Chairman)[1] (until 18 August 2017)
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg (until 14 December 2017)

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] (until 18 August 2017)
- 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

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
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH, Hamburg (Chairman)
- hySOLUTIONS GmbH, Hamburg (Chairman)
- Landwirtschaftliche Rentenbank, Frankfurt am Main (until 31 December 2017)
- Life Science Nord Management GmbH, Hamburg (Vice Chairman)
- LIHH Logistik-Initiative Hamburg Management GmbH, Hamburg (since 27 December 2017)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg (Vice Chairman)
- WTSH Wirtschaftsförderung und Technologietransfer Schleswig-Holstein GmbH, Kiel (until 10 July 2017)
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg (Chairman)

Dr. Bernd Egert (until 21 June 2017)

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[1] (until 21 June 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 21 June 2017)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 21 June 2017)

Holger Heinzel (until 21 June 2017)

Fully qualified business administration manager, Hittfeld
Director of Finance and Controlling at HHLA

Other mandates

- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1] (since 31 May 2017)
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 21 June 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 21 June 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg[1] (since 31 May 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg[1] (since 1 June 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg[1] (since 31 May 2017)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 21 June 2017)
- HPC Hamburg Port Consulting GmbH, Hamburg[1] (since 12 April 2017)
- SCA Service Center Altenwerder GmbH, Hamburg[1] (since 31 May 2017)
- SCB Service Center Burchardkai GmbH, Hamburg[1] (since 1 June 2017)
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg

Dr. Norbert Kloppenburg

Fully qualified agricultural engineer, Hamburg
International investments and financing consultant (since 1 November 2017), Member of the Executive Board of KfW Bankengruppe (until 31 October 2017)

Other mandates

- DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne (First Vice Chairman) (until 31 October 2017)
- Deutsche Energie-Agentur GmbH, Berlin (First Vice Chairman) (until 31 October 2017)
- KfW IPEX-Bank GmbH, Frankfurt am Main (Chairman) (until 25 October 2017)

Andreas Kummer (until 21 June 2017)

Car mechanic, Rosengarten
Chairman of the works council of HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg

Other mandates

- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1]
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1] (until 18 August 2017)

Thomas Lütje (since 21 June 2017)

Shipping agent, Jork
Director of Sales at HHLA

Other mandates

- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1] (Chairman) (until 31 May 2017)
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1] (until 18 August 2017)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (since 4 September 2017)
- HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[1] (Chairman)

Thomas Mendrzik (since 21 June 2017)

Electrical technician, Hamburg
Chairman of the HHLA Container Terminal Altenwerder GmbH works council, Hamburg

Other mandates

- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg[1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (since 4 September 2017)
- SCA Service Center Altenwerder GmbH, Hamburg[1]

Thomas Nahr (until 21 June 2017)

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] (until 18 August 2017)

Norbert Paulsen

Fully qualified engineer, Hamburg
Chairman of the joint works council of Hamburger Hafen und Logistik AG

Other mandates

- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (since 27 February 2017)
- 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]

Sonja Petersen (since 21 June 2017)

Fully qualified business administration manager (FH), Norderstedt
Clerical employee at HHLA Container Terminal Burchardkai GmbH

Other mandates

- None

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 (Chairwoman)
- Sprinkenhof GmbH, Hamburg (Chairwoman)
- Universitätsklinikum Hamburg KöR, Hamburg

Maya Schwiegershausen-Güth (since 21 June 2017)

MA in politics, sociology, economic and social history, Berlin
Trade union secretary, ver.di

Other mandates

- None

Michael Westhagemann (since 21 June 2017)

Computer scientist, Hamburg
Management consultant for innovation and technology (since 1 October 2017),
CEO Region North, Siemens AG (until 30 September 2017)

Other mandates

- Erneuerbare Energien Hamburg Clusteragentur GmbH, Hamburg

[1]Mandates within the Group

Supervisory Board Committees

Finance Committee

- Dr. Sibylle Roggencamp (Chairwoman)
- Thomas Mendrzik (Vice Chairman) (since 4 September 2017)
- Torsten Ballhause (Vice Chairman) (until 21 June 2017)
- Dr. Bernd Egert (until 21 June 2017)
- Dr. Norbert Kloppenburg
- Andreas Kummer (until 21 June 2017)
- Thomas Nahr (until 21 June 2017)
- Norbert Paulsen (since 4 September 2017)
- Sonja Petersen (since 4 September 2017)
- Michael Westhagemann (since 4 September 2017)

Audit Committee

- Dr. Norbert Kloppenburg (Chairman)
- Norbert Paulsen (Vice Chairman)
- Torsten Ballhause (until 21 June 2017)
- Petra Bödeker-Schoemann
- Dr. Bernd Egert (until 21 June 2017)
- Andreas Kummer (until 21 June 2017)
- Thomas Mendrzik (since 4 September 2017)
- Sonja Petersen (since 4 September 2017)
- Michael Westhagemann (since 4 September 2017)

Real Estate Committee

- Petra Bödeker-Schoemann (Chairwoman)
- Norbert Paulsen (Vice Chairman)
- Dr. Bernd Egert (until 21 June 2017)
- Holger Heinzel (until 21 June 2017)
- Thomas Lütje (since 4 September 2017)
- Thomas Mendrzik (since 4 September 2017)
- Thomas Nahr (until 21 June 2017)
- Dr. Sibylle Roggencamp
- Michael Westhagemann (since 4 September 2017)

Personnel Committee

- Prof. Dr. Peer Witten (Chairman) (until 21 June 2017)
- Wolfgang Abel (Vice Chairman) (until 21 June 2017)
- Torsten Ballhause (until 21 June 2017)
- Dr. Rolf Bösinger
- Berthold Bose (since 4 September 2017)
- Prof. Dr. Rüdiger Grube (since 4 September 2017)
- Andreas Kummer (until 21 June 2017)
- Thomas Mendrzik (since 4 September 2017)
- Norbert Paulsen (since 4 September 2017)
- Dr. Sibylle Roggencamp

Nomination Committee

- Prof. Dr. Peer Witten (Chairman) (until 21 June 2017)
- Dr. Rolf Bösinger
- Prof. Dr. Rüdiger Grube (since 4 September 2017)
- Dr. Sibylle Roggencamp

Arbitration Committee

- Wolfgang Abel (until 21 June 2017)
- Dr. Rolf Bösinger (since 4 September 2017)
- Berthold Bose (since 4 September 2017)
- Dr. Bernd Egert (until 21 June 2017)
- Prof. Dr. Rüdiger Grube (since 4 September 2017)
- Andreas Kummer (until 21 June 2017)
- Norbert Paulsen (since 4 September 2017)
- Prof. Dr. Peer Witten (until 21 June 2017)

The Executive Board Members and their Mandates

Angela Titzrath (Chairwoman)

Economist (MA), Hamburg
First appointed: 2016

Areas of responsibility
- Corporate development
- Corporate communications
- Sustainability
- Container sales
- Intermodal segment
- Logistics segment

Other mandates
- CTD Container-Transport-Dienst GmbH, Hamburg
- HHLA Container Terminal Altenwerder GmbH, Hamburg (until 31 May 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (until 1 June 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg (until 31 May 2017)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- HHLA Logistics GmbH, Hamburg (until 18 August 2017)
- HPC Hamburg Port Consulting GmbH, Hamburg
- METRANS a.s., Prague, Czech Republic
- POLZUG Intermodal GmbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg (until 31 May 2017)
- SCB Service Center Burchardkai GmbH, Hamburg (until 1 June 2017)
- Evonik Industries AG, Essen
- AXA Konzern AG, Cologne
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

Dr. Stefan Behn (until 31 March 2017)

Fully qualified business administration manager, Hamburg
First appointed: 1996

Areas of responsibility
- Container sales
- Container operations
- Container engineering
- Information systems

Other mandates
- DAKOSY Datenkommunikationssystem AG, Hamburg (until 31 March 2017)
- HCC Hanseatic Cruise Centers GmbH i. L., Hamburg (until 31 March 2017)
- HCCR Hamburger Container- und Chassis- Reparatur-Gesellschaft mbH, Hamburg (until 31 March 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg (until 31 March 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (until 31 March 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg (until 31 March 2017)
- HHLA Rosshafen Terminal GmbH, Hamburg (until 31 March 2017)
- HPC Hamburg Port Consulting GmbH, Hamburg (until 31 March 2017)
- SCA Service Center Altenwerder GmbH, Hamburg (until 31 March 2017)
- SCB Service Center Burchardkai GmbH, Hamburg (until 31 March 2017)

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 (until 31 May 2017)
- HHLA Logistics GmbH, Hamburg (until 18 August 2017)
- HHLA-Personal-Service GmbH, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg

Jens Hansen (since 1 April 2017)

Fully qualified engineer, fully qualified business administration manager, Elmshorn
First appointed: 2017

