

Dear shareholders,

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

Working Relationship between the Supervisory Board and the Executive Board

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

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

The Work of the Supervisory Board

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

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

The financial statements meeting held on 23 March 2016

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

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

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

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

At the second **special meeting on 12 October 2016**, the Supervisory Board discussed Executive Board matters, in particular the question of whether to fill the position vacated by Dr. Behn after he announced that he would leave the Executive Board as of 31 March 2017. Not least with regard to the current market environment and the forthcoming challenges,

the Supervisory Board decided to fill this position and tasked the Personnel Committee with searching for suitable candidates. ► see Personnel Changes, page 26

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

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

Committee Work

The Supervisory Board has set up a total of six committees: the Finance Committee, the Audit Committee, the Real Estate Committee, the Personnel Committee, the Nomination Committee and the Arbitration Committee. They prepare the resolutions of the Supervisory Board in full council and, to the extent permitted, make decisions on behalf of the Supervisory Board in certain cases. The chairs of the committee report to the Supervisory Board about the committees' activities at the respective next Supervisory Board meeting. With the exception of the Nomination Committee, all of the committees include an equal number of shareholder and employee representatives.

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

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

Prof. Dr. Peer Witten

Chairman of the Supervisory Board



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

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

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

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

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

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

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

Corporate Governance

The annual declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) was discussed in detail and prepared together with the Executive Board at the Audit Committee meeting on 25 November 2016 before being adopted by the Supervisory Board at its meeting on 9 December 2016. The joint declaration of compliance by the Executive Board and the Supervisory Board dated 9 December 2016

is permanently available to the general public on the HHLA website www.hhla.de/en/investor-relations/corporate-governance.

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

Audit of Financial Statements

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

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

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

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

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

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

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

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

Having discussed the course of the audit and its results in detail, and after an in-depth review of the auditors' reports in full council and on the basis of the Supervisory Board's review and

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

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

Personnel Changes

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

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

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

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

Hamburg, 24 March 2017
The Supervisory Board



Prof. Dr. Peer Witten
Chairman of the Supervisory Board

Members of the Supervisory Board

Prof. Dr. Peer Witten

Chairman of the Supervisory Board

Former member of the Otto Group Executive Board

Wolfgang Abel

Vice Chairman

Trade union secretary, ver.di Hamburg

Torsten Ballhause

Local manager of the Transport division, ver.di Hamburg

Petra Bödeker-Schoemann

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

Dr. Rolf Bösing (since 18 February 2016)

State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Dr. Bernd Egert

Former State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Holger Heinzel

Director of Finance and Controlling at HHLA

Dr. Norbert Kloppenburg

Member of the Executive Board of KfW Bankengruppe

Andreas Kummer (since 15 July 2016)

Chairman of the works council of HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH

Frank Ladwig (until 25 July 2016)

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

Stephan Möller-Horns (until 9 February 2016)

Departmental head at the Hamburg Ministry for the Economy, Transport and Innovation

Arno Münster (until 14 July 2016)

Port technician, Hamburg

Thomas Nahr (since 26 July 2016)

Member of the joint works council of HHLA

Norbert Paulsen

Chairman of the joint works council of HHLA

Dr. Sibylle Roggencamp

Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

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