

Corporate Governance

Combined Corporate Management Declaration and Corporate Governance Report

The following declaration by the Executive Board and the Supervisory Board contains the combined Corporate Management Declaration for HHLA and the Group in accordance with Section 289a HGB or Section 315 (5) in conjunction with Section 289a HGB respectively, as well as the Corporate Governance Report in accordance with Section 3.10 of the German Corporate Governance Code (hereafter “the Code” or “GCGC”). It includes in particular the current declaration of compliance of the Executive Board and Supervisory Board, relevant practices of corporate management that go beyond the statutory requirements, details regarding the composition and functions of the Executive Board, the Supervisory Board and the Supervisory Board committees of HHLA, the targets to promote the participation of women in leadership positions in accordance with Section 76 (4) and Section 111 (5) AktG, the achievement of minimum quotas for the number of men and women on the Supervisory Board, as well as details regarding other material corporate governance structures.

Implementation of the Code

Corporate governance stands for the responsible management and control of a company aimed at creating sustainable value. The management and corporate culture of HHLA and the Group complies with statutory provisions and – with only a few exceptions – the recommendations and most of the suggestions contained in the Code. HHLA’s Supervisory Board and Executive Board expressly support the Code and the objectives and purposes that it pursues. Responsible and transparent corporate management geared towards sustainable creation of value has always been an essential foundation of HHLA’s commercial success.

The Executive Board and Supervisory Board once again took great care to ensure the Code’s standards were met in the 2016 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG after conducting the annual review of compliance with the recommendations and suggestions of the Code in December 2016. The current declaration of compliance is printed below. It can also be viewed by shareholders and the public on HHLA’s website at www.hhla.de/corporategovernance together with the declarations of compliance relating to previous years.

Declaration of Compliance in Accordance with Section 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Board submitted the following joint declaration of compliance in accordance with Section 161 AktG in December 2016:

“The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that since 9 December 2015 (the date on which the previous declaration of compliance was issued), HHLA complied and shall comply in the future with the recommendations of the German Corporate Governance Code (‘the Code’ or ‘GCGC’) in the version dated 5 May 2015 and published in the Federal Gazette on 12 June 2015 with the following exceptions:

a) Section 4.2.3 of the Code specifies that in concluding - Executive Board contracts care is to be taken to ensure that payments made to an Executive Board member on premature termination of contract without serious cause or as a result of change of control do not exceed certain levels (severance payment caps) and that the severance payment cap in question is based on the total remuneration for the previous year and, where applicable, on the probable total compensation for the current financial year. These recommendations have not yet been fully implemented in two of the Executive Board contracts currently in force until 31 December 2016. An adjustment of these old contracts appeared to be impracticable as the contracts were concluded for a fixed term and cannot be unilaterally modified. However, the requirements were observed in the course of all extensions of contracts and conclusions of new contracts. Therefore, upon the coming into force of the latest renewed Executive Board contracts on 1 January 2017, HHLA will fully comply with the recommendation.

b) Section 4.2.2 (2) sentence 3 of the GCGC recommends that the Supervisory Board, in determining the remuneration of the Executive Board, takes into account the relationship of the remuneration of the Executive Board to the remuneration of the senior management and the headcount in general, including its development over time. The Supervisory Board determines where to draw the line between the senior management and the relevant headcount for the sake of its comparison. Section 4.2.3 paragraph 2 sentence 6 GCGC requires that total remuneration for members of the Executive Board and the individual variable components of remuneration be capped. Furthermore, Section 4.2.3 (3) of the GCGC recommends that for pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been an Executive Board member – and take into account resulting annual and long-term expense for the company. These recommendations have also not yet been fully implemented in the two aforementioned Executive Board contracts for the above-mentioned

reasons. However, these recommendations were also observed in the course of the extension of the contracts and new contracts, so that the recommendations are fully complied with as of 1 January 2017.

c) According to Section 7.1.2 of the Code, half-yearly and any quarterly financial reports shall be discussed by the Executive Board with the Supervisory Board or its Audit Committee prior to publication. HHLA does not comply with this recommendation because compiling the half-year financial report and the interim statements on the basis of individual segment reporting for the A and S divisions takes more time than for companies with only one type of shares. As a result, an effective prior discussion by the Supervisory Board or its Audit Committee cannot be assured at present. In order to increase the level of detail and frequency in which the company's reports are examined, the half-year financial report and the 'additional financial information' in the interim statements were reviewed by the auditors. It is intended to continue such reviews in the future.