Areas of responsibility
- Operations[2]
- Technology[2]
- Information systems

Other mandates
- Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven (since 12 April 2017)
- Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven (since 12 April 2017)
- DAKOSY Datenkommunikationssystem AG, Hamburg (since 2 May 2017)
- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg (until 3 July 2017)
- HCCR Hamburger Container- und Chassis- Reparatur-Gesellschaft mbH, Hamburg (since 18 April 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg (since 1 April 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (since 1 June 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg (since 18 April 2017)
- HHLA Rosshafen Terminal GmbH, Hamburg (since 18 April 2017)
- HVCC Hamburg Vessel Coordination Center GmbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg (since 1 April 2017)
- SCB Service Center Burchardkai GmbH, Hamburg (since 1 June 2017)

Dr. Roland Lappin

Fully qualified industrial engineer, Hamburg
First appointed: 2003

Areas of responsibility
- Finance and controlling[3]
- 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 (until 1 June 2017)
- 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
- SCB Service Center Burchardkai GmbH, Hamburg (until 1 June 2017)
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

[1]Including compliance
[2]Without real estate, for the Intermodal and Logistics segments as agreed with the Chairwoman of the Executive Board
[3]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 and – subsequent to its taking effect – the version dated 7 February 2017. 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, page 138 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2017 and on 18 December 2017 issued the declaration of compliance 2017 in accordance with Section 161 of the German Stock Corporation Act (AktG), which is permanently available to shareholders on the company's website ▶ 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 HHLA AG and its domestic subsidiaries, and the review of the interim financial statements. They also cover the project-related reviews relating to the introduction of IFRS 15 and 16. The other certification services include both audits under the German Renewable Energies Act and the German Combined Heat and Power Generation Act, as well as audits relating to EU subsidies. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was appointed as the auditor for the 2017 financial year, as in the previous year.

Auditing Fees

in € thousand	2017	2016
Audit of financial statements	586	512
Other certification services	16	0
Tax advisory services	16	2
Other services	2	0
	620	514

52. Events after the Balance Sheet Date

There were no significant events after the balance sheet date of 31 December 2017.

Hamburg, 1 March 2018

Hamburger Hafen und Logistik Aktiengesellschaft

Angela Titzrath　Heinz Brandt　Jens Hansen　Dr. Roland Lappin

Annual Financial Statements of HHLA AG

The Annual Financial Statements and Combined Management Report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the 2017 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

in €	2017	2016
Revenue	127,569,089.29	157,858,227.42
Increase or decrease in work in progress	- 309,045.51	- 582,546.35
Own work capitalised	1,059,691.04	682,321.59
Other operating income	4,914,777.40	7,030,996.79
of which income from translation differences	80,859.72	150,409.49
Cost of materials	8,807,422.32	8,000,778.36
Expenses for raw materials, consumables, supplies and purchased merchandise	3,560,189.39	2,455,967.28
Expenses for purchased services	5,247,232.93	5,544,811.08
Personnel expenses	107,137,287.31	113,545,257.69
Wages and salaries	94,947,979.97	97,032,971.37
Social security contributions and expenses for pension and similar benefits	12,189,307.34	16,512,286.32
of which for pensions	- 2,814,648.04	540,212.01
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	2,848,971.49	3,078,660.75
Other operating expenses	47,169,653.52	61,491,974.77
of which expenses from translation differences	61,195.75	79,981.76
Income from profit transfer agreements	76,076,469.84	78,629,889.20
Income from equity participations	40,445,005.86	36,161,488.68
of which from affiliated companies	36,612,834.19	33,553,193.95
Other interest and similar income	3,462,509.22	3,930,739.39
of which from affiliated companies	3,292,275.65	3,727,975.67
Depreciation and amortisation on financial assets	4,376,951.71	0
Expenses from assumed losses	23,412,928.55	20,612,301.49
Interest and similar expenses	25,834,598.18	10,831,094.41
of which to affiliated companies	0	0
of which from accrued interest	24,506,781.44	9,158,463.48
Taxes on income	9,273,757.02	18,394,143.09
of which income from the change unrecognised taxes	7,959,383.58	3,693,661.45
Profit after tax	**24,356,927.04**	**47,756,906.16**
Other taxes	257,618.26	171,589.67
Net profit for the year	**24,099,308.78**	**47,585,316.49**
Profit carried forward from the previous year	224,126,013.29	222,602,383.86
Dividend distributed	46,737,812.06	46,061,687.06
Unappropriated profit	**201,487,510.01**	**224,126,013.29**

Balance Sheet

in €	31.12.2017	31.12.2016
ASSETS		
Intangible assets		
Internally generated industrial and similar rights and values	917,131.25	1,185,559.91
Purchased software	1,899,941.99	2,120,960.28
Assets in development	9,700,288.48	6,497,245.41
Payments in advance	10,000.00	74,160.00
	12,527,361.72	9,877,925.60
Property, plant and equipment		
Land, equivalent land rights and buildings, including buildings on leased land	4,405,996.48	3,893,662.05
Technical equipment and machinery	1,511,729.34	8,621.10
Other plant, operating and office equipment	2,711,146.67	2,103,866.46
Payments made on account and plant under construction	2,017,435.95	1,833,912.10
	10,646,308.44	7,840,061.71
Financial assets		
Interests in affiliated companies	358,224,331.58	367,696,955.51
Loans to affiliated companies	9,250,000.00	10,500,000.00
Equity investments	8,085,658.02	7,604,179.45
Non-current securities	950,952.04	947,277.94
	376,510,941.64	386,748,412.90
Non-current assets	399,684,611.80	404,466,400.21
Inventories		
Raw materials, consumables and supplies	198,775.69	102,560.19
Work in progress	361,127.33	670,172.84
	559,903.02	772,733.03
Receivables and other assets		
Trade receivables	568,371.16	651,293.14
Receivables from the Free and Hanseatic City of Hamburg	607.00	2,771.91
Receivables from the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg	74,000,000.00	74,000,000.00
Receivables from affiliated companies	338,348,026.07	399,332,181.78
Receivables from investee companies	3,868,878.50	5,033,946.75
Other assets	9,410,778.14	4,788,787.38
	426,196,660.87	483,808,980.96
Cash and cash equivalents	147,931,500.73	129,632,909.02
Current assets	574,688,064.62	614,214,623.01
Accruals and deferrals	798,661.01	661,717.95
Deferred tax assets	50,405,159.00	39,885,000.92
Balance sheet total	1,025,576,496.43	1,059,227,742.09

in €	31.12.2017	31.12.2016
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	169,961,460.97	196,564,319.39
Real Estate subgroup	31,526,049.04	27,561,693.90
	201,487,510.01	224,126,013.29
Equity	474,276,200.12	496,914,703.40
Provisions		
Provisions for pensions and similar obligations	309,575,395.53	303,327,400.31
Tax provisions	0	8,938,584.01
Other provisions	56,049,859.69	39,612,292.25
	365,625,255.22	351,878,276.57
Liabilities		
Liabilities from bank loans	70,300,499.73	70,300,499.73
Payments on account	295,332.33	774,740.36
Trade Liabilities	3,379,399.47	1,253,010.61
Liabilities towards the Free and Hanseatic City of Hamburg	12,170.98	28,766.33
Liabilities towards affiliated companies	57,911,338.40	119,367,283.16
Liabilities towards investee companies	1,449,592.79	3,300,781.14
Other liabilities	44,513,469.72	10,156,198.70
of which from taxes	5,080,092.48	2,100,803.00
of which for social security	699,244.66	794,761.92
	177,861,803.42	205,181,280.03
Accruals and deferrals	11,236.61	12,255.53
Deferred tax liabilities	7,802,001.06	5,241,226.56
Balance sheet total	1,025,576,496.43	1,059,227,742.09

Independent Auditor's Report

To Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Hamburger Hafen und Logistik Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill

2. Recognition and measurement of pension obligations and other post-employment benefits as well as plan assets

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. In the Company's consolidated financial statements goodwill amounting in total to € 38,930 thousand is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We discussed supplementary adjustments to the medium-term plan for the purposes of the impairment test with the members of the Company's staff responsible and assessed their appropriateness. We also evaluated the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and fall within reasonable ranges.

3. The Company's disclosures on goodwill are contained in the section entitled "Intangible assets" of the notes to the consolidated financial statements.

2. Recognition and measurement of pension obligations and other post-employment benefits as well as plan assets

1. In the Company's consolidated financial statements pension provisions and obligations from working lives amounting to € 448,925 thousand are reported under the "Pension provisions" balance sheet item, comprising the net amount of the obligations from various pension plans and obligations from working lives amounting to € 462,215 thousand and the fair value of plan assets amounting to € 13,290 thousand. The majority of these provisions relate to old-age and transitional pension commitments in Germany. Obligations under defined benefit plans are measured using the projected unit credit method. This requires in particular that assumptions be made as to long-term salary and pension trends, average life expectancy and staff fluctuations. Furthermore, the discount rate must be determined by reference to the yield on high-quality corporate bonds with matching currencies and consistent terms. This usually requires the data to be extrapolated, since there is an insufficient number of long-term corporate bonds. The plan assets are

measured at fair value, which in turn involves making estimates that are subject to uncertainty. In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this item – which is significant in terms of its amount – are based to a large extent on estimates and assumptions made by the Company's executive directors.

