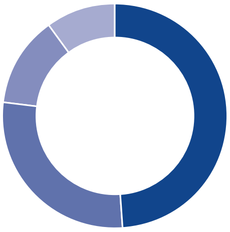
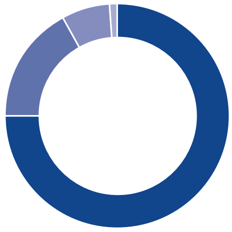
Source of Added Value
Production value 2016: € 1,240 million = 100 %



- **49 %** Added value
- **28 %** Cost of materials
- **13 %** Other operating expenses
- **10 %** Depreciation/ amortisation

Application of Added Value
Net added value 2016: € 605 million = 100 %



- **75 %** Employees
- **17 %** Shareholders
- **7 %** Public authorities
- **1 %** Lenders

Economy

Net added value rose by 10.9 % to € 605.3 million in the 2016 financial year. At 48.8 %, the added value ratio was slightly up on the previous year. Net added value serves as an indicator of the economic value creation of a business activity. It is calculated by taking the production value and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, shareholders, the state (taxes) and lenders. The largest proportion, 74.7 % or € 451.9 million, went to employees.

Value Added in the HHLA Group

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

Employees

Strategic HR Management

HR Strategy

People and the organisation are at the heart of our personnel work. Highly competent and hard-working managers and employees form the foundation of our success. Long-term qualitative and quantitative personnel planning and development strategies for the entire company have been established in Hamburg. The ongoing development of specialist, management and project careers, and permeability between different career paths are the central aims of our personnel strategy. The numerous options to create a work-life balance according to the employee's current circumstances and the ongoing development of working-time systems form the cornerstone for long employee service at HHLA.

Organisation and Control

HR management is established as a central division at Executive Board level. This organisational structure ensures that strategic HR guidelines can also be implemented throughout the Group. The specialist department provides tailored HR and organisational development programmes for staff on all career paths and at all levels of the hierarchy within the German companies. The performance of both professionals and managers is systematically enhanced and developed and continuously overseen by the HR Management team. The same applies to all organisational development measures.

Diversity Management

Diversity management has been an integral part of strategic HR management for many years now. HHLA believes that a balanced mix of cultures, genders and age groups forms the foundation for commercial success. The company strives to achieve such diversity in all of its companies. This applies in particular to temporary cross-company working and project groups.

Headcount

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

Employees

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

Employees by Region

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

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

Employees by Segment

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

Recruitment

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

Since 2013, HHLA has been employing a self-developed **selection process** (assessment centre) that not only considers the applicant's personal and professional suitability, but also diversity aspects. These processes have been used for all blue-collar roles since the end of 2013 and at all container terminals in Hamburg as of 2014. Members of the company's staff selection panels receive special training. In addition, the selection panel must include at least one woman for all selection processes in which the pool of applicants includes women.

Recruitments

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

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

Personnel Structure

The majority of jobs at HHLA are in a segment of the labour market in which men are traditionally employed and women are proportionately less represented. The positive trend of the previous years continued in 2016 and the ratio of women employed by HHLA in Germany increased once again (including apprentices). At 15.4 %, the ratio of women employed by the company was 0.2 percentage points higher than in the previous year (15.2 %).

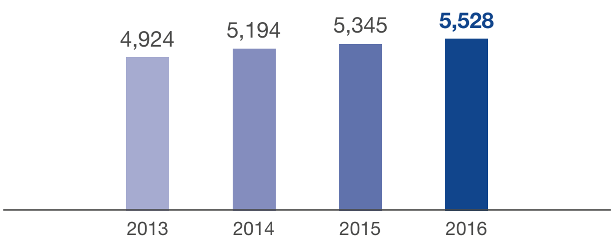
Based on the German Law for the Equal Participation of Women and Men in Leadership Positions, the Executive Board had already set a target quota of 25 % for women in first-level management positions directly beneath the Executive Board in the previous year (status as of 31 December 2016: 17 %; previous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

Age Structure

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

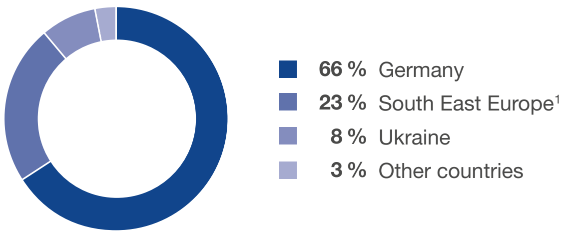
Development of Employees

HHLA Group as of 31.12.