Hamburg, 9 December 2016

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board
The Supervisory Board"

Function of the Executive Board and the Supervisory Board

Division of Responsibilities between the Executive Board and the Supervisory Board

In accordance with the stipulations of German stock corporation law, HHLA has a dual system of management with an Executive Board and a Supervisory Board as management bodies, both of which have their own defined areas of competence. This system is characterised by having separate personnel to carry out the management and supervision functions: the Executive Board manages the company on its own responsibility, while the Supervisory Board monitors the Executive Board and advises the Executive Board on relevant management matters. Simultaneous membership in both bodies is not permissible. HHLA's Executive Board and Supervisory Board work closely together for the company's benefit in an atmosphere of mutual trust.

Composition and Function of the Executive Board

The Executive Board manages the company's business under the joint responsibility of its members. It determines the company's goals, its fundamental strategic orientation and Group policy and organisation. These tasks include, in particular, steering the Group and managing its financing, developing a personnel strategy, appointing and developing managers and representing the company before the capital markets and the general public. It is also responsible for appropriate risk management and controlling within the company.

HHLA's Executive Board currently consists of four members. In the period from 1 October 2016 (appointment of Ms. Titzrath) to 31 December 2016 (departure of Mr. Peters), the Executive Board temporarily had five members. ► see also Note 49 of the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146 In accordance with Article 8 of the articles of association, the Executive Board must consist of at least two members. The Executive Board's members are appointed by the Supervisory Board. The Executive Board assumes management responsibility as a collegial body. Regardless of the overall responsibility to manage the company, the individual members of the Executive Board also bear responsibility for the departments in accordance with Executive Board resolutions. The schedule of responsibilities states which Executive Board members are responsible for which departments. ► see also Group Structure, page 13

The **Executive Board provides the Supervisory Board** with regular, timely and comprehensive information on all matters that are relevant for the company or the Group. These include, in particular, the intended business policy, profitability, the current position and course of business, planning, the current risk position, risk management and compliance for both the Group and the company in each case. The Executive Board must notify the Chairman of the Supervisory Board without undue delay of any important events of fundamental significance for the assessment of the position and development or the management of the company or the Group, including between meetings. These include, inter alia, operational malfunctions and illegal actions that disadvantage the company or a Group affiliate. Certain decisions and transactions of fundamental importance require the approval of the Supervisory Board in accordance with the Executive Board's rules of procedure.

Conflicts of interests concerning members of the Executive Board must be immediately disclosed to the Supervisory Board. Other members of the Executive Board must also be informed. Executive Board members may only take on other duties, especially supervisory board posts at companies outside the Group, with the approval of the Supervisory Board. Transactions of material importance between Group companies and members of the Executive Board and parties and companies related to them also require the approval of the Supervisory Board. All such transactions must be performed on an arm's length basis. There were no transactions of this nature in the reporting period. There were also no conflicts of interest in the year under review.

The Executive Board's work is outlined in more detail in the **rules of procedure** compiled by the Supervisory Board for the Executive Board. The rules, inter alia, state that decisions on fundamental organisational questions, business policy and corporate planning are to be made by the Executive Board

as a whole. The rules also provide that decisions and transactions of considerable importance for the company must be discussed and decided upon together and that certain decisions and transactions of fundamental importance require the prior approval of the Supervisory Board.

The company has taken out **D&O insurance** for the members of the Executive Board that meets the requirements of Section 93 (2) sentence 3 of the German Stock Corporation Act (AktG).

Composition and Function of the Supervisory Board

The Supervisory Board decides on the composition of the Executive Board, oversees the Executive Board's management of the company, advises it on company management, and is involved in fundamental and important decisions. Decisions and transactions of fundamental importance require the approval of the Supervisory Board in accordance with the Executive Board's rules of procedure. Its other main tasks include the examination and adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements. The tasks and the internal organisation of the Supervisory Board and its committees are based on the law, the articles of association, which are available on HHLA's website at www.hhla.de/corporategovernance, and the Supervisory Board's rules of procedure. In addition, the Code also contains recommendations on the Supervisory Board's work.

The **composition of the Supervisory Board** is based on the company's articles of association as well as Sections 95 and 96 of the German Stock Corporation Act (AktG) and Section 7 of the German Co-Determination Act (MitbestG): The Supervisory Board consists of six shareholder representatives elected by the Annual General Meeting and six employee representatives elected in accordance with the German Co-Determination Act (MitbestG). Unless the Annual General Meeting specifies a shorter period of office, **Supervisory Board members are elected** for a period ending with the Annual General Meeting that passes a resolution discharging the Board for the fourth financial year following the start of its term of office. The financial year in which the term of office begins is not included.