2. As part of our audit we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts. We also examined the specific features of the actuarial calculations and evaluated the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with standards and appropriateness, in addition to other procedures. In addition, we analyzed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and verified their plausibility. For the purposes of our audit of the fair value of the plan assets, we obtained bank and fund confirmations. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were justified and adequately documented.

3. The disclosures on pension obligations and plan assets can be found in the section entitled "Pension provisions" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report, and the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 21 June 2017. We were engaged by the supervisory board on 19 December 2017. We have been the group auditor of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christoph Fehling.

Hamburg, 1st March 2018

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, 1 March 2018

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Angela Titzrath | Heinz Brandt | Jens Hansen | Dr. Roland Lappin

Sustainability

Angela Titzrath
Chairwoman of the Executive Board

> *Our actions are guided by entrepreneurial vision, social responsibility and the sustainable use of resources.*

Ladies and Gentlemen,

Change has been a constant at Hamburger Hafen und Logistik AG (HHLA) ever since it was established 132 years ago. It has always been viewed as an opportunity to strengthen the company's future viability and creative power. And it is in this same spirit that we now approach the rapid change which digitisation brings. Instead of standing on the sidelines, we are actively involved in shaping this process. Our actions are guided by entrepreneurial vision, social responsibility and the sustainable use of resources. They are based on our sustainable business model, which we are successfully implementing even under changing external conditions. In 2017, for example, HHLA was named Best Green Container Terminal Operator by Asia Cargo News, an industry publication with a wide readership in the Asian region. The fact that our commitment to sustainable business practices is attracting international attention and recognition is further motivation for us to continue this approach.

As water is a productivity factor that affects HHLA's economic success, and its facilities are very close to the city of Hamburg due to the port's location, we constantly strive to make careful and moderate use of natural resources. In order to do this, HHLA's sustainability strategy is implemented in ten fields of activity. This entails developing processes which are both economically efficient and ecologically beneficial. The success of values-based corporate governance does not rest solely on the use of state-of-the-art technology: working conditions which effectively protect the health and safety of our staff are just as important.

Using our own trains to link ocean-going vessels with a rail transport network stretching into the hinterland is a key element of our sustainable business strategy. We maintain a consistently high level of capital expenditure in our Intermodal segment. During the reporting period, our rail company Metrans opened its fourth hub terminal. The cutting-edge container hub in Budapest is the ideal interface between the North European seaports, the Adriatic, and Central, Eastern and South-Eastern Europe. As well as expanding our network of hinterland terminals, we are making ongoing investments in eco-friendly, multi-system electric locomotives, hybrid shunters and quiet container wagons. The success of our rail companies is not only measured by their growing contribution to HHLA's operating result, but equally by their efforts to move freight traffic off the road and onto more ecological railway lines.

Rail transportation is our most effective lever for achieving climate-friendly and ecological logistics chains. At the same time, we aim to reduce the impact on people and nature by further optimising the logistics processes at our terminals and on the way to them. Switching to state-of-the-art, partially automated and electrified processes and machines is yielding tangible results. However, our efforts go well beyond HHLA's terminal facilities. As we take a holistic view of the logistics chain, we also consider other stakeholders in a process aligned with the principles of sustainability. In the past financial year, for example, we successfully rolled out a slot-booking process for trucks at our three container terminals in Hamburg. The aim is to improve traffic flow management at the port, thus reducing vehicle emissions. Another example of how we are using digitisation to reduce traffic and protect the environment is the driver app launched by the HHLA subsidiary Container-Transport-Dienst (CTD). This significantly reduces the distance travelled for administrative reasons when transferring containers at the Port of Hamburg, reducing diesel consumption by more than 100,000 litres a year.

We measure our commitment to climate protection against our target of reducing CO_2 emissions per container handled by at least 30 percent, based on our 2008 figures. To achieve this objective, we are replacing diesel-powered devices and equipment with electric technology. We use electricity from renewable sources to drive this technology, thereby cutting CO_2 emissions. At the end of 2017, we had almost achieved our own target with a reduction of 28.9 percent. In 2017, we largely completed our preparations at the Container Terminal Altenwerder for the switch from diesel-powered automated guided vehicles (AGVs) to battery-operated AGVs. The electrification of our vehicle fleet is not only an effective means of lowering CO_2 emissions, it also reduces air-polluting nitrogen oxide emissions. HHLA embraced electromobility a long time ago.

Our vehicle fleet now includes 79 electric cars – more than at any other port. When we renewed our straddle carrier fleet at the Container Terminal Burchardkai in 2017, we acquired a total of 16 new straddle carriers with state-of-the-art exhaust technology. This further reduces local emissions of harmful substances – particularly important in view of the terminal's proximity to residential areas.

HHLA takes social responsibility by supporting education projects that focus on maritime and environmental topics at schools in Hamburg. In the year under review, more than 1,000 schoolchildren were given access to additional learning opportunities in this way.

Our energy management system (certified according to DIN EN ISO 50001) makes an effective and measurable contribution towards enhancing energy efficiency and thus reducing CO_2 emissions. All HHLA companies in Germany and Poland with significant energy consumption used the system in the reporting year.

The high added value ratio at our sites once again made a considerable contribution to the respective local economies in the financial year just ended. HHLA's added value contribution rose by 3 percent to € 623 million.

I would like to say a special thank you to HHLA's 5,500-plus employees, about a third of whom work outside Germany. Our business performance relies on the dedication and skills of our staff. HHLA takes social responsibility for its employees by offering extensive social benefits and maintaining the highest standards of occupational safety. The measures to protect the long-term health of our employees also take into account the impact of demographic change on our company. They include a wide range of activities such as 'health days', courses to help staff stop smoking, and financial support for the purchase of electric bikes. We continuously develop the skills of our employees by offering vocational training and professional development programmes. Both external and internal seminars and programmes are used to share extensive knowledge. The HR Management team offers numerous services to help staff members reconcile their professional and family commitments. HHLA also takes diversity criteria into account, thus underlining the company's commitment to creating a corporate culture in which all genders and generations are treated equally.

Yours,

A. Titzrath

Angela Titzrath
Chairwoman of the Executive Board

Sustainability Strategy

Sustainable business practices are 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. ▶ see also Group Overview/Business Activities, page 13

HHLA's sustainability strategy is based on three pillars: **ecology**, **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 Chairwoman of the Executive Board takes responsiblility for the sustainability strategy. The Council comprises of managers from within the Group as well as Prof. Schaltegger from the Leuphana University in 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 Chairwoman 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 164

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 ensures 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 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

Report Profile

Defining the Content for this Report

The Sustainability Report is part of the HHLA Annual 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.

In autumn 2015, HHLA conducted a materiality analysis in the form of an international online stakeholder survey to determine the key sustainability issues. 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 164

Data Collection and Calculation Methods

Financial Statements and Reports

All data and information for the reporting period was collected from respective units responsible for the information using representative methods. 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 81

The Separate 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 Separate Financial Statements.

Sustainability Performance Indicators

Sustainability-relevant key figures are fed into the internal management information system on a monthly basis and analysed. 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 Sustainability Performance Indicators, page 23

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 38

Forward-Looking Statements

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.

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 PricewaterhouseCoopers. ▶ see Independent Auditor's Report, page 152

The sections of the Sustainability Report which form part of the Non-Financial Statement were also audited. ▶ see Information on the Non-Financial Statement/External Audit, page 162.

GRI Content Index

The 2017 Annual Report was prepared in accordance with the international G4 guidelines of the Global Reporting Initiative and meets the application level "Comprehensive".

The GRI Content 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 ▶ report.hhla.de/gri.

Information about the Non-Financial Report

Report Framework

HHLA reports on the HHLA Group and HHLA Aktiengesellschaft in the form of a combined separate Non-Financial Report (hereafter “Non-Financial Report”), the contents of which are embedded in the Sustainability Report. The Non-Financial Report serves to fulfil the statutory requirements arising for HHLA for the first time as of this reporting year in connection with the Act to Strengthen Companies’ Non-Financial Disclosure in their Management Reports and Group Management Reports (known as the CSR Directive Implementation Act for short, hereafter: CSR-RUG). The following sections are compulsory parts of the Non-Financial Report which are relevant for audit purposes:

- Sustainability Strategy
- Information about the Non-Financial Report
- Materiality Analysis
- Ecology: Land Conservation
- Ecology: Emissions and Energy
- Employees: Headcount
- Employees: Staff Development
- Employees: Occupational Safety and Health Promotion
- Combating Bribery and Corruption

The compulsory sections of the Non-Financial Report are also labelled as “Part of the Non-Financial Report” in the online Annual Report. A summary of all content relevant to the Non-Financial Report is also available as a PDF document from the download centre of the online Annual Report. ▶ http://report.hhla.de/annual-report-2017/non-financial-report

The reporting period is the 2017 financial year (1 January to 31 December 2017). 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 last Sustainability Report was published on 30 March 2017 as part of the Annual Report.

Unless otherwise stated, the key figures and information in this report concern the entire group of consolidated companies.

Defining the Content of the Non-Financial Report

HHLA regularly 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 164

For the purpose of producing the first Non-Financial Report in compliance with CSR-RUG, the material issues identified in accordance with GRI were aligned with the requirements of the German Commercial Code. The table below reconciles the five reportable minimum aspects with the material aspects and issues of relevance to HHLA.

