

the total remuneration for the remaining term is payable in the event of premature termination of an Executive Board contract (including termination due to change of control). The new provision applies to all Executive Board contracts since 1 January 2017.

The provisions described above correspond to the legal situation and are standard practice at comparable listed companies. Their intention is not to complicate any possible takeovers.

Notes to the Separate Financial Statements for HHLA Prepared in Line with the German Commercial Code (HGB)

Unlike the Consolidated Financial Statements, the Annual Financial Statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG) are not prepared in accordance with International Financial Reporting Standards (IFRS). Instead, they are based on the regulations contained in the German Commercial Code (HGB).

Company Overview

Structure and Commercial Activities

Hamburger Hafen und Logistik AG (HHLA AG) is a leading European port logistics group. HHLA AG is the parent company of the HHLA Group and runs the Group as a strategic management holding company. Its operations are carried out by the 32 domestic and 14 foreign subsidiaries that make up the consolidated group. No significant legal or organisational changes were made to the company structure in the 2016 financial year.

HHLA AG is a legally independent company and was split into two divisions – the A division and the S division – as part of the initial public offering on 2 November 2007.

The A division represents the Port Logistics subgroup. The Class A shares, which are listed on the stock exchange, entitle shareholders merely to participate in the result and net assets of these commercial operations. The performance and financial result of the Real Estate subgroup are attributed to the S division. Class S shares are not traded on the stock exchange and are held solely by the Free and Hanseatic City of Hamburg (FHH). In the unlikely and unprecedented event of the Real Estate subgroup reporting a loss, this would be indirectly transferred to the Free and Hanseatic City of Hamburg in line with a separate agreement to assume losses.

Employees

HHLA AG had a total of 1,190 employees as of 31 December 2016 (previous year: 1,237). Of this number, 349 received wages (previous year: 363), 774 received a salary (previous

year: 783) and 67 were apprentices (previous year: 91). Of the 1,190 staff members, 591 were assigned to companies within the HHLA Group in the reporting year.

Economic Environment

Industry and macroeconomic developments are largely in line with those at the HHLA Group.

Earnings Position

Key Figures

in € million	2016	2015	Change
Revenue	157.9	121.2	30.2 %
Other income and expenses	- 179.2	- 131.6	- 36.2 %
Operating result	- 21.3	- 10.4	neg.
Financial result	- 6.9	- 36.0	80.9 %
Result from equity investments	94.2	81.7	15.3 %
Income taxes	- 18.4	- 6.2	neg.
Net profit	47.6	29.1	63.5 %

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

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

The year-on-year improvement in the **financial result** resulted mainly from changes in provisions due to interest rate fluctuations.

The **change in income from equity investments** was mainly due to the performance of the Container segment. The net profits of HHLA's affiliates and equity investments recognised in profit or loss rose by € 12.5 million to € 94.2 million (previous year: € 81.7 million).

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

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

Forecast and Actual Figures

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

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

Assets

Balance Sheet Structure

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

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

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

Development in Pension Provisions

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

HHLA AG uses the projected unit credit method to value entitlements associated with existing pension obligations. Future obligations are projected based on past service and possible future service prior to the insured event occurring. Anticipated future pension and pay increases are also taken into account. For the first time, an average market interest rate for the past ten years of 4.01 % set by Deutsche Bundesbank was applied for the reporting year (previous year: average market interest rate for the past seven years of 3.89 %).

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

Financial Position

Liquidity Analysis

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

Cash flow from operating activities totalled € 67.6 million in the reporting year (previous year: € 54.4 million). It was dominated by income from equity investments. Cash flow in the reporting year was sufficient to fund capital expenditure.

In connection with existing cash pooling agreements, financial funds comprised receivables from subsidiaries in the amount of € 201.7 million (previous year: € 191.2 million), cash and cash equivalents in the form of bank balances totalling € 129.6 million (previous year: € 164.2 million) – of which € 10.0 million (previous year: € 70.0 million) was short-term bank deposits – and clearing receivables of € 74.0 million (previous year: € 43.9 million) from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV). The S division of HHLA AG participates in the cash clearing system operated by HGV. The A division also utilises the option of investing surplus liquidity with HGV whenever this is advantageous for HHLA AG.

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

Risk and Opportunity Report

Business developments at HHLA AG are mostly subject to the same risks and opportunities as those of the HHLA Group. HHLA AG shares in the risks of its subsidiaries and equity investments in line with its respective shareholding.

As the parent company of the HHLA Group, HHLA AG is incorporated into the Group-wide risk and opportunity management system. The **Risk and Opportunity Report** contained in the Combined Management Report provides a description of the internal control system as required by Section 289 (5) of the German Commercial Code (HGB). ► see Risk and Opportunity Report, page 42

Business Forecast

Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for HHLA AG are reflected in the **business forecast** for the Group as a whole. It is anticipated that the statements made for the HHLA Group regarding market and revenue developments will largely be mirrored by the revenue of HHLA AG. Furthermore, the income from equity investments is expected to make a substantial contribution towards HHLA AG's earnings. ► see Business Forecast, page 40

Expected Earnings Position in 2017

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

Expected Financial Position in 2017

HHLA AG expects its financial position to remain stable.

Dividend

As in the previous year, HHLA AG's appropriation of profits is oriented towards the development of earnings in the financial year ended. The distributable profit and stable financial position provide the foundation for a continuation of the company's consistent dividend policy.

Statement of the Executive Board

Under the circumstances known to the Executive Board at the time the transactions listed in the related parties report in accordance with Section 312 of the German Stock Corporation Act (AktG) were carried out or actions were committed or omitted, the company received adequate consideration for the transaction and was not disadvantaged by committing or refraining from said actions.

In accordance with Article 4 of the articles of association, the Executive Board, with analogous application of the provisions of Section 312 of the German Stock Corporation Act (AktG), must prepare a report on the relationships between the A division and the S division. Under the circumstances that were known to the Executive Board at the time when the legal transactions specified in the report on the relationships between the A division and the S division were completed, both divisions received appropriate consideration. Any expenses and returns that could not be attributed directly to one division were divided among the divisions in line with the articles of association. No steps were taken or omitted at the behest or in the interests of the other division in each case.

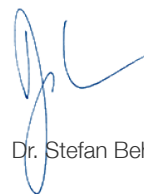
Hamburg, 2 March 2017

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board



Angela Titzrath



Dr. Stefan Behn



Heinz Brandt



Dr. Roland Lappin

Some of the disclosures in the Management Report – including statements on revenue and earnings trends and on possible changes in the sector or the financial position – contain forward-looking statements. These statements are based on the current best estimates and assumptions of the company. Depending on whether uncertain events materialise, HHLA's actual results, including its earnings and financial position, may differ materially from those explicitly or implicitly assumed or described in these statements.