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

|| The **Finance Committee** prepares Supervisory Board meetings and resolutions of major financial importance, such as resolutions to be adopted concerning significant borrowing and lending, the assumption of guarantees for third-party liabilities, financial investments and other financial transactions. It also deals with planning and investment issues, such as the budget and medium-term planning.

|| The **Audit Committee** monitors accounting, the accounting process and the effectiveness of the audit of the financial statements. It also prepares the Supervisory Board's resolution proposal to the Annual General Meeting on the election of the auditor. The Audit Committee is responsible for the selection procedure if there are plans to rotate the auditor. After the auditor has been elected by the Annual General Meeting, it awards the audit assignment for the Consolidated Financial Statements and the Annual Financial Statements. It also deals with the fee agreements and determines which areas the audits should focus on. It continually monitors the independence of the auditor and discusses the risks to the auditor's independence as well as the prevention measures taken to mitigate these risks. In this connection, the Audit Committee is also responsible for monitoring and approving the additional services provided by the auditor in addition to the audit of the financial statements (non-audit services). Other focus areas of its work include monitoring the effectiveness of the internal control system, the risk management system, the internal audit system and the compliance management system.

|| The **Personnel Committee** prepares the personnel decisions to be taken by the Supervisory Board, ensures together with the Executive Board that a long-term succession plan is in place and takes account of diversity considerations in the Executive Board's composition. It prepares the Supervisory Board resolution specifying the remuneration of the Executive Board and the examination of the remuneration system for the Executive Board and handles the Executive Board contracts, provided the German Stock Corporation Act (AktG) does not require the full council of the Supervisory Board to handle these responsibilities.

|| The Personnel Committee also fulfils the role of **Nomination Committee**, which consists solely of its shareholders' representatives when performing this role. In line with the statutory requirements, the recommendations of the Code and the targets adopted by the Supervisory Board regarding its composition, the Nomination Committee proposes suitable candidates to the Supervisory Board to stand for election at the Annual General Meeting as shareholder representatives on the Supervisory Board. During its deliberations, the Nomination Committee also ensures that the candidate is able to devote the necessary amount of time to the role.

- The **Arbitration Committee** was constituted for the purposes laid down in Section 31 (3) of the German Co-Determination Act (MitbestG). Its task is to make proposals for appointing members of the Executive Board if the statutory majority of two thirds of the Supervisory Board members' votes is not reached after the first round of voting.
- As HHLA is divided into the two subgroups Port Logistics (A division) and Real Estate (S division), a **Real Estate Committee** was constituted for the latter. This committee receives all Executive Board reports on behalf of the Supervisory Board and is involved in discussing all affairs that relate to the Real Estate subgroup. It also decides on whether to grant Supervisory Board approval for all legal transactions that require such approval and all other matters that affect the Real Estate subgroup, either primarily or in their entirety. In addition, the Real Estate Committee is responsible for examining and preparing the Supervisory Board's decision on the adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements, insofar as these relate to the affairs of the Real Estate subgroup. It is also responsible for preparing the Supervisory Board's decision on appropriating the distributable profit of the Real Estate division based on the Executive Board's proposal.

Further information on the Supervisory Board work and the Supervisory Board committees, as well as the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the Report of the Supervisory Board.

► see also Report of the Supervisory Board, page 4 Further information on the composition of the Executive Board, the Supervisory Board and the Supervisory Board committees can be found in the Notes to the Consolidated Financial Statements. ► see also Note 49 of the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 146

Regulations on preventing and dealing with conflicts of interest are laid out in the Supervisory Board's rules of procedure.

► see also Objectives of the Supervisory Board The Supervisory Board provides information on conflicts of interest and their treatment in its report to the Annual General Meeting.

► see also Report of the Supervisory Board, page 4 No former members of HHLA's Executive Board sit on the Supervisory Board.

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

Objectives of the Supervisory Board for its composition

The HHLA Supervisory Board must always be composed in such a way that its members have the necessary knowledge, skills and industry expertise to fulfil their responsibilities properly. In addition, the members as a whole must be familiar

with the sector in which the company operates and at least one member of the Supervisory Board must have expertise in the fields of accounting or the auditing of financial statements. The same applies to the composition of the Audit Committee. In addition, Section 5.4.1 of the Code (in the version dated 5 May 2015) calls for specific objectives to be defined regarding the Supervisory Board's composition. Whilst considering the specifics of the enterprise, these should take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Section 5.4.2 of the Code, an age limit to be specified and a regular limit of length of membership to be specified for the members of the Supervisory Board, as well as diversity.