As a port and transport logistics company, HHLA acts as a service provider within the transport chains of its clients. HHLA’s own supply chains are limited to procuring capital and consumption goods (e.g. locomotives, port handling equip-

Reconciliation of the Reportable Minimum Aspects with the Material Aspects and Issues of Relevance to HHLA

Business model	▶ see Information about the Non-Financial Report / Business Model as per CSR-RUG, page 162
Environmental aspects	Land conservation ▶ see Ecology / Land Conservation, page 167
	Emissions and energy ▶ see Ecology / Emissions and Energy, page 167
Employee aspects	Staff development ▶ see Employees / Staff Development, page 170
	Occupational safety and health promotion ▶ see Employees / Occupational Safety and Health Promotion, page 171
Social aspects Respecting human rights	HHLA takes its responsibility in dealing with social aspects that concern business partners, shareholders, employees and the general public very seriously. However, all of the topics relating to these aspects were excluded due to a lack of commercial relevance based on double materiality considerations as defined in Section 289c (3) of the German Commercial Code (HGB). ▶ see Materiality Analysis / Reconciliation of Key Issues with the German Commercial Code, page 164
Combating bribery and corruption	Combating bribery and corruption ▶ see Combating Bribery and Corruption, page 174

ment) which largely originate from countries within Europe. ▶ see also Management Report/Purchasing and Materials Management, page 22

Business Model according to CSR-RUG

Hamburger Hafen und Logistik AG is a leading European port and transport logistics company. It operates container terminals in the ports of Hamburg and Odessa. The Intermodal companies of HHLA provide efficient transport systems and have their own terminals in the hinterland of the ports. The Logistics segment comprises an extensive array of port and consultancy services. ▶ see Management Report/Group Overview/Business Activities, page 13

Reportable Risks according to CSR-RUG

HHLA has a comprehensive risk management system and an internal control system. ▶ see Management Report/Risk and Opportunity Report/Risk and Opportunity Management, page 38

After applying the net method to identify reportable risks according to CSR-RUG, HHLA is not aware of any reportable risks which are highly likely to have serious negative consequences for the reportable aspects now or in the future.

Connections with the figures stated in the Annual and Consolidated Financial Statements

No fundamental connections were identified with the figures stated in the Annual and Consolidated Financial Statements which would be needed to understand the data.

External Audit of the Non-Financial Report

This Non-Financial Report was the subject of a limited assurance engagement according to ISAE 3000 (Revised) by the independent auditing firm PricewaterhouseCoopers (PwC), which issued an unqualified opinion. ▶ see Audit opinion, page 176

References

References to details not contained in the Combined Management Report serve to provide further information and do not form part of the Non-Financial Report.

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 potential 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.

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 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 160

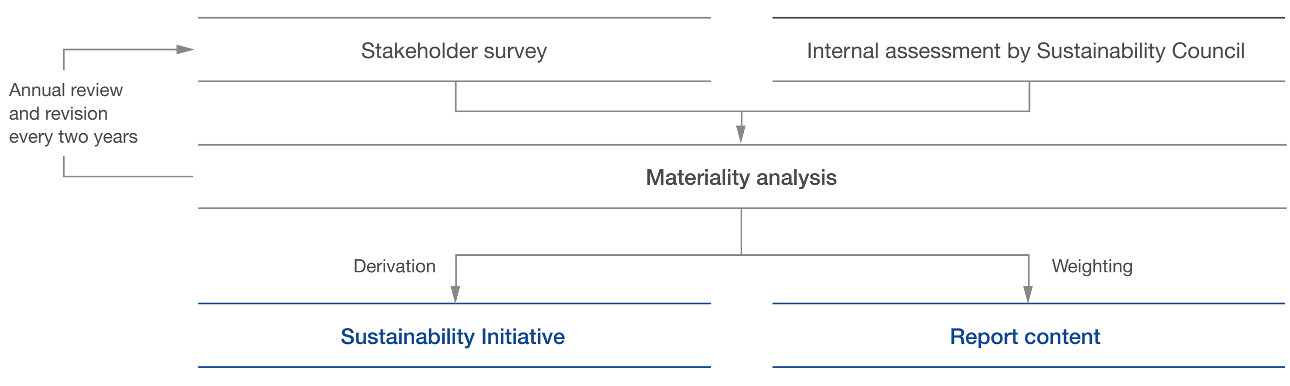
A two-week online survey using a standard questionnaire was then carried out worldwide. External stakeholders from all of the groups identified, as well as managers from a number of different divisions, took part in the survey. In total, approximately 100 people rated topics of potential relevance to 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.

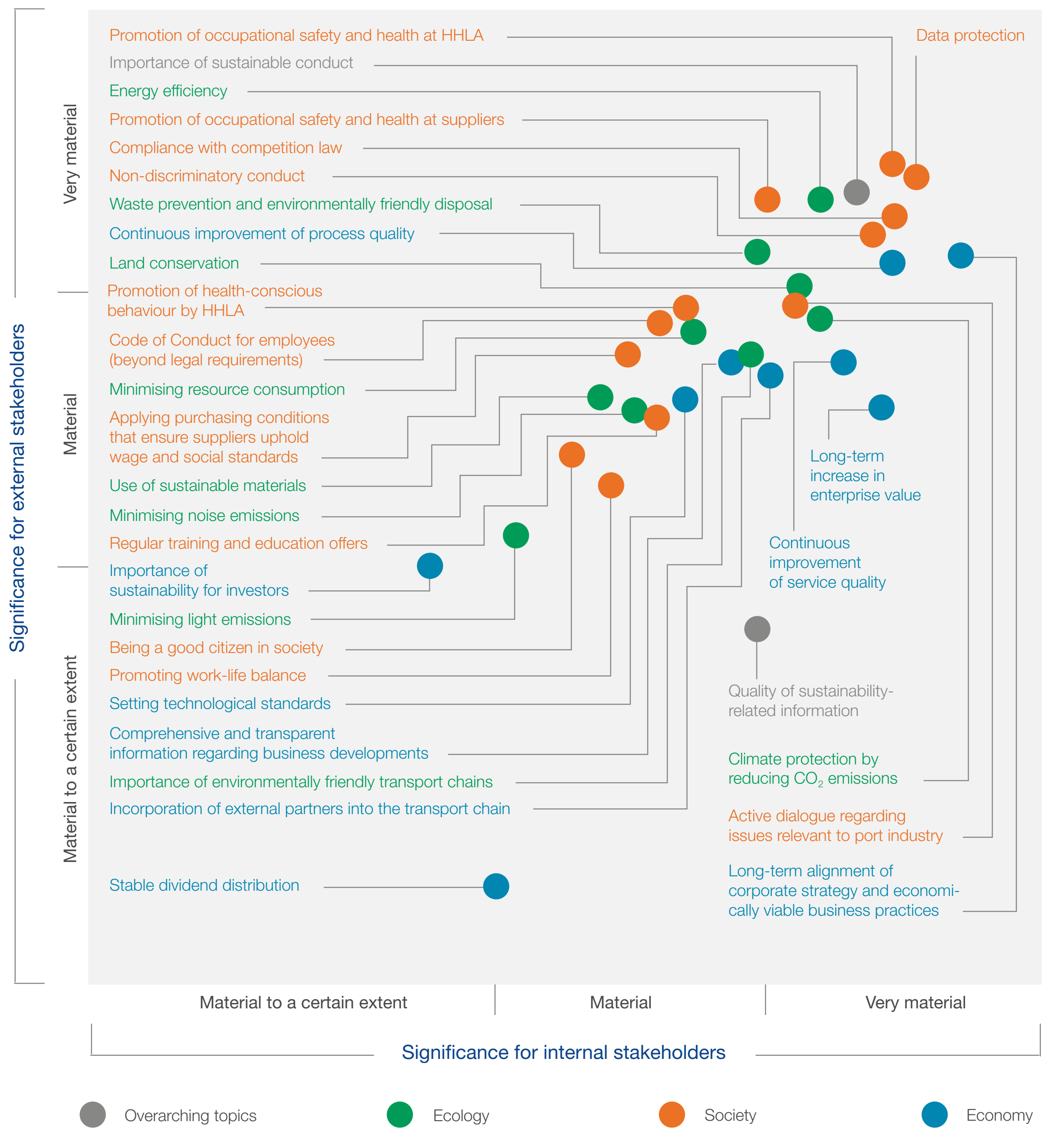
Ensuring a high level of data protection, high occupational safety standards, sustainable conduct, compliance, energy efficiency, continual improvements in quality, the long-term alignment of corporate strategy and the drafting of a Code of Conduct to ensure non-discriminatory behaviour amongst staff and towards third parties were all rated as very material. 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 (Outcome of the Most Recent Stakeholder Survey)

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 HHLA 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

Reconciliation of Key Issues with the German Commercial Code

For the first-time production of the non-financial report according to CSR-RUG, the issues identified as material or very material in the HHLA materiality analysis were checked for commercial relevance and degree of impact by a specialist body and prioritised in line with the double materiality clause set out in Section 289c (3) of the German Commercial Code (HGB).