Employees by Region

as of 31.12.2016



1 Czech Republic, Slovakia, Hungary, Slovenia

Age Structure of Employment

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

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

Average Employment Period

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

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

Training and Professional Development

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

Vocational Training and Studying

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

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

Cooperation agreements with technical colleges and specialised grammar schools were further intensified to maintain a steady flow of suitable candidates for professions with a focus on mathematics, IT, science and technology. Internships were offered to students studying technical professions in particular. The careers in which the company offers apprenticeships are presented at training fairs and schools by the respective departments with the aid of current apprentices. In 2016, the company participated in ten fairs in the greater Hamburg area.

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

Training and Qualification

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

HHLA's internal seminars are designed to develop the professional, methodical and social skills of specialists and managers. All internal seminars are open to staff from various departments and companies. These seminars also help foster an understanding of the diverse tasks, roles and functions in the Group's various business fields.

Contracts, Remuneration and Additional Benefits

Collective Labour Agreements

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

In May 2016, the parties to the labour agreement – the Association of German Seaport Operators (Zentralverband der deutschen Seehafenbetriebe e.V. or ZDS) and the trade union ver.di – agreed wage table increases of 2.5 % from 1 June 2016 with a twelve-month term for port workers at companies that operate at German seaports. Similar deals have been reached for further wage agreements of the HHLA Group. One component of the labour agreements is a collective demographic fund financed by HHLA to actively address demographic change and ensure age-, ageing- and performance-appropriate working conditions. Funds can only be withdrawn from the fund from 2021 onwards.

Appraisal and Remuneration Systems

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

The return on capital employed (ROCE) is also a significant parameter for determining variable remuneration components for executives and employees not covered by collective labour agreements. Performance-related remuneration components at executive level are calculated over a period of several years. This further enhances the focus on sustainable, long-term targets.

Flexible Working Models

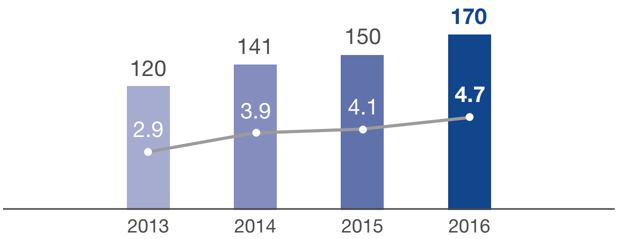
A growing number of people across all employee groups and hierarchy levels in Germany are taking up the option of working part-time to tailor their working hours to different life stages. Offering part-time work is therefore an important way of retaining staff at the company. Allowing staff to adapt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

Working Lifetime Accounts

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

Developments in HHLA's Part-time Employees

in Germany as of 31.12.



Part-time share in %

Occupational Safety and Health Promotion

Occupational Safety

Numerous preventive measures and guidelines are in place to ensure that staff from both HHLA and external companies, customers, suppliers and visitors do not come to bodily harm, which is a key concern for HHLA. The company strives to continually improve health and safety in the workplace and considers this an important task for its managers. These measures are geared towards specific needs at the sites. The issues of all employees in Hamburg are represented by occupational safety committees. Key measures are evaluated at the statutory meetings of these occupational safety committees, which are held four times a year.

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

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

In 2016, there were 99 notifiable accidents (excluding accidents when commuting) at the companies in Hamburg in which HHLA owns a stake of over 50 %. This represents a decline of 10.8 % (previous year: 111).

Health Management

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

Economic Environment

Macroeconomic Development

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

Development of Gross Domestic Product (GDP)

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

Source: International Monetary Fund (IMF), January 2017

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

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

Sector Development

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

Development of Container Throughput by Region

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

Source: Drewry Maritime Research, December 2016