HHLA's Supervisory Board updated the corresponding targets at its meeting on 9 December 2015. The following objectives have been defined for the composition of the Supervisory Board:

- **Diversity** should be taken into account in the composition of the Supervisory Board. Diversity in the Supervisory Board is – inter alia – reflected by the different career paths and fields of activity of its members who can draw on a wide range of different experiences (such as industry experience). With regard to the appropriate inclusion of women on the Supervisory Board, the company continues to pursue the medium-term goal – beyond the statutory requirements – of increasing the proportion of female shareholder representatives to at least 40 %.
- **International orientation** also plays a role when appointing members to the Supervisory Board. Due to HHLA's business model, the company's operations have a predominantly regional and local focus, which means that it is currently not of paramount importance that members have extensive relevant experience of managing international companies. However, some of the members of the company's Supervisory Board are in possession of such experience. This will also be strived for the future.
- Regarding an **age limit** for members of the Supervisory Board, the rules of procedure of HHLA's Supervisory Board (Section 7 (1) sentence 3) stipulate that only candidates who are under the age of 70 at the time of election should stand for election or re-election as members of the company's Supervisory Board.
- According to Section 7 (1) sentence 5 of the rules of procedure, **membership** of the Supervisory Board should generally not exceed three terms of office.
- Regulations on how to prevent and deal with potential **conflicts of interest** can be found under Section 7 (2) and (3) of the Supervisory Board's rules of procedure. These stipulate that members of the Supervisory Board may not hold a

seat on an executive body of any organisation in direct competition with the company, nor fulfil an advisory role for such organisations. Moreover, Supervisory Board members that are on the executive board of a listed company may not serve on the supervisory boards of more than three listed companies (including HHLA) or on supervisory board committees at third-party companies with similar duties. Each member of the Supervisory Board is obliged to disclose any conflicts of interest to the Supervisory Board as a whole, especially conflicts that may arise as a result of an advisory role or seat on an executive body involving customers, suppliers, creditors or other third parties. If a member of the Supervisory Board has significant conflicts of interest that are not merely temporary, this should result in the termination of his/her period of office. The Supervisory Board notifies conflicts of interest that have arisen and on how these have been handled in its report to the Annual General Meeting. ► see also Report of the Supervisory Board, page 4

- Beyond the regulations listed in the rules of procedure regarding the prevention and treatment of potential conflicts of interest, the Supervisory Board should include **at least two independent members** from among the shareholder's representatives. In the view of the Supervisory Board, this currently corresponds to the structure of equity investments, business sectors and, by extension, HHLA's specific situation. Moreover, it is the opinion of the Supervisory Board that employee representatives should not automatically be considered independent either. It is important to consider the specific circumstances in each case.

The current **composition** basically fulfils the stated targets. The Supervisory Board comprises members with different career paths and a wide range of experience. The age limit was not exceeded by any member at the time of their election. No member has served more than three terms of office on the Supervisory Board. In addition to Prof. Dr. Peer Witten, Chairman of the Supervisory Board and long-serving former member of the Executive Board of the Otto Group, the Supervisory Board includes a further independent member in Dr. Norbert Kloppenburg. Dr. Kloppenburg also has expert knowledge and experience in the fields of accounting, auditing and internal control processes and therefore fulfils the requirements in Sections 100 (5) and 107 (4) AktG and Section 5.3.2 sentences 2 and 3 of the Code.

Shareholders and Annual General Meeting

Shareholders exercise their rights, in particular their voting rights, at the Annual General Meeting. The Annual General Meeting is held in Hamburg, another major German city or the seat of a German stock exchange to which the company's shares have been admitted for trading, within the first eight months of each financial year. Each share entitles its holder to

one vote at the Annual General Meeting. There are no shares with multiple voting rights, no preference shares and no caps on voting rights.

Shareholders may exercise their voting rights at the Annual General Meeting in person, by appointing a representative of their choice or by giving voting instructions to a proxy designated by the company. The articles of association also authorise the Executive Board to allow shareholders to cast their vote in writing or by means of electronic communication (postal vote). The invitation to the Annual General Meeting includes explanations of the participation conditions, the voting procedure (including proxy voting) and the rights of shareholders. In addition, the company has a telephone hotline for shareholders' questions. The reports and documents required by law for the Annual General Meeting, including the Annual Report, are published on the company's website at www.hhla.de/agm together with the agenda. Information on attendance at the Annual General Meeting and the voting results can likewise be found on the company's website after the Annual General Meeting.

German Act on the Equal Participation of Women and Men in Leadership Positions

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

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

members in the employee representative elections held in 2012. The minimum quota has already been met for the shareholder representatives.