As a result, some issues which were assessed as very material in the stakeholder survey are not subject to reporting due to a lack of business relevance as defined by the CSR-RUG. ▶ see Information about the Non-Financial Report, page 162/Defining the Content of the Non-Financial Report

Ecology

Area optimisation

The ever-growing use of land for transport, work and residential purposes has one of the biggest impacts on the environment, not just in Germany. Impermeable surfaces cannot support natural life and also increase the risk of flooding as persistent rain and downpours cannot seep into the ground. The efficient planning and use of infrastructure and suprastructure is therefore key to developing port terminals which optimise land usage. For this reason, when developing its terminals, HHLA uses an intelligent layout which boosts space efficiency by means of automated storage crane systems, thereby considerably reducing the amount of land needed. In addition to various measures to optimise traffic flow, the expansion programme at the Container Terminal Burchardkai includes the construction of a storage crane system aimed at conserving land. In the final phase of construction, the handling capacity can be increased substantially on the existing areas. Overall, HHLA's infrastructure and suprastructure planning for its container terminals assumes increased handling capacity in line with demand on land already used for container handling.

These **efficiency gains** will be achieved by using several rail-mounted gantry cranes which take containers to and from the container yard. The gantry cranes can pick up and deposit containers on both sides of a container storage block. They can stack as many as five containers on top of one another and ten containers side by side. Compared to yards using straddle carriers to move containers, this concentration of container storage space increases capacity on the same amount of land by a factor of two. Lanes for straddle carriers between the individual containers are no longer needed and five containers can be stacked vertically instead of three.

As well as increasing **storage capacity** by more concentrated storage, thus optimising land usage, the expansion of quayside handling capacity is an important element for efficient use of space at the terminals. HHLA has significantly increased its quayside efficiency by means of an extensive expansion programme, including the use of state-of-the-art tandem container gantry cranes which can move up to four 20-foot containers simultaneously. This enhances quay-wall productivity without using additional space therefore enabling the company to handle a larger number of containers.

For its shuttle trains between the seaports and Eastern Europe, HHLA's subsidiary Metrans uses wagons which have been optimised for maritime logistics. These 80-foot wagons offer the ideal combination of wagon/train length and carrying capacity. As a result, a block train operating a shuttle service can transport as many as 92 standard containers (TEU) – more than would be possible with comparable wagons. This high carrying capacity per train makes optimum use of the existing infrastructure at the terminals and railway sidings.

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 energy sources was classified as carbon-neutral for the calcualting the specific emissions. In the calculation of absolute emissions, the CO_2 emission quantity, which is lower due to the use of electricity from renewable energy sources, is reported separately.

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 in containers 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 2017, the company succeeded in reducing CO_2 emissions by 28.9 % per container handled. Specific CO_2 emissions fell by 2.2 % in the year under review.

The three-year average annual, specific CO_2 emission development is one of the targets agreed with the Executive Board and taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. ▶ see also Corporate Governance/Remuneration Report, page 54

Direct and Indirect Energy Consumption

	2013	2014	2015	2016	2017
Diesel and heating oil in million litres	27.7	29.2	26.3	26.6	27.4
Natural gas in million m³	3.1	1.8	2.3	2.4	3.6
Electricity[1] in million kWh	148.7	154.4	138.3	139.6	135.6
thereof from renewable energies	78.0	84.1	76.1	73.2	82.8
Traction current in million kWh	37.9	51.7	130.3	150.0	157.5
District heating in million kWh	4.6	3.7	3.2	3.6	3.6

Consumption of natural gas, traction current and district heating in 2017 is based on preliminary and estimated figures.

1 Electricity without traction current

Absolute CO_2 emissions increased year-on-year by 2.1 % or 4,296 tonnes to 208,697 tonnes, excluding 26,246 tonnes of CO_2 emissions from the purchase of electricity generated using renewable energy sources. This slight rise is mainly attributable to the higher utilisation of the Metran fleet of environmentally friendly electric multi-system locomotives. Traction-related emissions increased by 2.7 % or 2,268 tonnes from 82,867 tonnes to 85,136 tonnes. The strong increase in throughput at the four container terminals operated by HHLA prompted a 7.0 % rise in CO_2 emissions there in the reporting year – excluding the use of electricity from renewable energy sources – raising the figure by 6,385 tonnes to 97,074 tonnes.

Within the various HHLA companies, a number of **projects to increase energy efficiency** were conducted during the reporting period. Steps were taken to control energy-consuming components and lighting systems in line with demand.

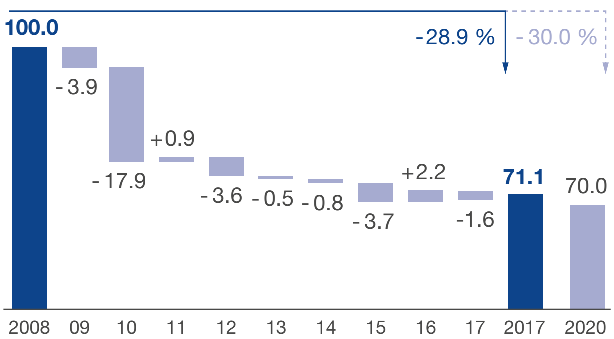
A long-term increase in the percentage of electricity used within the Group's energy mix will enable the company to **utilise more renewable energies** and thereby substantially reduce its carbon footprint. HHLA is therefore converting more and more of its equipment and machinery at the terminals to electricity. Such equipment and machinery produces fewer emissions and less noise and is also easier to service. The electricity required by all office buildings and workshops in Hamburg occupied by HHLA, the Container Terminal Altenwerder (CTA) and the all-electric yard crane system at the Container Terminal Burchardkai (CTB) comes from renewable energy sources. In the reporting year, additional quantities of renewable energies were procured, largely to compensate for CO_2 emissions from the operation of a CHP unit. In the reporting period, these measures reduced CO_2 emissions by 26,246 tonnes (previous year: 23,190 tonnes). A photovoltaic system at the Container Terminal Tollerort (CTT) installed and operated by the energy supplier Hamburg Energie Solar produced 103,590 kWh of CO_2-free electricity in the reporting period.

Energy-efficient equipment, systems, machinery and processes not only reduce local emissions, but also have economic benefits. With this in mind, HHLA pays particular attention to the **use of energy-efficient, low-emission machinery and equipment** when it makes new and replacement investments. In 2017, the fleet of all-electric cars grew to 79. HHLA's electric vehicles are powered by renewable electricity and are a quiet, low-maintenance solution that do not generate any local emissions. The electric vehicles cover a distance of some 500,000 km each year, which reduces CO_2 emissions by approximately 160 tonnes.

Work to modernise the straddle carrier fleet at the Container Terminal Burchardkai (CTB) continued with the acquisition of 16 new straddle carriers. These large machines comply with the strict requirements of the European Union's Euro 4 emissions standard. With their extremely low emissions of nitrogen oxides and particulate matter, they make an important contribution towards reducing emissions of harmful substances at the container terminal. Meanwhile, on the rails, another shunting hybrid locomotive for heavy goods trains has been running on the tracks of the Hamburg port railway since the reporting year.

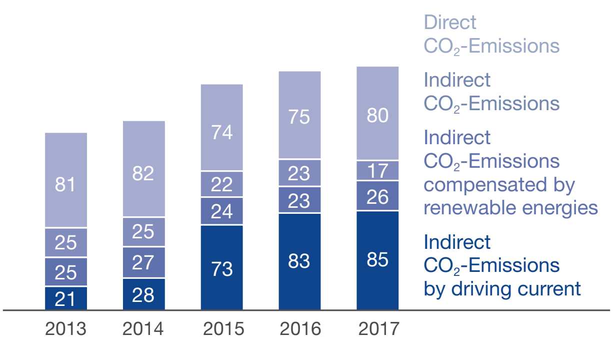
Changes in Specific CO_2 Emissions since 2008

Climate protection target: 30 % reduction by 2020



Direct and Indirect CO_2 Emissions

in thousand tonnes



The locomotive is used by HHLA subsidiary METRANS. The modern hybrid drive with an electric motor and diesel engine reduces consumption by over 50 %.

In addition, the **computer-aided optimisation of container storage positions** minimises the distance travelled by transport equipment, thereby reducing energy consumption and noise pollution. Resource usage is improved by cleaning used hydraulic oils and diesel fuels from tanks on site and reusing them.

Consumption of traction current within HHLA has risen markedly in recent years due to a significant increase in the use of the company's own traction fleet for rail transportation. In addition to cutting-edge multi-system locomotives, the engine driver's style can influence the amount of traction current used. In order to improve this aspect, a training programme for **energy-efficient** driving was developed and launched for engine drivers in reporting period.

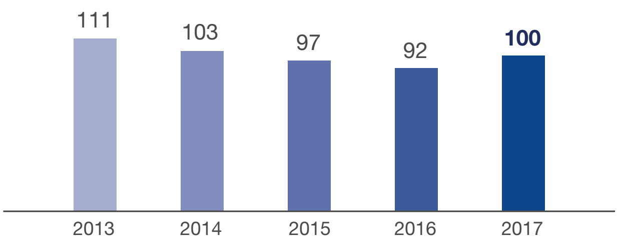
The **energy management system** that was certified according to DIN ISO 50001 for Hamburger Hafen und Logistik AG and HHLA Personal Service GmbH in the previous year has been extended to Fischmarkt Hamburg-Altona GmbH. All HHLA companies in Germany and Poland with significant energy consumption have now adopted the energy management system.

