

Dear shareholders,

In the 2017 financial year, the Supervisory Board dutifully fulfilled the responsibilities entrusted to it by law, the company's articles of association and rules of procedure, and the German Corporate Governance Code. The Supervisory Board continuously monitored the Executive Board's management of business, provided advice on the company's further strategic development as well as on important individual measures, and ensured that the firm was managed lawfully, properly and appropriately. It also constantly monitored the organisation of the company and the Group, the risk management system and the economic viability of management activities, and was satisfied that all of them were fit for purpose.

Working Relationship between the Supervisory Board and the Executive Board

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

The Work of the Supervisory Board

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

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

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

The financial statements meeting held on 24 March 2017

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

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

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

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

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

As a general rule, Supervisory Board meetings are attended by all of its members and – provided Executive Board matters or internal Supervisory Board topics are not discussed – the members of the Executive Board as well. The average attendance at the meetings of the Supervisory Board and its committees in the reporting period was approximately 89 %. With the exception of Ms. Petersen and Ms. Schwiegershausen-Güth, who have only held Supervisory Board seats since the re-elections in June 2017, no member of the Supervisory Board attended half or fewer of the meetings of the Supervisory Board and the committees to which they belong. No conflicts of interest regarding members of the Executive Board or the Supervisory Board arose in the reporting period. The Supervisory Board does not include any former members of the company's Executive Board.

Committee Work

The Supervisory Board has set up a total of six committees: the Finance Committee, the Audit Committee, the Real Estate Committee, the Personnel Committee, the Nomination Committee and the Arbitration Committee. Following any committee work, the chairs report to the Supervisory Board about the committees' activities. With the exception of the Nomination Committee, all of the committees include an equal number of shareholder and employee representatives. ► see also Note 49 in the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 143

Prof. Dr. Rüdiger Grube

Chairman of the Supervisory Board



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

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

The **Audit Committee's** work regularly focuses on overseeing accounting, the accounting process and the audit. This includes monitoring the effectiveness of the audit, the internal control system, the risk management system, the internal audit system and compliance, along with the compliance management system. Furthermore, the Audit Committee oversees the choice of the auditing firm and its qualifications, efficiency and independence in addition to the reliability of any additional services provided by the auditor (non-audit services). To assist with this, the Audit Committee has adopted a catalogue listing approved non-audit services by type and scope. Other key issues at the various meetings during the reporting period included a detailed discussion and examination of HHLA's Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the 2016 financial year (March meeting). This was followed by an in-depth consideration of the six-monthly financial report for 2017 and its review (August meeting). At both meetings, representatives of the auditors reported on the results of the audit or review and were available to answer questions. During the period under review, the committee also concentrated on the interim statements for the first and third quarters, the work performed by Internal Audit and the various new requirements relating to annual reporting and auditing. At its last meeting, the Audit Committee concentrated primarily on the focus areas for the audit of the Annual and Consolidated Financial Statements for the 2017 financial year, the findings of the 2017 risk and opportunity inventory, the planning of the 2018 audit, prepar-

ing the declaration of compliance with the German Corporate Governance Code and the Annual Report by the Compliance Officer.

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

The **Real Estate Committee** held two meetings in the reporting period. It focused on the general development of business, along with the discussion and audit of HHLA's Annual Financial Statements – including the separate financial statements of the S division – as well as the Consolidated Financial Statements, the Combined Management Report and the Separate Financial Statements of the real estate companies for the 2016 financial year (March meeting), each in relation to the Real Estate subgroup (S division). The committee also dealt with the budget for 2018, the medium-term planning for 2019 to 2022 and approving the conclusion of various lease agreements (December meeting).

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

The **Personnel Committee** met a total of seven times in the 2017 financial year. These meetings focused on preparing personnel decisions to be taken by the Supervisory Board, namely the selection of a successor for Dr. Behn, who left the Executive Board with effect as of 31 March 2017.

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

Corporate Governance

The annual declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) was prepared together with the Executive Board at the **Audit Committee meeting on 12 December 2017** and adopted by the Supervisory Board at its **meeting on 18 December 2017**. The current declaration and the declarations of compliance relating to previous years can be viewed by the public on HHLA's website at ► www.hhla.de/corporategovernance at any time. In addition to this, the current declaration of compliance and further information about corporate governance can be found in the Corporate Governance section of the Management Report. ► see also Corporate Governance, page 46

Audit of Financial Statements

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

The auditors carried out an audit of HHLA's Annual Financial Statements for the 2017 financial year as provided by the Executive Board, including the divisional financial statements for the A division (Port Logistics subgroup) and the S division (Real Estate subgroup) presented as part of the Notes, in line with the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements for the 2017 financial year including the subgroup financial statements for the A and S divisions in accordance with the International Financial Reporting Standards (IFRS) that apply in the European Union and the additional requirements of German commercial law pursuant to Section 315e HGB, and the Combined Management Report for HHLA and the Group for the 2017 financial year. They issued an unqualified opinion with respect to each of the foregoing.

The auditors also audited the report prepared by the Executive Board on company transactions with related parties for the 2017 financial year in line with Section 312 of the German Stock Corporation Act (AktG), delivered a written report on their findings and, having no objections to make, gave the Report the following unqualified opinion:

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

Finally, the auditors audited the report prepared by the Executive Board in line with Article 4 (5) of the articles of association applied analogously to Section 312 of the German Stock Corporation Act (AktG) on the relationship between the A division and the S division for the 2017 financial year, delivered a written report on their findings and, having no objections to make, gave the report the following unqualified opinion:

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

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

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

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

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

Personnel Changes

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

Scheduled Supervisory Board re-elections were held in the year under review. At the re-elections of shareholder representatives by the Annual General Meeting on 21 June 2017, existing members Petra Bödeker-Schoemann, Dr. Rolf Bösing, Dr. Norbert Kloppenburg and Dr. Sibylle Roggencamp were elected for a further term of office. Prof. Dr. Peer Witten and Dr. Bernd Egert left the Supervisory Board when their terms of office ended on 21 June 2017. The Annual General Meeting elected Prof. Dr. Rüdiger Grube and Michael Westhagemann to the Supervisory Board in their place. At its constitutive meeting, the Supervisory Board subsequently appointed Prof. Dr. Rüdiger Grube as Chairman of the Supervisory Board and Berthold Bose as Vice Chairman. Following the re-elections, there were also a number of changes to the make-up of the Supervisory Board committees. ► see also Note 49 of the Notes to the Consolidated Financial Statements, Board Members and Mandates, page 143 The Supervisory Board would like to thank Prof. Dr. Witten and Dr. Egert for their good work and dedication to the Supervisory Board.

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

Hamburg, 23 March 2018

The Supervisory Board



Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board

Members of the Supervisory Board

Prof. Dr. Rüdiger Grube

Chairman of the Supervisory Board

Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg

Berthold Bose

Vice Chairman

Head of ver.di Hamburg

Petra Bödeker-Schoemann

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

Dr. Rolf Bösing

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

Dr. Norbert Kloppenburg

International investments and financing consultant

Thomas Lütje

Director of Sales at HHLA

Thomas Mendrzik

Chairman of the works council of CTA

Norbert Paulsen

Chairman of the joint works council of HHLA

Sonja Petersen

Clerical employee at CTB

Dr. Sibylle Roggencamp

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

Maya Schwiegershausen-Güth

Trade union secretary, ver.di

Michael Westhagemann

Management consultant for innovation and technology

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