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

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

Disclosures on Corporate Management Practices Structure and Management of the Group

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

Compliance

Compliance with corporate guidelines and the statutory provisions relevant to the company's activities (hereinafter also referred to as "compliance") is regarded as an essential part of corporate governance at HHLA. The management team in each corporate unit is therefore responsible for working to achieve compliance with the regulations that are relevant for their field of activity and area of responsibility. Workflows and processes must be structured in line with these regulations. The cornerstone of HHLA's compliance management system (CMS) is a code of conduct, which formulates overriding principles on topics with special relevance for compliance, such as conduct in the competitive environment, the prevention of corruption, discrimination and conflicts of interest, and how to deal with sensitive corporate information, especially insider information, <https://hhl.de/en/investor-relations/corporate-governance/compliance.html>. The code of conduct also sets out the whistleblowing channels available to employees and third parties for reporting evidence of misconduct in the company. The code of conduct is supplemented by further Group guidelines on such matters as the prevention of corruption and

conduct in the competitive environment. A further element of the CMS is the systematic, ongoing analysis of compliance risks. The overall coordination of the CMS is performed by a Compliance Officer, who reports directly to the Executive Board and synchronises his or her activities with those of Internal Audit and Risk Management departments, among others. In the 2016 financial year, further extensive steps were taken to enhance HHLA's compliance management system. These included the continuation of preventive work, e.g. the updating and supplementing of Group guidelines, and the compliance risk inventory, as well as training and other communication measures for staff at HHLA companies in Germany and abroad, such as a refresher course on the code of conduct and training on special issues like the prevention of corruption and conduct in the competitive environment. The Audit Committee monitored the effectiveness of the CMS in the reporting period by means of regular reports from the Executive Board and the Compliance Officer. The system will continue to be enhanced on an ongoing basis.

Sustainability

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

Risk Management

The HHLA Group's risk management system is described in detail in the Risk and Opportunity Report, which forms part of the Group Management Report. ► see Risk and Opportunity Report, page 42

Transparency

HHLA informs capital market participants and interested members of the general public about the position of the company and the Group and important company developments, particularly by means of its financial reporting (annual report, half-yearly financial report and interim statements), press conferences for analysts and financial press conferences, dialogue with analysts and the press, press releases and ad hoc announcements as required, and its Annual General Meetings. As a permanently available and up-to-date communication medium, the website www.hhl.de provides all the relevant information in both German and English. In addition to comprehensive information about the HHLA Group and the HHLA share, it contains a financial calendar, which provides an overview of the main events. Any enquiries over and above this from shareholders, investors and analysts can be addressed to the Investor Relations department.

Accounting and Auditing

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

Financial Reporting Standards (IFRS) as adopted by the European Union. This Annual Report provides further information on IFRS in the Notes to the Consolidated Financial Statements.

► see also Notes to the Consolidated Financial Statements, General Notes, page 82 The appropriation of profits is based solely on the Separate Financial Statements of HHLA.

The choice and appointment of the auditing firm, and the monitoring of its independence and the additional services it provides, are conducted in accordance with statutory provisions. In addition, arrangements have been made with the auditor of the Separate Financial Statements and Consolidated Financial Statements for the 2016 financial year – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg – for the Chairman of the Audit Committee to be informed immediately of any possible grounds for exclusion or bias arising during the audit, insofar as these are not rectified without delay. The auditor should also report immediately on any findings or incidents arising from the audit of the financial statements that are of significance for the Supervisory Board's remit. Furthermore, the auditor is to inform the Supervisory Board and/or record in its report if – when conducting the audit – it identifies facts that indicate that the declaration of compliance issued by the Executive Board and Supervisory Board as per Section 161 AktG is incorrect. The audit conducted includes an extended audit as stipulated under Section 53 of the German Budgetary Procedures Act (HGrG). This requires an audit and assessment of the propriety of the company's management and its financial situation as part of the audit of the Annual Financial Statements.

Directors' Dealings

In the 2016 financial year, the company did not receive any notifications regarding directors' dealings with HHLA shares or related financial instruments. As of 31 December 2016, the Executive Board and Supervisory Board as a whole did not possess more than 1 % of the shares issued by HHLA.

Remuneration Report

Executive Board Remuneration

Following preparatory work by its Personnel Committee, the Supervisory Board is responsible for setting remuneration for individual Executive Board members. The full Supervisory Board is also responsible for regularly examining and making decisions about adjustments to the remuneration system for the Executive Board, although the preparatory work is actually done by the Personnel Committee. When conducting their reviews, the Personnel Committee and the Supervisory Board take into account the recommendations of the German Corporate Governance Code, the responsibilities and performance of each member of the Executive Board, and in particular HHLA's size and activities, its financial and economic position, the amount and structure of executive board remuneration at

comparable companies, and the relationship between the remuneration of the Executive Board and the remuneration of the upper levels of management and the staff in general.