Water Consumption

Water is mostly used in the HHLA Group to clean large machines and containers, as well as for employee hygiene. The **amount of water consumed** by operations in Germany, Poland, Slovakia, the Czech Republic and Ukraine increased year-on-year by 9.2 % to 99,951 m^3 in 2017 (previous year: 91,568 m^3). This is due to both increased throughput volumes and to the modification of – and thus temporary disuse – of a water treatment plant at the Container Terminal Burchardkai (CTB). 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.

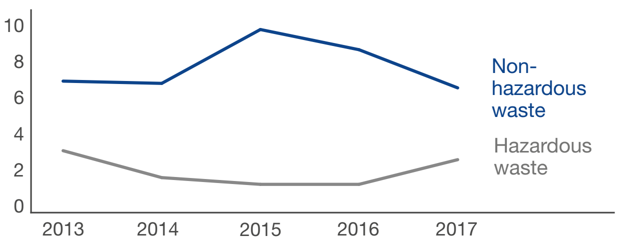
Waste and Recycling

HHLA aims to reduce – and also separates waste for recycling wherever possible so that reusable waste can be fed back into the resource cycle. The amount and composition of waste can vary significantly over time. Excluding soil and building rubble, the **amount of waste** produced at the sites in Germany decreased year-on-year by 7.0 % to 8,023 tonnes in the reporting period (previous year: 8,629 tonnes). Within the overall waste total, hazardous waste increased to 2,398 tonnes (previous year: 1,311 tonnes). This rising volume was primarily attributable to a larger quantity of sludge from oil/water separators. Despite a 16.9 % decrease, commercial waste for recovery and mixed packaging accounted for 18.8 % or 1,515 tonnes – and thus the largest waste volume – in the reporting period. Sludge from oil/water separators, which is mainly produced when large machines are cleaned, was the second-biggest type of waste with a share of 17.1 %. Compared with the previous year, this type of waste grew by 126 %, taking it to 1,372 tonnes. In addition to the increased need to clean large machines as a result of throughput growth, this stemmed from necessary modification work to a water treatment plant. The quantity of fruit and other food waste such as bananas, pineapples and potatoes fell by 48.7 %, or 1,131 tonnes, to 1,191 tonnes in the reporting year. HHLA has no influence on the amount of such waste, as it usually includes goods already unfit for consumption upon arrival in Hamburg. A large proportion was recycled to generate biogas. Approximately 180,000 kWh of electricity was generated without CO_2 in this way in 2017. The amount of scrap metal fed completely into the recycling system increased by 5.8 % to 1,169 tonnes in the reporting period. Paper and cardboard packaging was down 15.1 % at 573 tonnes, and there was a significant reduction of 49.3 % in scrap wood and building timber.

HHLA strives to conserve resources at its terminals, e.g. by using a total of 18,881 tonnes (previous year: 31,000 tonnes) of recycled building materials to maintain its terminal areas during 2017. At 10,293 tonnes, the majority of this was asphalt recycling. 3,814 tonnes of electric furnace slag was used during the renovation of a container rail terminal at the Container Terminal Burchardkai. Electric furnace slag is produced when steel scrap and mineral additives are melted in electric arc furnaces. It is

Developments in the Volume of Waste

in thousand tonnes



reused as aggregate at the terminal sites. 3,177 tonnes of slag from waste incineration bonded with cement was also used during the renovation of the rail terminal. In addition to this, 1,597 tonnes of recycled concrete-mineral aggregates were reused for site redevelopment.

Human Resources

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 corporation. The respective departments provide tailored HR and organisational development programmes for staff on all career paths and at all levels of the hierarchy within the companies in Germany. 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 form the foundation for commercial success. The company strives to achieve such diversity in all of its subsidiaries. This applies in particular to temporary cross-company working and project groups.

Development of Headcount

HHLA had a total of 5,581 employees at the end of 2017. Compared with the previous year's total, the number of employees increased by 53, or 1.0 %. In addition, HHLA deployed an average of 710 Gesamthafenbetriebs-Gesellschaft employees in 2017 (previous year: 558).

The three-year average headcount trend is one of the targets agreed with the Executive Board and taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. ▶ see also Corporate Governance/Remuneration Report, page 54

Further details on headcount development can be found in the Management Report. ▶ see also Management Report/Employees/Headcount, page 24

Personnel Development

HHLA invested a total of € 4.2 million in educating and training staff from its locations in Hamburg in 2017 (previous year: € 4.5 million).

As of 31 December 2017, 67 apprentices and 12 students were receiving training in Germany in eight different professions and eight dual study courses. 29 % of the 79 apprentices and students were female. The share of female students in 2017 was 58 % (previous year: 50 %).

Further details on the personnel structure can be found in the Management Report. ▶ see also Management Report/Employees/Personnel Structure, page 25

The three-year average of the annual trend in expenditure for initial training, in-company training and continuing professional development in relation to headcount is one of the targets agreed with the Executive Board and taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. ▶ see also Corporate Governance/Remuneration Report, page 54

Continuing Professional Development (CPD)

All CPD activities at HHLA are designed to develop the professional, methodical and social skills of staff and managers in line with demand. There is a particular focus on management training which, in turn, concentrates on providing the skills to manage increasingly complex systems. Most trainings focus on agile methods and equipping staff to work on complex projects.

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.

The need for container handling operators is met via in-house training. Much of this training is delivered on a one-to-one basis using the handling equipment or live IT systems within operations. As the operational handling processes are constantly evolving, there is also an ongoing need for hands-on continuing professional development with practical relevance. The training opportunities for operative managers are geared towards development within the organisation via a change in the leadership culture and teaching professional and methodical skills.

As in the previous year, a total of over 700 events lasting one or more days were held in the reporting period. These included more than 650 internal vocational courses conducted by HHLA's own trainers over 3,089 raining days. In addition, more than 70 one- to several-day events with over 870 participant days were organised as part of the company's cross-segment seminar programme. 31 % of the participants were women.

Vocational Training and Studying

HHLA offers a range of apprenticeships and dual study courses based on human resource planning at the companies in Hamburg. The focus is on technical and commercial occupations.

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. To further increase the proportion of female apprentices within these fields, technical internships were offered in particular to schoolgirls. 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 2017, the company participated in twelve fairs in the greater Hamburg area.

Training is enhanced by supplementary offerings to prepare for future demands within HHLA's operating environment. In addition to subject-based instruction, apprentices and dual study course students learn about interdisciplinary collaboration right from the start of their training. In these supplementary courses, the apprentices and students take on responsibility and learn about solution-based work approaches. Digital expertise is fostered by the use of new technologies, such as 3D printing.

As part of the AVM Dual pilot project initiated by Hamburger Ausbildungszentrum e. V. (HAZ), HHLA co-developed a concept with other Hamburg-based companies in 2016 to prepare immigrants for vocational training. In addition to school-based preparation until August 2018, the project involves various internship phases during which the young immigrants are supported by apprentices of the participating companies, who receive special training for this purpose.

In cooperation with the Maritime Competence Centre (ma-co), HHLA also developed a seminar on "Intercultural skills in day-to-day work" as part of the EU-funded project "Wege zum Berufsabschluss – Personalentwicklung und Weiterbildung in Unternehmen der Hafenwirtschaft der Hansestadt Hamburg" which focuses on training and development at companies in Hamburg. This seminar is to become a fixed part of vocational training at HHLA in future with a view to strengthening the social skills of apprentices and dual study course students, as well as promoting their personal development and their understanding of other cultures.

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 occupational safety in the workplace and considers this an important task for its managers. When examining early health promotion measures indicators that staff would benefit from, psychological stress is also taken into account.

HHLA uses modern technologies to achieve constant improvements. For example, HHLA uses a software-based occupational safety management system to monitor all targets and measures.

With the aim of further reducing the risk of accidents and raising awareness of occupational safety among both employees and managers, occupational safety campaigns and workshops are regularly held at HHLA company sites. These cover issues such as fire prevention, hazardous substances and ergonomics. 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 or fluctuations are carefully analysed in order to quickly initiate structured preventive measures.

In 2017, there were 97 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 3.0 % (previous year: 100).

Health Promotion

As part of its health promotion efforts, HHLA strives to develop an occupational health management system which reflects everyday needs and to systematically integrate these measures into company processes.

The successful collaboration initiated with universities and other partners from the business world as part of the “GESIOP” project funded by the German Federal Ministry of Education and Research is being continued. It focuses on measures and recommendations for the healthy workplace of the future. Working together with other businesses and research institutes facilitates a constructive dialogue and creates synergies for all partners of this joint project. Within the framework of the “GESIOP” project, HHLA is using a risk assessment for psychological stress to develop measures for improving mental health in the workplace. It conducts staff surveys and in-depth workplace analyses on this topic which go beyond the legal requirements. Once the pilot project has been completed, procedures and measures will be put in place throughout the company and established as standards.