The remuneration system for members of the Executive Board was approved by the company's Annual General Meeting on 14 June 2012. Under this system, remuneration for members of the Executive Board consists of a non-performance-related fixed component, a performance-related bonus, pension commitments and fringe benefits. Following a review in the 2015 financial year, the individual components of Executive Board remuneration were amended slightly and implemented in the contracts recently extended or drawn up. The amendments relate to a moderate increase in the fixed remuneration while capping the variable remuneration, as well as other adjustments in line with the recommendations of the German Corporate Governance Code. The modified provisions apply to all members since 1 January 2017.

Fixed remuneration amounts to € 350,000 p.a. for ordinary members of the Executive Board (prior to amendment: € 325,000) and is paid out in twelve monthly instalments. The chairperson of the Executive Board receives a higher basic salary. In addition, there are fringe benefits (non-monetary compensation) in the form of a right to use an appropriate company car (including for private purposes) and the payment of insurance premiums by the company. The members of the Executive Board pay tax on these benefits as components of their remuneration.

The performance-related bonus is set on the basis of a three-year assessment period and paid out once the Annual Financial Statements have been approved. The calculation is based on the average earnings before interest and taxes (EBIT) for the last three years (before additions to pension provisions and reduced by any extraordinary income from the disposal of real estate and companies), the average return on capital employed (ROCE) and the achievement of targets relating to environmental issues (reduction of the carbon footprint of each container handled and transported) and social issues (broken down into training and continuing professional development, health and employment) in the same period. Target ranges were set for each of the sustainability components. Achieving these targets triggers the payment of the relevant bonus. When making these calculations, roughly equal weight is given to EBIT on the one hand and the above-mentioned sustainability components on the other. As part of the amendments to Executive Board remuneration, variable remuneration was capped at 100 % of basic salary (previously: 150 %). The new cap was implemented in all Executive Board contracts as of 31 December 2016, with the exception of one old contract.

The company usually pays for an appropriate direct insurance policy on behalf of the Executive Board member on their appointment. Members of the Executive Board who are re-appointed on expiry of their initial appointment period are granted pension entitlements. Pensions are paid to entitled Executive Board members after a minimum of five or eight years' service on the Executive Board if they leave the Board for reasons unrelated to their person or for which they are not responsible, or as a result of incapacity or reaching retirement age. Pensions are calculated as a percentage of the entitlement salary, which in turn is based on the annual basic salary. This percentage is between 35 and 50 %. The actual amount depends on the Executive Board member's length of service, whereby adjustments are made not on a linear basis over the contract term, but rather in the case of contract extensions. Several different forms of income are taken into account on an individual basis, such as earnings from self-employment or employment and, in some cases, income from statutory pensions and related benefits from public funds. Surviving spouses of Executive Board members receive a widow(er)'s pension of 55 to 60 % of the pension entitlement and children receive an orphan's allowance of 12 to 20 % of the pension. Should the pension entitlement have been suspended or no longer apply, transitional or interim pay applies for a limited period on the basis of the fixed remuneration.

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

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

As of: 31 December 2016

	0 % minimum	The payment level of the variable remuneration is capped at 100% of the basic salary. ¹	100 % maximum
Performance-related components		Average EBIT (before pension provisions, less extraordinary income)	
Calculated based on a three-year assessment period		Sustainability targets	
		Economy Average return on capital employed (ROCE)	
		Environment CO ₂ reduction ²	
		Social Continuing education and training, health and employment	
Non-performance related fixed salary			
Plus fringe benefits			

¹ In an old contract with a maturity term until 31 December 2016, the cap still amounted to 150 %.

² Per container handled and transported

The members of the Executive Board were not granted any loans or similar payments. Total remuneration disbursed to the members of the Executive Board for their services in the 2016 financial year amounted to approximately € 3.14 million (previous year: € 2.93 million). Former members of the Executive Board and their surviving dependants received total payments of € 692,224 (previous year: € 684,938). Total provisions of € 12,385,982 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 11,398,460).

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

Individual Remuneration of the Executive Board

The following figures comply with the recommendations in Section 4.2.5 of the German Corporate Governance Code (GCGC).

Individual Remuneration of the Executive Board

in €	Klaus-Dieter Peters, Chairman of the Executive Board					
	Benefits granted (target)				Allocation (amount disbursed)	
	2016	2016 Minimum	2016 Maximum	2015	2016	2015
Fixed remuneration	465,000	465,000	465,000	465,000	465,000	465,000
Other benefits	13,772	13,772	13,772	13,772	13,772	13,772
Total	478,772	478,772	478,772	478,772	478,772	478,772
One-year variable remuneration ^{1,2}	447,244	0	697,500	453,755	463,860	463,072
Other	0	0	0	0	0	0
Total remuneration	926,016	478,772	1,176,272	932,527	942,632	941,844
Service cost ³	376,568	376,568	376,568	357,978	376,568	357,978
Total expenses	1,302,584	855,340	1,552,840	1,290,505	1,319,200	1,299,822

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

¹ Variable remuneration includes the elements of the performance-related bonus (EBIT and sustainability components), calculated on the basis of a three-year assessment period.

² For each sustainability component was assumed a target achievement of 100 % and an average probability scenario was used for the EBIT figure based on the forecasts announced to the capital market at the start of each year (in accordance with the comments on model table 1 in the appendix to the GCGC).

³ Service expense as defined in IAS 19 service cost component (in accordance with the comments on model table 1 in the appendix to the GCGC).

Dr. Stefan Behn, Executive Board member

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

Heinz Brandt, Executive Board member

in €	Benefits granted (target)				Allocation (amount disbursed)	
	2016	2016 Minimum	2016 Maximum	2015	2016	2015
Fixed remuneration	325,000	325,000	325,000	325,000	325,000	325,000
Other benefits	12,812	12,812	12,812	12,812	12,812	12,812
Total	337,812	337,812	337,812	337,812	337,812	337,812
One-year variable remuneration ^{1,2}	312,730	0	325,000	317,283	324,397	323,843
Other	0	0	0	0	0	0
Total remuneration	650,542	337,812	662,812	655,095	662,209	661,655
Service cost ³	245,705	245,705	245,705	277,763	245,705	277,763
Total expenses	896,247	583,517	908,517	932,858	907,914	939,418

Dr. Roland Lappin, Executive Board member

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

1 Variable remuneration includes the elements of the performance-related bonus (EBIT and sustainability components), calculated on the basis of a three-year assessment period.

2 For each sustainability component was assumed a target achievement of 100 % and an average probability scenario was used for the EBIT figure based on the forecasts announced to the capital market at the start of each year (in accordance with the comments on model table 1 in the appendix to the GCGC).

3 The maximum figure indicated corresponds to the maximum possible variable remuneration in line with the upper limit of 150 % indicated in the text.

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

5 The figure of 2015 included past service costs of € 547,172 million associated with the adjustment of the pensions commitment for Mr. Dr. Roland Lappin with effect from 1 May 2016.

Supervisory Board Remuneration

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

for less than one full financial year receive a corresponding pro rata payment. Furthermore, Supervisory Board members receive a meeting attendance fee of € 250 for each meeting of the Supervisory Board or one of its committees. There is no variable remuneration component.

No loans or similar payments were granted to members of the Supervisory Board. Other than the usual market remuneration payable to the employee representatives under their contracts of employment, the members of the Supervisory Board did not receive any other payment for additional services rendered. The total remuneration paid to members of the Supervisory Board amounted to € 327,292 (previous year: € 299,625).

Individual Remuneration of Supervisory Board Members

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

All figures excluding VAT.

Additional Information on Takeover Law and Explanatory Notes

1. The subscribed capital of the company amounts to € 72,753,334.00. It is divided into 72,753,334 registered no-par-value shares with a pro-rata share of the company's share capital of € 1.00 each. Of this amount, 70,048,834 are Class A shares and 2,704,500 are Class S shares (class of shares). The Class S shares only provide for participation in the net profit/loss and net assets of the S division, and the Class A shares only provide for participation in the net profit/loss and net assets of the remainder of the company (A division). The S division consists of the part of the company that deals with the acquisition, holding, selling, letting, management and development of

properties not specific to port handling (Real Estate subgroup). All other parts of the company (Port Logistics subgroup) form the A division. The dividend entitlement of holders of Class S shares is based on the proportion of the distributable profit for the year attributable to the S division, and the dividend entitlement of holders of Class A shares is based on the remaining proportion of distributable profit for the year (Article 4 (1) of the articles of association). Each share entitles the holder to one vote at the Annual General Meeting (Article 20 (1) of the articles of association) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG) and the articles of association. If the statutory provisions require a

special resolution to be adopted by holders of a given class of shares, only the holders of that class of shares shall be entitled to vote.

2. To the Executive Board's knowledge, there are no restrictions on voting rights or the transfer of shares, including those arising from agreements between shareholders.

3. For details on direct or indirect capital shareholdings, which entitle the holder to more than 10 % of the voting rights, see the ► Notes to the Consolidated Financial Statements, Note 35, page 117 and Note 48, page 142.

4. There are no shares with special rights granting powers of control.

5. Employees who hold stakes in the company's equity exercise their shareholders' rights at their own discretion. There is therefore no control of the voting rights.

6.1 As per Article 8 (1) of the articles of association of Hamburger Hafen und Logistik Aktiengesellschaft, the Executive Board consists of two or more people. Members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Co-Determination Act (MitbestG) and Article 8 of the articles of association.