HHLA offers social counselling for employees and managers at its Hamburg location to provide professional support during stressful periods in their professional and personal lives. The aim of this is to offer a fast, tailored solution to health problems, personal crises, conflicts and stress in the workplace. By offering comprehensive on-site advisory services and forging links with local professionals, counselling centres and treatment facilities, the company ensures that staff can access a broad-based support system. For example, HHLA has been collaborating with the MENTO project run by the training organisation DGB Bildungswerk and the debt advisory service operated by Verbraucherzentrale Hamburg for a number of years. Since 2017, HHLA has also been working with a contractual partner to significantly shorten psychotherapy waiting times for its employees, thus reducing further damage caused by excessively long therapy periods. This rapid support itself and the knowledge that such an option exists represent a positive preventive factor in HHLA’s health promotion activities.

The three-year average of the annual trend in sick pay minus expenditure for preventive measures in relation to headcount is one of the targets agreed with the Executive Board and taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus.

Contracts, Remuneration and Additional Benefits

Collective Labour Agreements

The pay and working conditions for approximately 89.3 % of HHLA employees in Germany are regulated by collective labour agreements (previous year: 89.5 %).

In May 2017, 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 to wage table increases of 2.7 % from 1 June 2017 with a twelve-month duration for port workers at companies that operate at German seaports. Furthermore, it was agreed that the employers’ pension contribution would increase by € 10 per month. Similar deals have been reached for further wage agreements of the HHLA Group.

Appraisal and Remuneration Systems

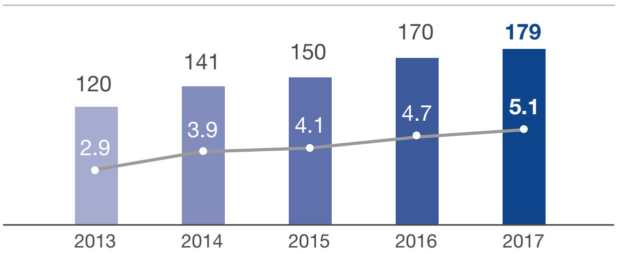
The appraisal systems at the German companies contain both bottom-up and top-down components. Some of them are laid out in collective labour agreements, comprise variable remuneration components and are linked with training requirements for the company and staff.

ROCE – the return on capital employed – is also a significant parameter for determining variable remuneration components for executives and employees not covered by 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 adjust their working hours helps them to reconcile their professional and family commitments, look after close relatives or do charity work. In 2017, a total of 179 employees were in part-time employment positions – nine more than in 2016 (previous year: 170). At the end of 2017, the proportion of part-time workers at HHLA in Germany increased to 5.1 % (31 December 2016: 4.7 %). The percentage of men in part-time employment rose to 29.6 % (previous year: 28.8 %). At the holding company, where most roles are clerical, the ratio of part-time workers (excluding apprentices) was approximately 16.2 % (previous year: 15.4 %).

Development of HHLA's Part-time Employees
in Germany as of 31.12.



Part-time share in %

Company Pension Scheme

After already offering staff the possibility to actively shape their own working lifetimes by means of various pension schemes and working lifetime accounts in the past, the HHLA Group pension system is now being completely revamped. In late 2017, the parties to the labour agreement laid the foundation for a new, forward-looking system which is more closely aligned with rising employee needs, especially with regard to transparency and flexibility. The new system will be rolled out in 2018.

More detailed information about the workforce can be found in the "Employees" section of the Combined Management Report. ▶ see also Management Report/Employees, page 24

Society

Regional Responsibility

In addition to its commitment to social responsibility, staff development and the occupational health and safety of employees are among HHLA's key fields of activity. ▶ see also Employees/ Occupational Safety and Health Promotion, page 171

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 approximately 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 and is well aware of its responsibility towards society both here and at all its other sites.

Social Dialogue

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

Recognising the link between the port, logistics and the water helps us understand the global division of labour and the importance of sustainable business activities. HHLA's support for educational projects focuses on two particular projects: "Hafen Scouts", a joint initiative of HHLA, which teaches schoolchildren about the transport of goods around the world, how the port functions and what careers the port offers. Apart from "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 education projects. Since the "Aqua-Agenten" project was launched in 2009, more than 10,000 children have been taught about the importance of water and ports.

Combating Bribery and Corruption

A company can only achieve sustainable success if it behaves in a responsible and legally compliant manner. With this in mind, compliance with legal requirements and internal company guidelines is a key part of HHLA's corporate governance policy. ▶ see also Corporate Governance Report, page 46 HHLA strives to achieve this prime objective by establishing, coordinating and constantly further enhancing its Group-wide compliance management system (CMS). It has also set itself the goal of identifying key compliance risks, assessing them on an ongoing basis, and minimising them by implementing suitable measures and processes. Furthermore, the CMS aims to raise awareness among HHLA Group employees regarding the need to comply with both the legal requirements relevant to their work and internal guidelines. By doing so, it sets out to foster an appropriate level of risk awareness within the workforce with a view to preventing compliance violations. HHLA's CMS centres on a code of conduct that goes beyond the statutory requirements by formulating overriding principles on relevant topics for compliance, such as fair conduct in the competitive environment and dealing with conflicts of interest or sensitive corporate information. The HHLA Code of Conduct can be accessed online at ▶ www.hhla.de/compliance.

Preventing corruption is another key issue addressed in the Code of Conduct. In the course of its activities, HHLA is constantly in contact with business partners and officials at different levels – especially in Germany, Central and Eastern Europe, and Asia. The aim of the in-depth anti-corruption guidelines is to help employees assess situations with potential corruption implications in their day-to-day work in order to effectively prevent corrupt behaviour and the associated consequences for both employees and the company. The anti-corruption guidelines provide staff with the necessary knowledge about granting or accepting benefits to or from business partners and officials. Practical examples are used by way of illustration.

The Code of Conduct obliges employees to pass on any information they may have about misconduct at the company. Third parties can also use the compliance hotline for whistle-blowing. All information received is treated confidentially and callers can choose to remain anonymous. Moreover, the anti-corruption guidelines state that staff must seek advice or report violations if they have any doubts or suspicions.

Training courses and internal corporate media constantly provide employees with information on important aspects of the Code of Conduct and associated issues, such as corruption prevention and how they are expected to behave in accordance with the anti-corruption guidelines.

The number of incidents is constantly documented and monitored as part of the CMS using an internal reporting system. This enables the company to adjust its risk assessment should there be an increase, for example, and to introduce appropriate measures, such as more communication and adapting processes in its internal control system.

The responsibility of each individual to comply with the provisions laid down by regulators, professional associations and the government, both within the company itself and in dealings with contractual partners, is also stated in HHLA's own in-house purchasing guidelines, in combination with HHLA's externally applicable purchasing guidelines. The focus here is on analysing and evaluating relationships with suppliers in terms of their reliability, quality, innovativeness, cost structures, economic stability, occupational safety, sustainability and compliance. Selecting suppliers on the basis of these criteria also helps to prevent corruption. ▶ see also Management Report/Purchasing and Materials Management, page 22

Respect for Human Rights

Ensuring our employees act in a lawful fashion guided by integrity also means protecting human rights. HHLA only has sites in Europe and more than 95 % of HHLA's suppliers are based in the European Union, where human rights are a prime concern and enshrined in both local and European laws. Furthermore, the principles of the UN Global Compact are reflected in the Code of Conduct and HHLA's comprehensive guidelines, such as its health and safety guidelines. As an overarching set of rules, the Code of Conduct includes the following principles:

- Integrity as a central value, a commitment to diversity and the rejection of all forms of discrimination in our interactions with one another
- Guidance on lawful behaviour, particularly to prevent corruption in dealings with business partners and officials
- Protecting the health and safety of employees in the workplace. Occupational safety is a priority for HHLA and we have set ourselves the goal of remaining a leader in this regard
- Protecting the environment and sustainable business practices. Promoting environmental awareness and accelerating the development and widespread use of eco-friendly technologies via HHLA's sustainability initiative ▶ see also Sustainability Strategy, page 160

Additionally, HHLA actively encourages worker co-determination and safeguards both the freedom of association and the right to collective bargaining.

Economy

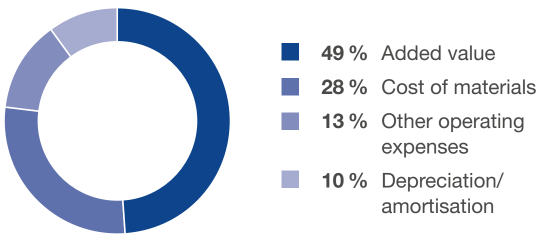
Value Added in the HHLA Group

in € million	2017	2016	Change
Employees	469.8	451.9	4.0 %
Shareholders	105.9	105.1	0.8 %
Public authorities	41.4	41.0	1.2 %
Lenders	6.1	7.3	- 17.1 %
Total	623.2	605.3	3.0 %

Net added value rose by 3.0 % to € 623.2 million in the 2017 financial year. At 48.6 %, the added value ratio was slightly above that of 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, 75.4 % or € 469.8 million, went to employees.