6.2 Amendments to the articles of association can be made by means of a resolution of the Annual General Meeting. In line with Sections 179 and 133 of the German Stock Corporation Act (AktG) and Article 22 of the articles of association, a simple majority of the votes cast at the Annual General Meeting is sufficient for amendments to the articles of association. If a capital majority is required in addition to a majority of the votes, a simple majority of the share capital represented when the resolution is passed suffices. In the case of amendments to the articles of association for which the law prescribes a larger voting or capital majority, the legally required majority applies. In accordance with Article 11 (4) of the articles of association, the Supervisory Board is authorised to carry out amendments to the articles of association that relate only to the wording. If an amendment to the articles of association in connection with a capital increase or steps taken in accordance with the German Reorganisation of Companies Act (UmwG) is designed to change the relationship between Class A and Class S shares, special resolutions by the Class A and Class S shareholders affected are required as per Section 138 AktG. Amendments to the articles of association become effective when they are recorded in the commercial register.

7.1 Subject to the approval of the Supervisory Board, the Executive Board was authorised by the Annual General Meeting on 14 June 2012 to increase the company's share capital until 13 June 2017 by up to € 35,024,417.00, by issuing up to 35,024,417 new registered Class A shares for subscription in cash and/or kind in one or more stages (Authorised Capital I, see Article 3 (4) of the articles of association). The statutory subscription right of the holders of Class S shares shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class A shares in those cases covered in more detail in the resolution, such as issue for contributions in kind.

7.2 Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised under Article 3 (5) of the articles of association to increase the company's share capital until 13 June 2017 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares by subscription in cash and/or kind in one or more stages (Authorised Capital II). The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is further authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class S shares as is necessary to equalise fractional amounts.

7.3 The Annual General Meeting on 16 June 2016 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 16 June 2019 bearer or registered bonds with warrants or convertible bonds or combinations of these instruments (hereinafter known collectively as "debenture bonds") and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered Class A shares in the company, each representing € 1.00 of the share capital, subject to the detailed terms of the debenture bonds. The total nominal amount of the debenture bonds issued under this authorisation may not exceed € 200,000,000.00. The debenture bonds are to be divided into separate securities of the same class, each with equal rights. The debenture bonds may be denominated in euros or in the legal currency of an OECD member state for up to an amount equivalent to the total nominal amount in euros. They may also be issued by companies in which the company indirectly or directly holds a majority interest. The respective terms may also provide for a warrant or conversion obligation as well as an issuer put option to provide Class A shares in the company as of the end of the term or at an earlier date. Class S shareholders' subscription rights are excluded. The Executive Board is also authorised, subject to the approval of the Supervisory Board, to exclude Class A shareholders' subscription rights to the separate securities in full or in part in order to equalise fractional amounts, to grant subscription rights to the holders or creditors of warrants and/or debenture bonds and to the extent that debenture bonds

are issued for cash, whereby debenture bonds with rights, options or obligations to convert them into Class A shares or an issuer put option for Class A shares may account for no more than 10 % of the share capital attributable to Class A shares. Furthermore, the issue of debenture bonds while excluding the subscription rights of Class A shareholders is limited to a total of 20 % of the share capital attributable to Class A shares. All Class A shares issued or that are still to be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit. As per Article 3 (6) of the articles of association, contingent capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This is made up of 10,000,000 new registered Class A shares.

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

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

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

7.5 Under Article 6 of the articles of association and Section 237 (1) AktG, the company is authorised to cancel Class A or S shares against payment of appropriate compensation if the shareholders whose shares are to be cancelled have given their consent.

8. The following material agreements include regulations that apply in the case of a change of control, as may result from a takeover bid:

In September 2015, the company took out three promissory note loans with a total volume of € 53,000,000 and issued a total of 44 registered bonds with a combined nominal value of € 22,000,000. Partial repayments will be due between 30 September 2022 and 30 September 2025 for the promissory note loans and between 30 September 2027 and 30 September 2030 for the registered bonds. If there is a change of control at HHLA, the holders or creditors of registered bonds and promissory note loans and tranches thereof are entitled to demand early repayment. However, the creditors of promissory note loans and tranches thereof are only entitled to demand such early repayment if the parties cannot come to an agreement regarding the continuation of the respective loan, and the lender concerned cannot be reasonably expected – taking into account HHLA's legitimate interests – to accept the continuation of the unchanged loan agreement. A change of control can be said to have taken place if the Free and Hanseatic City of Hamburg directly or indirectly holds less than 50.1 % of the voting rights in HHLA.

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

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

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

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

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

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

Company Overview

Structure and Commercial Activities

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

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

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

Employees

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

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

Economic Environment

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

Earnings Position

Key Figures

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

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

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

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

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

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