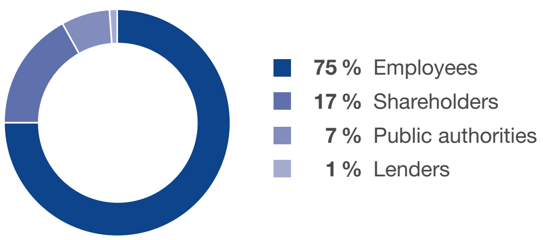
Source of Added Value

Production value 2017: € 1,283 million = 100 %



Application of Added Value

Net added value 2017: € 623 million = 100 %



Audit Opinion

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting

To HHLA AG, Hamburg

We have performed a limited assurance engagement on the combined separate Non-Financial Report pursuant to § 289b Abs. 3 und 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commer-cial Code") of HHLA AG, Hamburg, (hereinafter the "Company") for the period from 1st January 2017 to 31 December 2017 (hereinafter the "Non-Financial Report"). The Non-Financial Report comprises the sections marked with a star in the Sustainability Report of the company for the financial year 2017.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-Financial Report in accordance with § 315b und 315c i.V.m. 289c bis 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of Non-Financial Reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Fur-thermore, the executive directors are responsible for such internal control as they have consid-ered necessary to enable the preparation of a Non-Financial Report that is free from material mis-statement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control[1] published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard[1]: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS[1]) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-Financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-Financial Report.

We conducted our assurance engagement in accordance with the International Standard on As-surance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Re-views of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-Financial Report for the period from 1st January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.
In a limited assurance engagement the assurance procedures are less in extent than for a reason-able assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following as-surance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-Financial Report regarding the preparation process, the internal control system relating to this process and selected disclo-sures in the Non-Financial Report
- Identification of the likely risks of material misstatement of the Non-Financial Report
- Analytical evaluation of selected disclosures in the Non-Financial Report
- Comparison of selected disclosures with corresponding data in the management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-Financial Report for the period from 1st January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB].

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt, 1st March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Nicolette Behncke ppa. Julia Ranke-Filthaut
Wirtschaftsprüfer
(German public auditor)

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

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, Budapest, 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

28 March 2018

Annual Report 2017
Analyst Conference

15 May 2018

Interim Statement January–March 2018
Analyst Conference Call

12 June 2018

Annual General Meeting

14 August 2018

Half-year Financial Report January–June 2018
Analyst Conference Call

13 November 2018

Interim Statement January–September 2018
Analyst Conference Call

Imprint

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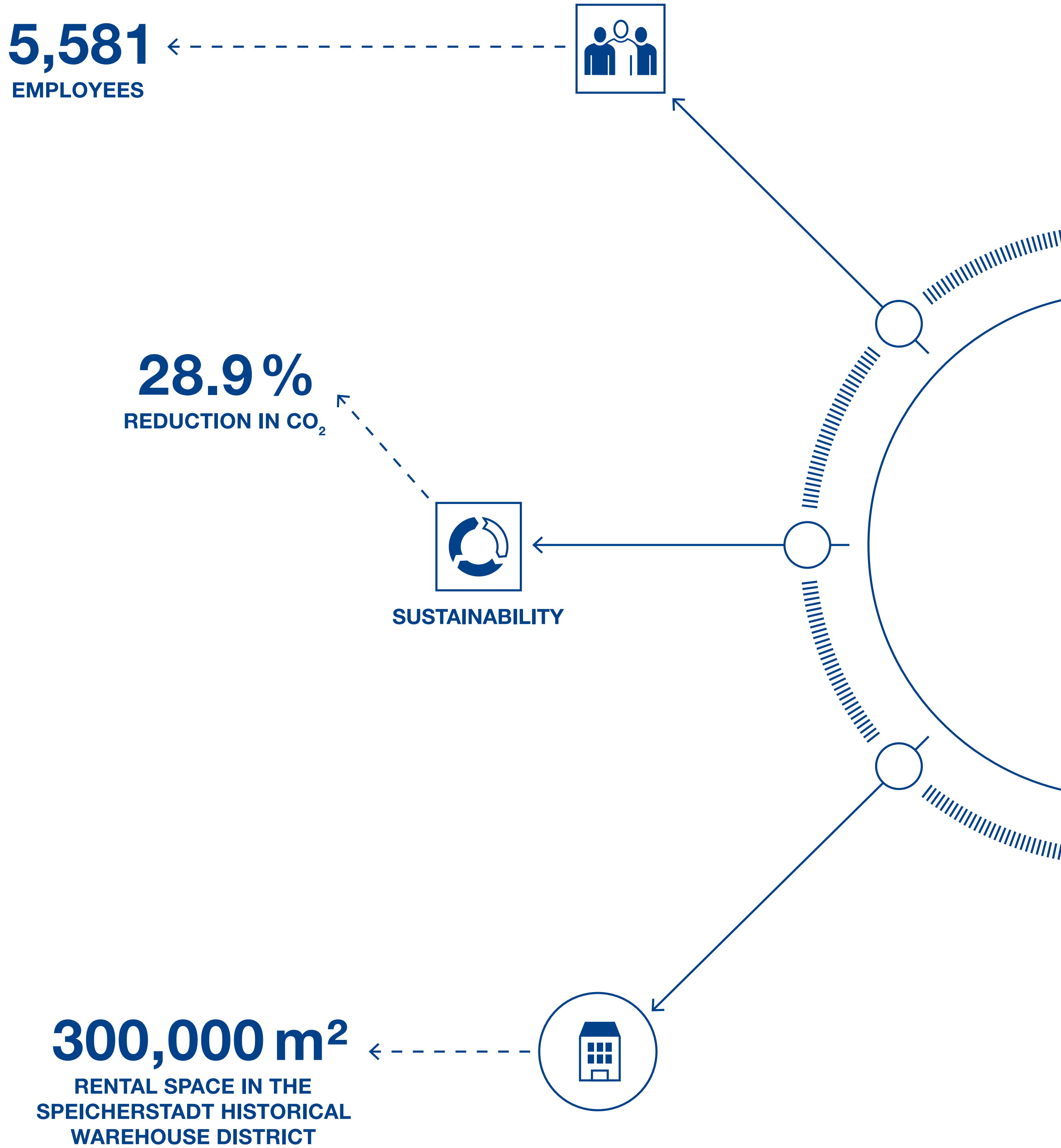
Online annual reports and online sustainabilty reports

HHLA Multi-Year Overview

in € million	2013	2014	2015	2016	2017
Revenue					
Port Logistics subgroup	1,110.1	1,171.2	1,111.0	1,146.0	1,220.3
Real Estate subgroup	33.1	33.5	36.5	37.0	37.9
Consolidation	- 5.1	- 5.1	- 5.7	- 6.0	- 6.4
HHLA Group	1,138.1	1,199.6	1,141.8	1,177.7	1,251.8
EBITDA					
Port Logistics subgroup	257.0	276.2	261.2	265.3	274.5
Real Estate subgroup	17.8	17.9	20.2	21.1	21.3
Consolidation	0.0	0.0	0.0	0.0	0.0
HHLA Group	274.8	294.2	281.4	286.4	295.8
EBITDA margin in %	24.1	24.5	24.6	24.3	23.6
EBIT					
Port Logistics subgroup	140.2	155.6	141.1	147.6	156.6
Real Estate subgroup	13.3	13.4	15.2	16.0	16.3
Consolidation	0.3	0.3	0.3	0.3	0.3
HHLA Group	153.9	169.3	156.5	164.0	173.2
EBIT margin in %	13.5	14.1	13.7	13.9	13.8
Profit after tax	80.4	90.6	95.8	105.1	105.9
Profit after tax and after non-controlling interests	54.3	58.9	66.7	73.0	81.1
Cash Flow/Investments/Depreciation and Amortisation					
Cash flow from operating activities	185.1	233.4	195.3	234.6	275.5
Cash flow from investing activities	- 106.5	- 114.5	- 130.2	- 48.9	- 131.2
Cash flow from financing activities	- 116.8	- 79.0	- 82.7	- 122.4	- 119.0
Investments	112.7	138.4	145.5	138.3	142.6
Depreciation and amortisation	120.9	124.9	124.9	122.4	122.6
Assets and Liabilities					
Non-current assets	1,284.6	1,308.1	1,305.8	1,329.0	1,348.0
Current assets	431.4	480.0	444.6	483.9	487.3
Equity	600.1	546.7	580.6	570.8	602.4
Equity ratio in %	35.0	30.6	33.2	31.5	32.8
Pension provisions	364.4	443.6	415.6	460.5	448.9
Other non-current assets	462.5	475.3	563.6	567.6	544.9
Current liabilities	289.0	322.5	190.6	214.0	239.1
Dynamic gearing ratio	2.6	2.6	2.7	2.6	2.3
Total assets	1,716.0	1,788.1	1,750.4	1,812.9	1,835.3
Employees					
Employees as of 31.12.	4,924	5,194	5,345	5,528	5,581
Performance Data					
Container throughput in million TEU	7.5	7.5	6.6	6.7	7.2
Container transport in million TEU	1.2	1.3	1.3	1.4	1.5



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